



**FORT LEWIS COLLEGE**

**FINANCIAL AND COMPLIANCE AUDIT**  
**Fiscal Years Ended June 30, 2006 and 2005**

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**FORT LEWIS COLLEGE  
FINANCIAL AND COMPLIANCE AUDIT  
REPORT SUMMARY  
FISCAL YEARS ENDED JUNE 30, 2006 AND 2005**

**Authority, Purpose and Scope**

The audit of Fort Lewis College was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies and educational institutions. The 2005 and 2006 audits were conducted under contract with Chadwick, Steinkirchner, Davis & Co., P.C. The audit was made in accordance with audit standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Audit work was performed during June through August 2006.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Fort Lewis College for the years ended June 30, 2006 and 2005 and to express an opinion on the financial statements. Review internal controls as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with rules and regulations governing the expenditures of federal and State funds.
- Express an opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2006.
- Evaluate progress in implementing prior audit recommendations.
- Fort Lewis College's schedule of expenditures of federal awards and applicable opinions thereon, issued by the Office of the State Auditor, are included in the June 30, 2006, Statewide Single Audit Report issued under separate cover.

**Audit Results and Summary of Major Audit Findings**

Chadwick, Steinkirchner, Davis & Co., P.C. expressed an unqualified opinion on the financial statements for the years ended June 30, 2006 and 2005.

Chadwick, Steinkirchner, Davis & Co., P.C. also expressed an unqualified opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2006.

## **Required Auditor Communications to the Legislative Audit Committee**

The auditor is required to communicate to the Legislative Audit Committee certain matters related to the conduct of the audit and to ensure that the Legislative Audit Committee receives additional information regarding the scope and results of the audit that may assist the Legislative Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee in this report and include among other items, that no audit adjustments were required and there were no difficulties encountered in performing the audit.

## **SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS**

There were no reported findings and recommendations resulting from the audit work completed for fiscal year 2006.

### **Summary of Progress in Implementing Prior Audit Findings**

A detailed description of the prior year audit comment and disposition of prior audit findings is contained in the findings and recommendations section of the report.

# MISSION, HISTORY, ENROLLMENT, AND STAFFING

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## MISSION

The following mission statement has been adopted by the Board of Trustees for Fort Lewis College.

The mission of Fort Lewis College is to open minds and kindle thought and action by instilling in students knowledge, a desire to acquire knowledge, the tools for doing so, and an understanding of how knowledge can be put to use for a common good. The experiences students have here should help them learn to live wisely and should make a significant difference in their futures by enabling them to pursue their own educational goals throughout their lives. They should be able to demonstrate thoughtful scholarship in pursuing and weighing knowledge. They should be able to communicate and cooperate with others. The College should also play an active role in the community and the region as a multifaceted learning resource.

Fort Lewis College has chosen to pursue its mission via its historic role as an undergraduate, public, four-year liberal arts college. Because of the liberal arts focus, we require common general studies courses which include the fine arts, humanities, social sciences, mathematics, and the natural sciences in addition to more specialized junior and senior courses offered through the various majors. Our curriculum is designed both to ensure that students understand the values and assumptions implicit in their major fields of study and to prepare them for a rapidly changing world.

The College's first obligation is to create a personalized learning environment in which faculty and staff are accessible to all of its students. Therefore excellence in classroom teaching is our first priority. We are committed to hiring experienced faculty and professional staff dedicated to teaching and to working directly with students. The College also supports and encourages research, scholarly inquiry and creative performance by its faculty in order to enhance their work with students and the students' own work. We will continue to acquire the resources necessary to fulfill our primary mission.

It is essential to Fort Lewis College's mission that we contribute to the cultural diversity and economic development of the Four Corners region. To play an active role in the community, state and region, we must ensure that our programs fulfill the needs of our student population and the residents of our area. Our ethnic and regional heritage must be reflected in the make-up of our student body, in our special programs, and in our curriculum. Because of terms established in the original charter of the College, we have an honored tradition of providing tuition-free education for American Indian students. The College will continue to enhance educational opportunities for other minority groups, especially those originating in the Southwest. While a large percentage of our students should continue to come from Colorado, the College will encourage enrollment of students from other regions and from abroad in order to provide a diversified student body.

# MISSION, HISTORY, ENROLLMENT, AND STAFFING

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## HISTORY

Fort Lewis College is named for Fort Lewis, a U.S. Army Post established in 1878 at Pagosa Springs, Colorado. Two years later, the military post moved to Hesperus, Colorado, a location more central to Indian settlements and pioneer communities. The U.S. government abandoned the site as a military post in 1891, and in its stead, established Fort Lewis as a school offering free education to Native American students.

By 1911, Congress had deeded the Hesperus site to the State of Colorado, which then established a high school of agriculture under the supervision of the State Board of Agriculture. The school began to offer some college-level courses in 1925, and in 1933, Fort Lewis began to offer college courses exclusively. In 1948, Fort Lewis was officially designated a junior college with its own president.

Fort Lewis moved to the Durango campus in 1956. The first baccalaureate degrees were granted in 1964. In 1986, Fort Lewis joined the Colorado State University System under the governance of the State Board of Agriculture. Colorado State University in Fort Collins and the University of Southern Colorado in Pueblo were sister institutions in the system. In 2002, the Board of Trustees for Fort Lewis College began governance of the College separate from the State Board of Agriculture.

Fort Lewis continues to honor its historic commitment to Native Americans by offering tuition scholarships to all qualified American Indians who meet admission requirements. It is the only college in Colorado to do so, as it has for more than 100 years.

Fort Lewis College's statutory authority is in the Colorado Revised Statutes (CRS) 23-52-101.

## ENROLLMENT

Enrollment data for the past three years are presented below as student full-time equivalents (FTE.) Each FTE is equal to 30 credit hours during the fiscal year.

	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Resident FTE	2,656.0	2,733.0	2,727.0
Non-Resident FTE	<u>1,056.0</u>	<u>1,127.0</u>	<u>1,214.0</u>
Total FTE Students	<u>3,712.0</u>	<u>3,860.0</u>	<u>3,941.0</u>

# MISSION, HISTORY, ENROLLMENT, AND STAFFING

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## STAFFING

Staffing data for the past three years are presented below as employee full-time equivalents (FTE.) Each faculty FTE is equal to 30 credit hours taught during the fiscal year. Each staff FTE is equal to working 2,080 hours each fiscal year.

	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Faculty FTE	201.3	197.0	216.4
Staff FTE	<u>254.7</u>	<u>275.0</u>	<u>386.6</u>
Total FTE	<u>456.0</u>	<u>472.0</u>	<u>503.0</u>



## FINDINGS & RECOMMENDATIONS SECTION

## **AUDITORS' FINDINGS AND RECOMMENDATIONS**

Fort Lewis College had no audit findings or recommendations in the current year.

**FORT LEWIS COLLEGE**  
**Disposition of Prior Audit Recommendations**

**June 30, 2006**

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**Summary of Progress In Implementing Prior Audit Recommendations**

The audit report for the year ended June 30, 2005 included one recommendation.  
The disposition of this audit recommendation as of June 30, 2006 was as follows:

	<b>Recommendation</b>	<b>Disposition</b>
1	Document internal control policies and procedures and communicate them clearly to employees with responsibilities for monitoring compliance with Perkins Loans requirements. This plan should include assignment of specific College personnel to be responsible for the monitoring of procedures of the third-party contract performance.	Implemented

FINANCIAL STATEMENTS SECTION

**INDEPENDENT AUDITORS' REPORT**

August 24, 2006

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of Fort Lewis College, a component unit of the State of Colorado, as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Fort Lewis College Foundation, the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Lewis College Foundation, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Fort Lewis College and the discretely presented component unit as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2006 on our consideration of Fort Lewis College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



August 24, 2006  
Page Two

Management's Discussion and Analysis on pages ten through fifteen is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Chadwick, Steinkirchner, Davis & Co., P.C.

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2006 AND 2005

Fort Lewis College management is pleased to present this discussion and analysis of the College. It provides an analysis of the College's financial activities based on currently known facts, decisions, and conditions.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2006:

- The College's financial position, as a whole, improved slightly during the year ended June 30, 2006. The combined net assets increased \$610,329 or .67% over the prior year.
- The State General Fund appropriation was discontinued and replaced with the College Opportunity Fund (COF) Program. The funding components in the program include student stipends and a Fee for Service (FFS) contract. The shift to stipends resulted in increased net tuition and fee revenue of \$4,858,522 and the College recognized \$2,537,022 in Fee for Service revenue.
- Gross tuition and fee revenue increased by 33% from the previous year, primarily due to the change in funding structure as a result of the COF.

Year Ended June 30, 2005:

- The College's financial position, as a whole, declined slightly during the year ended June 30, 2005. The combined net assets decreased \$1,528,195 or 1.7% from the previous year.
- State General Fund appropriations remained the same as in the previous year. This was a result of a weak state economy and legal funding requirements for other state programs.
- Gross tuition and fee revenue increased by 3.7% from the previous year, primarily due to the change in fulltime tuition threshold increasing from 8 credit hours to 10 credit hours.

This report consists of three basic financial statements, including the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows. The statements provide information on the College as a whole and report on all of the College activities including instruction, research, public service, and support services. The Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets report financial position and financial activity using the accrual basis of accounting (reporting all of the year's revenues and expenses when earned or incurred, rather than when the cash is received or paid.) The financial statements and notes are presented for the reporting entity of the College that includes Fort Lewis College and the Fort Lewis College Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.)

STATEMENTS OF NET ASSETS

The Statements of Net Assets report assets, liabilities, and net assets (the difference between assets and liabilities.) A condensed Statement of Net Assets is shown on the next page.

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2006 AND 2005

Condensed Statements of Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current Assets	\$17,604,738	\$15,589,419	\$15,706,433
Noncurrent Assets	<u>94,892,376</u>	<u>97,550,681</u>	<u>99,206,029</u>
Total Assets	<u>112,497,114</u>	<u>113,140,100</u>	<u>114,912,462</u>
Current Liabilities	7,844,210	7,788,434	6,821,468
Noncurrent Liabilities	<u>13,400,636</u>	<u>14,709,725</u>	<u>15,920,858</u>
Total Liabilities	<u>21,244,846</u>	<u>22,498,159</u>	<u>22,742,326</u>
Net Assets:			
Invested in capital assets, net of related debt	76,592,441	78,314,159	78,894,271
Restricted	8,742,506	7,293,465	7,437,184
Unrestricted	<u>5,917,323</u>	<u>5,034,317</u>	<u>5,838,681</u>
Total Net Assets	<u>\$91,252,270</u>	<u>\$90,641,941</u>	<u>\$92,170,136</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses and Changes in Net Assets report the results of operating and nonoperating revenues and expenses during the year, as well as the resulting increase or decrease in net assets at the end of the year.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2005</u>	<u>Year Ended June 30, 2004</u>
Operating Revenues			
Tuition and Fees, Net	\$18,094,160	\$13,235,638	\$13,008,226
Grants and Contracts	15,310,951	14,648,284	14,324,200
Auxiliary Services, Net	12,747,081	12,427,688	11,102,097
Other	<u>526,713</u>	<u>506,620</u>	<u>506,149</u>
Total Operating Revenues	<u>46,678,905</u>	<u>40,818,230</u>	<u>38,940,672</u>
Operating Expenses	<u>50,412,593</u>	<u>50,640,385</u>	<u>47,236,026</u>
Net Operating Revenues (Expenses)	<u>(3,733,688)</u>	<u>(9,822,155)</u>	<u>(8,295,354)</u>
Nonoperating Revenues (Expenses):			
State Fee for Service Agreement	2,537,022	-	-
State Appropriations	-	7,435,158	7,435,161
Other Net Nonoperating Revenues	<u>1,501,051</u>	<u>792,806</u>	<u>426,867</u>
Net Nonoperating Revenues	<u>4,038,073</u>	<u>8,227,964</u>	<u>7,862,028</u>
Income (Loss) Before Other Revenues, Expenses, or Transfers	304,385	(1,594,191)	(433,326)
State Capital Contributions	6,125	30,406	711,258
Capital Grants and Gifts	<u>299,819</u>	<u>35,590</u>	<u>759,889</u>
Increase (Decrease) in Net Assets	610,329	(1,528,195)	1,037,821
Net Assets – Beginning of Year	<u>90,641,941</u>	<u>92,170,136</u>	<u>91,132,315</u>
Net Assets – End of Year	<u>\$91,252,270</u>	<u>\$90,641,941</u>	<u>\$92,170,136</u>



FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2006 AND 2005

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows report relevant information about the cash receipts and cash payments of the College during the year.

Condensed Statements of Cash Flows

	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2005</u>	<u>Year Ended June 30, 2004</u>
Cash Provided (Used) by:			
Operating Activities	\$ 928,085	(\$5,117,792)	(\$3,858,962)
Noncapital Financing Activities	4,067,188	8,163,096	8,337,584
Capital and Related Financing			
Activities	(3,298,612)	(4,481,721)	(4,929,141)
Investing Activities	<u>610,595</u>	<u>468,108</u>	<u>170,831</u>
Net Increase (Decrease) in Cash	2,307,256	(968,309)	(279,688)
Cash, Beginning of Year	<u>15,521,251</u>	<u>16,489,560</u>	<u>16,769,248</u>
Cash, End of Year	<u>\$17,828,507</u>	<u>\$15,521,251</u>	<u>\$16,489,560</u>

CAPITAL ASSETS

At June 30, 2006, the College had approximately \$90 million invested in capital assets, net of accumulated depreciation of \$49.9 million. Depreciation charges were \$4.9 million for the year ended June 30, 2006. At June 30, 2005, the College had approximately \$93 million invested in capital assets, net of accumulated depreciation of \$45.5 million. Depreciation charges were \$4.6 million for the year ended June 30, 2005. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Land and Improvements	\$280,559	\$280,559	\$280,559
Construction in Progress	926,533	1,190,865	2,597,888
Collections	1,230,086	1,043,051	761,570
Land Improvements, Net	11,589,438	12,013,287	12,296,846
Buildings and Improvements, Net	73,311,502	75,785,946	76,650,082
Equipment, Net	1,998,804	1,952,375	1,250,601
Library Materials, Net	<u>675,968</u>	<u>696,458</u>	<u>717,708</u>
Total	<u>\$90,012,890</u>	<u>\$92,962,541</u>	<u>\$94,555,254</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2006 AND 2005

Major capital additions completed in fiscal year 2005-06 and the resources that funded their acquisition include:

College Union Building roof replacement funded by revenue bonds	\$437,554
Center of Southwest Studies shelving project, funded by the College	255,910
Institutional Facilities Master Plan, funded by the College	165,662
Aquatic Center Office renovation, funded by the College	<u>55,088</u>
	<u>\$914,214</u>

The following significant capital projects were in progress at June 30, 2006:

Physical Plant Storage Facility, funded by the College	\$266,071
Reed Library Computer Lab, funded by the College	565,840
Miscellaneous Safety Improvements	44,788
Berndt Hall Geosciences renovation project, funded by the College	11,119
Athletics/Exercise Science Program Plan, funded by the College	<u>37,500</u>
	<u>\$925,318</u>

Major capital additions completed in fiscal year 2004-05 and the resources that funded their acquisition include:

Voice Over IP Telecommunications project, funded by the College	\$1,186,082
Child Development Center, funded by the College	330,696
Parking Lot Improvements, funded by the College	288,207
Berndt Hall Computer Room Air Conditioner, funded by the College	154,738
Residence Hall Improvements, funded by the College	118,561
Centennial Apts. Hot Water System Replacement, funded by the College	<u>122,911</u>
	<u>\$2,201,195</u>

The following significant capital projects were in progress at June 30, 2005:

College Union Building Roof replacement and improvements, funded by revenue bonds	\$ 425,112
Center of Southwest Studies Shelving Project, funded by the College	255,910
Physical Plant Storage Facility, funded by the College	175,246
Institutional Facilities Master Plan, funded by the College	<u>135,312</u>
	<u>\$991,580</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2006 AND 2005

DEBT

At June 30, 2006 and June 30, 2005, the College had approximately \$13.4 million and \$14.7 million in debt outstanding respectively. The table below summarizes these amounts by type of debt.

Outstanding Debt, at Year-End

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Auxiliary Revenue Bonds, Net	\$13,373,774	\$14,554,340	\$15,699,906
Capital Lease Obligations	32,608	126,953	157,718
Other Long Term Debt	<u>24,984</u>	<u>47,492</u>	<u>67,768</u>
Total	<u>\$13,431,366</u>	<u>\$14,728,785</u>	<u>\$15,925,392</u>

ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE

The passage of Referendum C in the 2005 election resulted in a less restrictive funding environment in the State of Colorado. Referendum C allowed the State to retain excess revenues above the TABOR limit for a period of five years and eased the structural budget deficit created by the confluence of the recent recession and statutory and constitutional budget restrictions. This eased State budget situation allowed for increased funding to higher education. Fort Lewis College received an increase in floor funding of \$2.25 million for FY 06-07, as well as receiving increased funding to address unfunded enrollment and mandatory costs, which will be included in the FFS contract with the State.

The 2004 Colorado Legislature passed the College Opportunity Fund (COF) bill, which went into effect for the 2005-06 fiscal year. This program redefines funding for higher education by using a voucher/stipend to allocate dollars to institutions. The intent of the College Opportunity Fund is to shift the method of state funding for higher education to a more student driven model. The legislation also aims to improve access to higher education for traditionally under-represented groups. This program has been successfully implemented at Fort Lewis College. The additional funding for FY 06-07, as noted above, was allocated to the College by way of the mechanisms contained in the COF legislation.

Due to the recent change in funding methodology (COF), the importance of enrollment has become even more paramount to the success of public institutions than in the past. Recognizing this changing landscape, the College has reorganized its administrative structure to place a greater emphasis on the enrollment management function. During the 2005 legislative session, President Brad Bartel provided the necessary leadership to have the College's State level selectivity designation changed from "*Moderately Selective*" to "*Selective*". The College will phase in this change over the next three years. Ultimately, the increase in student preparedness will stabilize the size and quality of the freshman class and, therefore, increase students' chances for success, as measured by retention and graduation rates.

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2006 AND 2005

While the College experienced a dip in enrollment in the fiscal year ended June 30, 2006, Fall 2006 enrollment appears flat. The College has approved a strategic plan that involves growing enrollment to 5,000 by the year 2014.

During the 2005-06 fiscal year, the College attained "Enterprise" status by receiving less than 10% of overall funding directly from the State. With the passage of Referendum C, TABOR restrictions are on hold for five years; therefore, achieving enterprise status does not present any financial benefits to the College. Once TABOR restrictions are back in place, enterprise status will allow for more flexibility in tuition rate increases.

The College completed the Facilities Master Plan, approved by the Trustees, in the 2005-06 fiscal year. The master plan calls for a number of facilities improvements, including modernized residence halls and a new College Union building to help enrollment management efforts. The College will be analyzing different funding mechanisms to realize the goals contained in the Facilities Master Plan, including increasing student fees to support additional debt through the issuance of revenue bonds.

Fort Lewis College  
Statements of Net Assets  
June 30, 2006 and 2005

<b>ASSETS</b>	<u>2006</u>	<u>2005</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 14,724,042	\$12,706,481
Student Accounts Receivable, Net	381,624	310,542
Accounts Receivable - Fort Lewis College Foundation	13,643	41,285
Other Accounts Receivable	1,075,837	1,185,555
Student Loans Receivable, Net	481,613	390,485
Inventories	670,490	658,185
Prepaid Expense	257,491	296,886
Total Current Assets	<u>17,604,740</u>	<u>15,589,419</u>
<b>Noncurrent Assets:</b>		
Restricted Cash and Cash Equivalents	3,104,465	2,814,770
Student Loans Receivable, Net	1,775,021	1,773,370
<b>Nondepreciable Capital Assets:</b>		
Land and Improvements	280,559	280,559
Construction in Progress	926,533	1,190,865
Collections	1,230,086	1,043,051
Total Nondepreciable Capital Assets	<u>2,437,178</u>	<u>2,514,475</u>
<b>Depreciable Capital Assets:</b>		
Land Improvements, Net	11,589,438	12,013,288
Buildings and Improvements, Net	73,311,502	75,785,946
Equipment, Net	1,998,804	1,952,374
Library Materials, Net	675,968	696,458
Total Depreciable Capital Assets, Net	<u>87,575,712</u>	<u>90,448,066</u>
Total Noncurrent Assets	<u>94,892,376</u>	<u>97,550,681</u>
Total Assets	<u>112,497,116</u>	<u>113,140,100</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	823,414	1,144,134
Accrued Liabilities	4,451,520	4,283,693
Deferred Revenue	826,042	614,133
Deposits Held for Others	279,694	234,287
Bonds Payable, Current Portion	1,250,000	1,210,000
Capital Leases Payable - Fort Lewis College Foundation, Current Portion	32,608	125,494
Other Long Term Liabilities, Current Portion	24,984	20,277
Compensated Absence Liabilities	155,948	156,416
Total Current Liabilities	<u>7,844,210</u>	<u>7,788,434</u>
<b>Noncurrent Liabilities:</b>		
Bonds Payable, Net	12,123,774	13,344,340
Capital Leases Payable - Fort Lewis College Foundation	-	1,459
Other Long Term Liabilities	-	27,214
Compensated Absence Liabilities	1,276,862	1,336,712
Total Noncurrent Liabilities	<u>13,400,636</u>	<u>14,709,725</u>
Total Liabilities	<u>21,244,846</u>	<u>22,498,159</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	76,592,441	78,314,159
<b>Restricted for Nonexpendable Purposes:</b>		
Endowment	141,649	141,649
<b>Restricted for Expendable Purposes</b>		
Endowment	497,054	483,988
Debt Service	1,691,351	1,682,978
Other	6,412,452	4,984,850
Unrestricted	5,917,323	5,034,317
Total Net Assets	<u>\$91,252,270</u>	<u>\$90,641,941</u>

The accompanying notes are an integral part of this financial statement.

**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2005 and 2004**

<b>ASSETS</b>	<u>2006</u>	<u>2005</u>
Pooled Cash and Investments	\$ 9,375,375	\$ 8,849,516
Grant Receivable	-	2,600
Pledges Receivable	130,000	180,000
Other Current Assets	11,522	14,457
Notes Receivable	11,228	14,899
Net Investment in Property Leased to Fort Lewis College	32,608	126,953
Segregated Cash and Investments	2,427,227	2,336,883
Tangible Assets, Net	<u>5,960,608</u>	<u>5,570,511</u>
 Total Assets	 <u>\$ 17,948,568</u>	 <u>\$ 17,095,819</u>
 <b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 3,109	\$ 16,445
Accounts Payable - Fort Lewis College	13,643	45,266
Gift Annuity Obligation Payable	286,890	399,290
Mortgage Payable	<u>470,814</u>	<u>476,084</u>
 Total Liabilities	 <u>774,456</u>	 <u>937,085</u>
 <b>NET ASSETS</b>		
<b>Unrestricted</b>		
Board Designated	14,500	120
Board Designated Endowment	285,661	284,833
Gifts-in-Kind	374,354	376,104
General Unrestricted	<u>403,029</u>	<u>384,026</u>
	<u>1,077,544</u>	<u>1,045,083</u>
 <b>Temporarily Restricted</b>		
Scholarships, Awards, and Other	7,156,281	6,587,335
Gifts-in-Kind and Tangible Assets	<u>2,944,704</u>	<u>2,612,857</u>
	<u>10,100,985</u>	<u>9,200,192</u>
 <b>Permanently Restricted</b>		
True Endowments	3,354,033	3,331,909
Gifts-in-Kind	<u>2,641,550</u>	<u>2,581,550</u>
	<u>5,995,583</u>	<u>5,913,459</u>
 Total Net Assets	 <u>17,174,112</u>	 <u>16,158,734</u>
 <b>TOTAL LIABILITES AND NET ASSETS</b>	 <u>\$ 17,948,568</u>	 <u>\$ 17,095,819</u>

The accompanying notes are an integral part of this financial statement.

Fort Lewis College  
 Statements of Revenues, Expenses, and Changes in Net Assets  
 For the Year Ended June 30, 2006 and 2005

<b>REVENUES</b>	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$2,102,936 -2006 and \$2,065,936 -2005 and net of scholarship allowances of \$13,391,630 -2006 and \$11,371,957 -2005)	\$ 18,094,160	\$13,235,638
Federal Grants and Contracts	6,154,101	6,223,307
State Grants and Contracts	8,799,930	7,970,986
Local Grants and Contracts	145,688	71,548
Non-Governmental Grants and Contracts	211,232	382,443
Sales and Services of Educational Activities	467,081	441,679
Auxiliary Enterprises (including pledged revenues of \$11,805,758 -2006 and \$11,602,943 -2005 and net of scholarship allowances of \$722,137 -2006 and \$817,660 -2005)	12,747,081	12,427,688
Other Operating Revenues	<u>59,632</u>	<u>64,941</u>
Total Operating Revenues	<u>46,678,905</u>	<u>40,818,230</u>
 <b>EXPENSES</b>		
Operating Expenses:		
Instruction	14,726,831	14,465,274
Research	392,957	355,184
Public Service	1,159,174	1,504,456
Academic Support	4,478,254	3,978,577
Student Services	5,194,598	4,762,002
Institutional Support	3,917,985	3,846,855
Operation and Maintenance of Plant	3,143,748	4,159,222
Scholarships and Fellowships	1,210,014	1,950,594
Auxiliary Enterprises	11,316,788	10,999,225
Depreciation	<u>4,872,244</u>	<u>4,618,996</u>
Total Operating Expenses	<u>50,412,593</u>	<u>50,640,385</u>
Operating Income (Loss)	<u>(3,733,688)</u>	<u>(9,822,155)</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriation	-	7,435,158
State Fee for Service Agreement	2,537,022	-
Gifts (including pledged revenues of \$249,716 - 2006 and \$140,820 - 2005)	1,488,794	994,907
Investment Income (including pledged revenues of \$157,282 -2006 and \$120,316 - 2005)	610,595	468,101
Interest Expense on Capital Debt	(635,875)	(672,860)
Gain or (Loss) on Disposal of Assets	-	(22,230)
Other Nonoperating Revenues	<u>37,537</u>	<u>24,888</u>
Net Nonoperating Revenues	<u>4,038,073</u>	<u>8,227,964</u>
Income (loss) before other revenues, expenses, or transfers	<u>304,385</u>	<u>(1,594,191)</u>
 <b>OTHER REVENUES, (EXPENSES), OR TRANSFERS</b>		
State Capital Contributions	6,125	30,406
Capital Grants and Gifts	<u>299,819</u>	<u>35,590</u>
Increase (Decrease) in Net Assets	<u>610,329</u>	<u>(1,528,195)</u>
 <b>NET ASSETS</b>		
Net Assets - Beginning of Year	<u>90,641,941</u>	<u>92,170,136</u>
Net Assets - End of Year	<u>\$91,252,270</u>	<u>\$90,641,941</u>

The accompanying notes are an integral part of this financial statement.

**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2006**

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 1,045,083	\$ 9,200,192	\$ 5,913,459	\$16,158,734
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Donations - Cash	149,041	923,653	76,185	1,148,879
Donations - Gifts in Kind	-	399,061	-	399,061
Investment Income	177,585	631,391	-	808,976
Fund Raising Income	-	123,991	-	123,991
Special Events	24,341	55,442	-	79,783
Other Income	39,080	117,736	-	156,816
<b>Subtotal</b>	390,047	2,251,274	76,185	2,717,506
Net Assets Released from Restriction	1,344,624	(1,344,624)	-	-
<b>Total from Revenues, Gains, and Other Support</b>	1,734,671	906,650	76,185	2,717,506
<b>EXPENSES AND LOSSES</b>				
Scholarships	607,179	-	-	607,179
Awards	2,177	-	-	2,177
Program Expense	1,022,622	-	-	1,022,622
Fund Raising	30,960	-	-	30,960
Management and General	45,129	-	-	45,129
<b>Total Expenses and Losses</b>	1,708,067	-	-	1,708,067
Changes in Donor Restrictions	5,857	(5,857)	5,939	5,939
Change in Net Assets for the Year	32,461	900,793	82,124	1,015,378
<b>Net Assets at End of Year</b>	<u>\$ 1,077,544</u>	<u>\$ 10,100,985</u>	<u>\$ 5,995,583</u>	<u>\$ 17,174,112</u>

The accompanying notes are an integral part of this financial statement.



**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 1,134,381	\$ 8,300,453	\$ 5,838,112	\$15,272,946
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Donations - Cash	65,978	870,104	73,445	1,009,527
Donations - Gifts in Kind	-	64,785	-	64,785
Investment Income	(9,621)	926,506	-	916,885
Fund Raising Income	-	163,840	-	163,840
Special Events	-	21,437	-	21,437
Other Income	24,962	72,399	-	97,361
<b>Subtotal</b>	81,319	2,119,071	73,445	2,273,835
Net Assets Released from Restriction	1,242,362	(1,242,362)	-	-
<b>Total from Revenues, Gains, and Other Support</b>	1,323,681	876,709	73,445	2,273,835
<b>EXPENSES AND LOSSES</b>				
Scholarships	391,952	-	-	391,952
Awards	1,337	-	-	1,337
Program Expense	918,107	-	-	918,107
Fund Raising	25,610	-	-	25,610
Management and General	52,943	-	-	52,943
<b>Total Expenses and Losses</b>	1,389,949	-	-	1,389,949
Changes in Donor Restrictions	(23,030)	23,030	1,902	1,902
Change in Net Assets for the Year	(89,298)	899,739	75,347	885,788
<b>Net Assets at End of Year</b>	<u>\$ 1,045,083</u>	<u>\$ 9,200,192</u>	<u>\$ 5,913,459</u>	<u>\$ 16,158,734</u>

The accompanying notes are an integral part of this financial statement.

Fort Lewis College  
 Statements of Cash Flows  
 For the Year Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received:		
Tuition and Fees	\$ 18,050,154	\$ 13,108,894
Sales of Products	2,743,140	2,711,528
Sales of Services	10,619,391	9,974,728
Grants and Contracts	15,286,288	14,824,113
Student Loans Collected	549,157	434,674
Other Operating Receipts	113,317	145,080
Cash Payments:		
Scholarships Disbursed	(1,210,014)	(1,950,594)
Student Loans Disbursed	(683,778)	(552,915)
Payments to Suppliers	(14,531,383)	(14,779,348)
Payments to Employees	(29,991,484)	(28,979,153)
Other Operating Payments	(16,703)	(54,799)
Net Cash Provided (Used) by Operating Activities	<u>928,085</u>	<u>(5,117,792)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations - Noncapital	-	7,435,158
State Fee For Service Payments - Noncapital	2,537,022	-
Gifts for Other than Capital Purposes	1,516,293	707,920
Agency Receipts	16,031,431	12,554,836
Agency Payments	(16,017,558)	(12,534,818)
Net Cash Provided by Noncapital Financing Activities	<u>4,067,188</u>	<u>8,163,096</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants and Contracts	-	33,516
Capital Gifts	92,450	298,177
Acquisition and Construction of Capital Assets	(1,472,346)	(2,963,313)
Principal Paid on Capital Debt	(1,304,344)	(1,205,765)
Interest on Capital Debt	(614,372)	(644,336)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,298,612)</u>	<u>(4,481,721)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Earnings	610,595	468,108
Net Cash Provided by Investing Activities	<u>610,595</u>	<u>468,108</u>
Net Increase (Decrease) in Cash	2,307,256	(968,309)
Cash - Beginning of Year	<u>15,521,251</u>	<u>16,489,560</u>
Cash - End of Year	<u>17,828,507</u>	<u>15,521,251</u>

Fort Lewis College  
 Statements of Cash Flows  
 For the Year Ended June 30, 2006 and 2005  
 (Continued)

	<u>2006</u>	<u>2005</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (3,733,688)	\$ (9,822,155)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	4,872,244	4,618,996
Net increase in other Nonoperating revenues/expenses	37,537	(228,672)
Noncash Operating Transactions	(21,608)	(19,884)
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	(26,502)	(503,297)
Inventories	(12,305)	(70,332)
Prepaid Expense	39,399	(232,424)
Construction in Progress	(271,116)	23,354
Accounts Payable	(320,699)	543,864
Accrued Liabilities	167,826	263,895
Deferred Revenue	211,909	218,282
Deposits Held for Others	45,406	1,013
Compensated Absence Liabilities	(60,318)	89,568
Net Cash Provided (Used) by Operating Activities	<u>928,085</u>	<u>(5,117,792)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State Capital Contributions	6,125	30,406
Donations of Capital Assets	238,291	272,965
Loss on Capital Asset Deletions	-	22,231

The accompanying notes are an integral part of this financial statement.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

Fort Lewis College (the College) is governed by the Board of Trustees for Fort Lewis College (the Board.) The Board is comprised of nine members. Seven members are appointed by the Governor of Colorado for four-year terms. An elected member of the student body of the College serves for a one-year term and an elected member of the faculty of the College serves for two-year terms.

REPORTING ENTITY AND COMPONENT UNIT

Fort Lewis College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the State Comprehensive Annual Financial Report may be obtained from the State Controller's Office.

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units* during fiscal year 2004. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be included in the College's financial reporting entity. The College has determined that the Fort Lewis College Foundation (the Foundation) meets the GASB Statement No. 39 criteria for inclusion in the College's financial statements.

The Foundation is a legally separate, tax-exempt component unit of the College. In December, 1969 the Foundation was organized and issued a Certificate of Incorporation under the Colorado Non-Profit Corporation Act. The purposes of the corporation are to "...assist in promoting, developing and enhancing the facilities and programs of Fort Lewis College...." (Per Articles of Incorporation III.) Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities, facilities, and programs of the College by the donors. Because these restricted resources held by the Foundation can only be used for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements for these differences.

The amount transferred from the Foundation to the College, during the fiscal year ended June 30, 2006, for the purposes stated above was \$1,460,303 and for the year ended June 30, 2005 was \$994,187. Complete financial statements for the Foundation can be obtained from the Controller's Office at the College.

As defined by GASB Statement No. 14, the College is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all FASB pronouncements issued after November 30, 1989, unless the FASB standards conflict with GASB standards. The College has elected not to apply FASB pronouncements issued after the applicable date.

Any effort to reconcile this report with presentations made for other purposes, such as data submitted with the institutional budget documents, must take into consideration any differences in the basis of accounting and other requirements for the preparation of such other presentations.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the state treasurer, and all highly liquid investments with an original maturity of three months or less.

INVENTORIES

Inventories of consumable supplies or goods held for resale are stated at the lower of cost or market, with cost being determined either on the first-in, first-out or average cost method. Consumable inventories are accounted for in accordance with State fiscal rules.

RESTRICTED CASH AND CASH EQUIVALENTS

Cash balances that are externally restricted as endowments, or for bond reserve, replacement, or rebate funds, or to purchase capital or noncurrent assets, are classified as noncurrent assets on the Statement of Net Assets.

CAPITAL ASSETS

Capital assets are recorded at cost for items purchased or at current market value at the date of acquisition for donated items. The College capitalizes equipment costing \$5,000 or more and having a useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 20-40 years for buildings, 20-50 years for improvements other than buildings, 3-10 years for equipment, and 15 years for library materials.

COMPENSATED ABSENCE LIABILITIES

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as compensated absence liabilities in the Statements of Net Assets and as a component of appropriate functional expense categories in the Statements of Revenues, Expenses, and Changes in Net Assets. The current portion of this liability is estimated based on historical trends.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET ASSETS

The College has classified its net assets according to the following criteria:

Invested in Capital Assets, Net of Related Debt – This category represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but the proceeds have not yet been expended for capital assets, such amounts are not included as a component of this category.

Restricted Net Assets, Nonexpendable – This category consists of endowment funds that are required to be retained in perpetuity.

Restricted Net Assets, Expendable – This category includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties, including unspent debt proceeds.

Unrestricted Net Assets – Unrestricted Net Assets are those that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt” as described above. Generally, these resources will be derived from student tuition and fees, state appropriations, sales and services of educational activities, and sales and services of certain auxiliary and self-funded activities.

CLASSIFICATION OF REVENUES

The College has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues – Operating revenues generally result from providing goods and services for instruction, public service, or related support services to an individual or entity separate from the College.

Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include state appropriations and fee for service agreement for operations, gifts, investment income, and insurance reimbursement revenue.

APPLICATION OF RESTRICTED AND UNRESTRICTED RESOURCES

The College’s policy is to first apply an expense against restricted resources then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

NOTE 2: CASH AND CASH EQUIVALENTS

As of year-end June 30, 2006, the College had \$17,465,796 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, the carrying amount of the College's cash was \$591,513. The cash included petty cash and change funds of \$20,161 and bank deposits of \$571,352. The bank balance of the deposits was \$847,527. Of this bank balance, \$227,220 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and \$620,306 was covered by collateral held by the bank or its agent in the State's name.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 2: CASH AND CASH EQUIVALENTS, (continued)

As of year-end June 30, 2005, the College had \$15,231,044 on deposit with the State Treasurer. On that date, the carrying amount of the College's cash was \$328,432. The cash included petty cash and change funds of \$19,321 and bank deposits of \$309,111. The bank balance of the deposits was \$719,406. Of this bank balance, \$176,081 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and \$543,325 was covered by collateral held by the bank or its agent in the State's name.

The College deposits cash with the Colorado State Treasurer (the Treasurer) as required by Colorado Revised Statutes (CRS.) The Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains and losses based on its participation in the Treasurer's Pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2006. The Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains/losses included in income reflect only the change in fair value during the current fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS

Under the Foundation's adopted investment policy, investments are identified and allocated using three asset classes. Asset allocation is reviewed at least annually by the Finance Committee. Asset classes include cash and cash equivalents, fixed income securities, and equities. For the years reported herein, cash and cash equivalents consist of demand deposits and money market accounts. Fixed income securities include GNMA pools, other government-back securities individually held and in mutual funds, bonds and bond funds, and preferred stocks. Equities include individual stocks and stock-based mutual funds.

Pooled cash and investments

Pooled cash and investments as of June 30, 2006 and 2005, are summarized as follows:

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Cost Basis</u>	<u>Market Value</u>	<u>Cost Basis</u>	<u>Market Value</u>
Cash and Cash Equivalents	\$ 90,954	\$ 90,954	\$ 120,074	\$ 120,074
Marketable Securities				
Fixed Income	4,320,206	4,167,719	4,663,024	4,640,977
Equities	<u>4,170,597</u>	<u>5,116,702</u>	<u>3,340,540</u>	<u>4,088,465</u>
Total pooled cash and investments	<u>\$ 8,581,757</u>	<u>\$ 9,375,375</u>	<u>\$ 8,123,638</u>	<u>\$ 8,849,516</u>

Net unrealized gains of \$95,949 and \$477,811 were recognized on these marketable securities as of June 30, 2006 and 2005, respectively.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS (Continued)

Segregated cash and investments

Segregated cash and investments at June 30, 2006 and 2005 are summarized as follows:

	June 30, 2006		June 30, 2005	
	Cost Basis	Market Value	Cost Basis	Market Value
<b>Title III Funds</b>				
Money Market Funds	\$ 35,234	\$ 35,234	\$ 22,610	\$ 22,610
Fixed Income	195,142	189,476	209,092	208,844
Equities	882,088	1,138,044	800,750	1,007,518
Total Title III Funds	1,112,464	1,362,754	1,032,452	1,238,972
<b>Gift Annuity Trust</b>				
Money Market Funds	8,963	8,963	1,078	1,078
Fixed Income	393,896	381,261	398,769	398,622
Equities	696,243	674,249	712,884	685,573
Total Gift Annuity Trust Funds	1,099,102	1,064,473	1,112,731	1,085,273
<b>Schild Fund</b>				
Equities	-	-	4,662	12,638
Total segregated cash and investments	\$ 2,211,566	\$ 2,427,227	\$ 2,149,845	\$ 2,336,883

Net unrealized gains of \$66,707 and \$86,839 were recognized on these marketable securities as of June 30, 2006 and 2005, respectively.

Total cash and investments

Total cash investments at June 30, 2006 and 2005 are summarized as follows:

	June 30, 2006			June 30, 2005		
	Cost Basis	Market Value	% of Total	Cost Basis	Market Value	% of Total
<b>Cash and Cash</b>						
Equivalents	\$ 135,151	\$ 135,151	1%	\$ 143,762	\$ 143,762	1%
<b>Marketable Securities</b>						
Fixed Income	4,909,244	4,738,456	40%	5,270,885	5,248,443	47%
Equities	5,748,928	6,928,995	59%	4,858,836	5,794,194	52%
Total	\$ 10,793,323	\$ 11,802,602	100%	\$ 10,273,483	\$ 11,186,399	100%



FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statements of Net Assets. At June 30, 2006 and 2005 the Accounts Receivable balances are comprised of:

	<u>6/30/2006</u>	<u>6/30/2005</u>
Student Accounts Receivable	\$746,005	\$614,245
Less: Allowance for Doubtful Accounts	(364,381)	(303,703)
Student Accounts Receivable, Net	<u>381,624</u>	<u>310,542</u>
Student Loans Receivable	2,352,260	2,240,988
Less: Allowance for Doubtful Accounts	(95,626)	(77,133)
Student Loans Receivable, Net	<u>2,256,634</u>	<u>2,163,855</u>
Accounts Receivable - Fort Lewis College Foundation	<u>13,643</u>	<u>41,285</u>
Other Accounts Receivable		
Sponsored Programs	388,544	389,792
Vendor Credits	242,142	330,308
Conferences & Summer Programs	276,718	330,382
Other	168,433	135,073
Other Accounts Receivable	<u>1,075,837</u>	<u>1,185,555</u>
Total Receivables, Net	<u><u>\$3,727,738</u></u>	<u><u>\$3,701,237</u></u>

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 5: CAPITAL ASSETS

The college's capital asset activity for the year ended June 30, 2006 was as follows:

	Balance 6/30/2005	Additions	Deletions	Reclassifications	Balance 6/30/2006
Land	\$ 259,875	\$ -	\$ -	\$ -	\$ 259,875
Land Improvements	16,729,132	205,000	-	-	16,934,132
Buildings and Improvements	110,227,871	-	-	932,780	111,160,651
Construction in Progress	1,190,865	1,121,734	396,037	(990,029)	926,533
Equipment	6,026,033	746,178	363,766	57,249	6,465,694
Library Materials	2,945,811	75,773	34,503	-	2,987,081
Capitalized Collections	1,043,051	187,035	-	-	1,230,086
Total	138,422,638	2,335,720	794,306	-	139,964,052
Less Accumulated Depreciation:					
Land Improvements	4,695,161	628,849	-	-	5,324,010
Buildings and Improvements	34,441,925	3,407,224	-	-	37,849,149
Equipment	4,073,658	739,908	346,676	-	4,466,890
Library Materials	2,249,353	96,263	34,503	-	2,311,113
Total Accumulated Depreciation	45,460,097	4,872,244	381,179	-	49,951,162
Capital Assets, Net	\$92,962,541	(\$2,536,524)	\$413,127	\$ -	\$90,012,890

The college's capital asset activity for the year ended June 30, 2005 was as follows:

	Balance 6/30/2004	Additions	Deletions	Reclassifications	Balance 6/30/2005
Land	\$ 259,875	\$ -	\$ -	\$ -	\$ 259,875
Land Improvements	16,390,849	-	-	338,283	16,729,132
Buildings and Improvements	107,734,125	-	-	2,493,746	110,227,871
Construction in Progress	2,597,888	3,397,689	1,247,764	(3,556,948)	1,190,865
Equipment	5,055,748	540,403	295,037	724,919	6,026,033
Library Materials	2,897,427	76,544	28,160	-	2,945,811
Capitalized Collections	761,570	281,641	160	-	1,043,051
Total	135,697,482	4,296,277	1,571,121	-	138,422,638
Less Accumulated Depreciation:					
Land Improvements	4,073,319	621,842	-	-	4,695,161
Buildings and Improvements	31,084,043	3,357,882	-	-	34,441,925
Equipment	3,805,147	541,477	272,966	-	4,073,658
Library Materials	2,179,719	97,794	28,160	-	2,249,353
Total Accumulated Depreciation	41,142,228	4,618,995	301,126	-	45,460,097
Capital Assets, Net	\$ 94,555,254	\$ (322,718)	\$ 1,269,995	\$ -	\$ 92,962,541

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 6: FORT LEWIS COLLEGE FOUNDATION TANGIBLE ASSETS

Tangible assets include gifts-in-kind and purchased items held by the Foundation. Included in real estate are two condominiums which the Foundation is depreciating over a period of forty years using the straight-line method.

At June 30, 2006 and 2005, tangible assets are comprised of the following:

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>
Gifts-in-kind				
Real estate	\$ 81,500	\$ 392,000	\$ 81,500	\$ 392,000
Accumulated depreciation	(31,134)	(17,646)	(29,396)	(15,896)
Equipment and other	5,920	-	5,920	-
Collection items	<u>4,079,685</u>	<u>-</u>	<u>3,680,632</u>	<u>-</u>
Total gifts-in-kind	<u>4,135,971</u>	<u>374,354</u>	<u>3,738,656</u>	<u>376,104</u>
Purchased assets				
Real estate	1,318,005	-	1,306,797	-
Accumulated Depreciation	(33,352)	-	(16,676)	-
Collection items	91,730	-	91,730	-
Concert piano	<u>73,900</u>	<u>-</u>	<u>73,900</u>	<u>-</u>
Total purchased assets	<u>1,450,283</u>	<u>-</u>	<u>1,455,751</u>	<u>-</u>
Total tangible assets	<u>\$ 5,586,254</u>	<u>\$ 374,354</u>	<u>\$ 5,194,407</u>	<u>\$ 376,104</u>

The Foundation's collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for by Fort Lewis College staff, and activities verifying their existence and assessing their condition are performed continuously.

NOTE 7: ACCRUED LIABILITIES

At June 30, 2006 and 2005, the Accrued Liabilities balances, as presented on the Statements of Net Assets, are comprised of:

	<u>6/30/2006</u>	<u>6/30/2005</u>
Accrued Payroll & Benefits	\$ 3,931,799	\$ 3,761,967
Accrued Interest Payable	150,106	163,261
Contractor Retainage	23,205	14,617
Other Liabilities	<u>346,410</u>	<u>343,848</u>
Total	<u>\$ 4,451,520</u>	<u>\$ 4,283,693</u>

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 8: LONG-TERM LIABILITIES

The College's Long-Term Liability activity for the year ended June 30, 2006 was as follows:

	Balance <u>6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2006</u>	Current <u>Portion</u>
Bonds and Leases Payable:					
Revenue Bonds	\$ 14,554,340	\$ -	\$ 1,180,566	\$ 13,373,774	\$1,250,000
Lease Obligations	126,953	-	94,345	32,608	32,608
Total Bonds and Leases Payable	<u>14,681,293</u>	<u>-</u>	<u>1,274,911</u>	<u>13,406,382</u>	<u>1,282,608</u>
Other Liabilities:					
Compensated Absences	1,493,128	76,767	137,085	1,432,810	155,948
Other	47,492	-	22,508	24,984	24,984
Total Other Liabilities	<u>1,540,620</u>	<u>76,767</u>	<u>159,593</u>	<u>1,457,794</u>	<u>180,932</u>
 Total Long-Term Liabilities	 <u>\$16,221,913</u>	 <u>\$76,767</u>	 <u>\$1,434,504</u>	 <u>\$14,864,176</u>	 <u>\$1,463,540</u>

The College's Long-Term Liability activity for the year ended June 30, 2005 was as follows:

	Balance <u>6/30/2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2005</u>	Current <u>Portion</u>
Bonds and Leases Payable:					
Revenue Bonds	\$ 15,699,906	\$ -	\$ 1,145,566	\$ 14,554,340	\$1,210,000
Lease Obligations	157,717	-	30,764	126,953	125,494
Total Bonds and Leases Payable	<u>15,857,623</u>	<u>-</u>	<u>1,176,330</u>	<u>14,681,293</u>	<u>1,335,494</u>
Other Liabilities:					
Compensated Absences	1,403,470	236,066	146,408	1,493,128	156,416
Other	67,769	-	20,277	47,492	20,277
Total Other Liabilities	<u>1,471,239</u>	<u>236,066</u>	<u>166,685</u>	<u>1,540,620</u>	<u>176,693</u>
 Total Long-Term Liabilities	 <u>\$ 17,328,862</u>	 <u>\$ 236,066</u>	 <u>\$ 1,343,015</u>	 <u>\$ 16,221,913</u>	 <u>\$1,512,187</u>

NOTE 9: BONDS PAYABLE

As of June 30, 2006 and 2005, the College has revenue bonds payable of \$13,440,000 (less unamortized deferred costs of \$66,226) and \$14,650,000 (less unamortized deferred costs of \$95,660) respectively. For those wishing further information, the College issues a separate report on revenue bond obligations and the operations supporting them. Principal and interest are payable solely from certain student fees and net revenues from operations supporting them. The revenue bonds bear interest at rates ranging from 2.0% to 5.0%, payable semi-annually, and are serial obligations that mature annually with a final payment due October 1, 2019. Funds sufficient to meet all reserve requirements have been placed in replacement and reserve funds. All earnings requirements were satisfied.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 9: BONDS PAYABLE (continued)

Required bond payments to maturity as of June 30, 2006 are as follows:

Year Ending	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2007	\$	1,250,000	\$	573,393	\$	1,823,393
2008		1,270,000		534,444		1,804,444
2009		1,310,000		483,279		1,793,279
2010		1,380,000		419,545		1,799,545
2011		1,445,000		354,258		1,799,258
2012-2016		4,815,000		858,160		5,673,160
2017-2020		1,970,000		215,625		2,185,625
Total	\$	13,440,000	\$	3,438,704	\$	16,878,704

NOTE 10: DEBT REFUNDING

Revenue Bonds - Series 1985

On September 30, 1985, the College issued the Auxiliary Facilities Acquisition and Refunding Revenue Bonds in the amount of \$7,490,000 for the purpose of obtaining capital for construction projects and refunding the College's existing debt as listed below:

- Refunding and Improvement Revenue Bonds, Series 4-01-63
- Housing System Revenue Bonds of 1966, Series A-D
- Revenue Bonds, Series 4-01-67
- Dormitory Renovation and Construction Revenue Bonds, Series 1973
- Housing System Revenue Bonds, Series 1978
- Dormitory Lease Participation Certificates, 6-01-83

The outstanding debt refunded was in the amount of \$7,998,000 and was accomplished by depositing in an escrow account a portion of the net proceeds of the new bond issue an amount fully sufficient, together with known minimum yield from investment of such monies, to pay principal, interest, and any redemption premium on the refunded issues. The balance of debt outstanding on the refunded issues was paid in full during fiscal 2006.

Revenue Bonds - Series 1998A

On September 1, 1998, the College issued the Auxiliary Facilities Enterprise Refunding Revenue Bonds, Series 1998A in the amount of \$5,130,000 for the purpose of refunding a portion of the College's existing Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1992. The outstanding debt refunded was in the amount of \$4,570,000 and was accomplished by depositing in an escrow account the net proceeds of the new bond issue and a portion of the 1992 Bond Reserve Fund to provide for all future payments on the refunded 1992 bonds. The balance of debt outstanding on the refunded bonds at June 30, 2006 was \$4,570,000. Interest payments have been made annually. The initial principal payment is due October 1, 2008.

All refunded debt of the College is considered defeased and the liability for such debt is not included on the Statement of Net Assets.

FORT LEWIS COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2006 AND 2005

NOTE 11: LEASE PURCHASE AGREEMENTS

In June, 1998, the College entered into a Lease/Purchase Agreement with the Fort Lewis College Foundation for the acquisition of a modular building for the principal amount of \$441,329 with payments to be made through October, 2006 with a variable interest rate. The variable rate is determined annually as the Prime Interest rate less 1.5 percent.

The following is a schedule by years of future minimum lease payments for the Fort Lewis College projects as of June 30, 2006 with the present value of the net minimum lease payments to their maturity.

Year Ending	
June 30, 2007	\$33,301
Less: interest	<u>693</u>
Present value of net payments	<u>\$32,608</u>
Schedule of Leased Assets:	
Modular Building	\$441,329

NOTE 12: OPERATING LEASES

Certain equipment is being leased by the College under operating leases. The following is a schedule of all future minimum rental payments due on operating leases as of June 30, 2006:

Year Ending June 30:	
2007	\$ 99,100
2008	92,262
2009	<u>13,706</u>
Total	<u>\$205,068</u>

Rent expense for the years ended June 30, 2006 and 2005 was \$104,298 and \$111,316, respectively.

NOTE 13: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2006 and 2005 are as follows:

	<u>6/30/06</u>	<u>6/30/05</u>
Education and General	\$173,875	\$191,657
Auxiliary Enterprises	387,694	336,820
Restricted Funds	41,372	73,519
Plant Funds	<u>66,280</u>	<u>81,052</u>
Total	<u>\$669,221</u>	<u>\$683,048</u>

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 14: SCHOLARSHIP ALLOWANCE

Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2006 and 2005 were as follows:

	Tuition and Fees	Auxiliary Revenue	6/30/06 Total	6/30/05 Total
Gross Revenue	\$31,485,790	\$13,469,218	\$44,955,008	\$37,852,943
Scholarship Allowances:				
Federal	(2,417,453)	(303,739)	(2,721,192)	(2,463,576)
State	(8,360,248)	(89,972)	(8,450,221)	(7,994,737)
Private	(514,944)	(64,700)	(579,643)	(314,601)
Institutional	(2,098,985)	(263,726)	(2,362,711)	(1,416,702)
Total Scholarship Allowances	<u>(13,391,630)</u>	<u>(722,137)</u>	<u>(14,113,767)</u>	<u>(12,189,616)</u>
Net Revenue	<u>\$18,094,160</u>	<u>\$12,747,081</u>	<u>\$30,841,241</u>	<u>\$25,663,327</u>

NOTE 15: SPENDING LIMITATIONS

In November 1992, Colorado voters passed Section 20 Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill or Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all local governments and the State of Colorado, including Fort Lewis College. During the year ended June 2004, the Colorado State Legislature determined that in Section 23-5-101.7 of the Colorado Revised Statutes, an institution of higher education may be designated as an enterprise for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than ten percent of its total annual revenues in grants from all Colorado State and local governments combined. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

In February, 2005, the Board of Trustees designated the College as a TABOR enterprise pursuant to the statute and in fiscal 2006 the College began reporting its activity to the State as an enterprise. During the Year ended June 30, 2006, the College believes it has met all requirements of TABOR enterprise status. Specifically, the Board of Trustees retain the authority to issue revenue bonds and the amount of State grants received by the College was just under 5% during the year ended June 30, 2006, as shown in the following table:

TABOR Enterprise State Support Calculation:

State Grants:	
State Fee for Service Agreement	\$2,537,022
Capital Appropriations	6,125
Total State Grants	<u>2,543,147</u>
Total Revenues (gross operating, nonoperating and other revenues)	<u>\$51,652,672</u>
Ratio of State Grants to Total Revenues	<u>4.92%</u>

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

**NOTE 15: SPENDING LIMITATIONS, (continued)**

A portion of the College is subject to revenue and expense limitations imposed by the Colorado State Legislature through the annual appropriation process. The College's appropriated funds include the State appropriation from the State's General Funds, as well as certain cash funds as specified in the State's annual appropriations bill. Appropriated cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various revenue lines, as appropriate in the accompanying financial statements.

All other revenues and expenses reported by the College represent non-appropriated funds are excluded from the annual appropriations bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, and other revenue sources.

For the years ended June 30, 2006 and 2005, appropriated expenses were within the authorized spending authority as shown in the following table:

Appropriated Funds		
Description	2006	2005
Total Appropriation	\$32,115,916	\$33,124,446
Actual appropriated revenues	\$31,674,537	\$29,764,854
Actual appropriated expenditures and transfers	\$31,032,146	\$29,764,854
Net increase (decrease) in appropriated net assets	\$ 642,391	\$ -

**NOTE 16: EMPLOYMENT BENEFITS**

Employees of the College participate in one of three retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. All other eligible employees of the College participate in either the PERA plan or an optional defined contribution plan.

The College's total payroll for the fiscal year ended June 30, 2006 and 2005 was and \$25,432,847 and \$24,944,949 respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$11,524,124, \$11,814,704, and \$458,889 respectively for June 30, 2006 and \$10,934,505, \$10,781,376, and \$417,447 respectively for June 30, 2005. The remaining employees were not eligible for participation in any of the College's plans.

**PERA Defined Benefit Pension Plan**

**Plan Description** - A portion of the College employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA.) PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203, by calling PERA at 303-832-9550 or 1-800-729-7372, or by visiting [WWW.COPERA.ORG](http://WWW.COPERA.ORG).



FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 16: EMPLOYMENT BENEFITS (continued)

Prior to January 1, 2006, state employees and employees of local school districts were members of the combined State and School Division of PERA. On January 1, 2006, that combined division was segregated into a State Division and a separate School Division. Separate actuarial assessments are made for each division.

Employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan. PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members vest after five years of service and if they were hired before July 1, 2005, most are eligible for retirement benefits at age 50 with 30 years of service, at age 60 with 20 years of service, or at age 65 with 5 years of service. Persons hired on or after July 1, 2005, (except state troopers, plan members, inactive plan members, and retirees) are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit and their age plus years of service equals 80 or more. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of 18 (23 if a full time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

Funding Policy - College employees contribute 8.0 percent of their gross covered wages as defined in CRS 24-51-101(42) to an individual account in the plan. From July 1, 2005 to December 31, 2005, the College contributed 10.15 percent of the employee's salary. From January 1, 2006, through June 30, 2006, the College contributed the same percentage plus an additional .5 percent for the Amortization Equalization Disbursement discussed below. During all of Fiscal Year 2005-06, 1.02 percent of the total contribution was allocated to the Health Care Trust Fund.

At December 31, 2004, the State and School Division of PERA was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate. In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement to address the funding shortfall that requires PERA employers to pay an additional .5 percent of salary in 2006, 1.0 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code. The contribution requirements of plan members and their employers are established, and may be amended by the General Assembly.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 16: EMPLOYMENT BENEFITS (continued)

The College's total contributions to PERA for the fiscal years ending June 30, 2006, 2005, and 2004 were \$1,201,033, \$1,109,852, and \$1,207,243 respectively. These contributions met the contribution requirement for each year.

Voluntary Tax-Deferred Retirement Plans

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and the College offers a 457 deferred compensation plan, a 403(b) and a 401(a) plan. Members who contribute to any of these plans also receive the State's match, when available.

In January, 2001, the MatchMaker Program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. The match is only available when the actuarial value of the defined benefit plan assets is 110 percent of actuarially accrued plan liabilities. This condition was not met during Fiscal Year 2005-06.

Optional Defined Contribution Plan

Certain full time faculty and professional staff of the College participate in an optional defined contribution plan as an alternative to PERA. Two vendor choices are offered through the defined contribution plan; Teachers Insurance Annuity Association (TIAA) and Variable Annuity Insurance Corporation (VALIC). The College's aggregate contribution to the above two vendors was equal to 11.4 percent of covered payroll or \$1,346,876 for the fiscal year ended June 30, 2006 and \$1,229,077 for the fiscal year ended June 30, 2005. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$945,176 for the fiscal year ended June 30, 2006 and \$862,510 for the fiscal year ended June 30, 2005.

Student Employee Retirement Program

Eligible student employees contribute 7.5% of covered payroll to the student retirement program. All contributions are invested with one vendor, Teachers Insurance Annuity Association. The contribution by student employees for the fiscal year ended June 30, 2006 and 2005 was \$34,417 and \$31,309 respectively. The College is not liable for any matching contributions to the student retirement program.

Health Insurance Programs

The College's contribution to the various health insurance programs for the fiscal year ended June 30, 2006 and 2005 was \$1,747,415 and \$1,646,070 respectively.

NOTE 17: POST-EMPLOYMENT BENEFITS

PERA Post-Employment Health Care and Life Insurance Benefits

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Trust Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During Fiscal Year 05-06, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230 for members under age 65 and not eligible for Medicare), and it was reduced by 5 percent for each year of service fewer than 20. The Health Care Trust Fund is maintained by an employer's contribution as discussed in Note 15.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005

NOTE 17: POST-EMPLOYMENT BENEFITS, (continued)

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical and prescription benefit plans, and with several health maintenance organizations providing services within Colorado. As of December 31, 2005 there were 41,080 enrollees in the plan.

Life Insurance Program

Previously, PERA provides its members access to two group decreasing term life insurance plans offered by Prudential Insurance Company and Anthem Life. Effective April 1, 2005, PERA consolidated the two plans and UnumProvident became the administrator. Members who transition to the new plan may join one or both plans, and they may continue coverage into retirement. Premiums are collected monthly by payroll deduction or other means.

NOTE 18: COMMITMENTS AND CONTINGENCIES

Contracts have been entered into for the purpose of planning, constructing, or equipping certain building or land improvements with outstanding amounts totaling \$12,501 as of June 30, 2006. These improvements will be funded by appropriations from the State, revenue bonds, or internal transfers of funds. The amount of state capital appropriations unexpended was \$6,696 as of June 30, 2006.

The College receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the College. However, College management believes that any such disallowed amounts will not have a material adverse effect on any of the financial statements or on the overall financial position of the College at June 30, 2006.

The College is insured by the State of Colorado self-insurance program for liability, property, and workers compensation insurance.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

August 24, 2006

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Fort Lewis College, a blended component unit of the State of Colorado and its discretely presented component unit, as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated August 24, 2006. We did not audit the financial statements of the Fort Lewis College Foundation, the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Lewis College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fort Lewis College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered Fort Lewis College's internal control over financial reporting. This was done to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the State of Colorado Legislative Audit Committee and management of Fort Lewis College, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the Legislative Audit Committee.

*Chadwick, Steinkirchner, Davis & Co., P.C.*  
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## **AUDIT COMMITTEE COMMUNICATIONS**

August 24, 2006

Members of the Legislative Audit Committee:

We have audited the financial statements of Fort Lewis College, a blended component unit of the State of Colorado, for the years ended June 30, 2006 and 2005, and have issued our report thereon dated August 24, 2006. As required by professional auditing standards, we are providing you with information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

Our responsibility under professional standards is to plan and perform an audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. As part of our audit, we considered the internal control of Fort Lewis College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Fort Lewis College's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of the engagement letter we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fort Lewis College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006 or 2005. We noted no transactions entered into by Fort Lewis College during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the financial statements and are based on management's judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The significant accounting estimates affecting the financial statements are the allowance for uncollectible receivables, accrued compensated absences, scholarship allowances, and the depreciation of capital assets. We evaluated the factors and assumptions used to develop these estimates and determined they are reasonable in relation to the financial statements taken as a whole.



Members of the Legislative Audit Committee  
August 24, 2006  
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**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Fort Lewis College's financial reporting process (that is, cause future financial statements to be materially misstated). We noted no adjustments that could have a significant effect on Fort Lewis College's financial reporting process.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fort Lewis College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Legislative Audit Committee and management of Fort Lewis College and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record upon release by the Legislative Audit Committee.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

STATE-FUNDED STUDENT ASSISTANCE  
PROGRAMS SECTION

**FORT LEWIS COLLEGE**  
**STATE-FUNDED STUDENT ASSISTANCE PROGRAMS**  
**For the Year Ended June 30, 2006**

**Introduction**

Fort Lewis College is a state-supported institution of higher education located in Durango, Colorado.

The financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2006, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Commission on Higher Education (CCHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2006.

**State-Funded Student Assistance Programs**

The various state-funded student assistance programs at the College include the Colorado Student Grant Program, Colorado Work Study Program, Undergraduate Merit Award Program, Perkins Student Loan Matching Program, Diversity Grant Program, Governor's Opportunity Scholarship, Colorado Leveraging Education Assistance Partnership Program (CLEAP) and Special Leveraging Education Assistance Partnership Program (SLEAP).

The state-funded student assistance awards made by the College were \$1,155,000 and \$1,194,000 for the fiscal years ended 2006 and 2005, respectively. In addition, total state-funded matching funds of \$0 during fiscal year 2006 and \$10,300 for fiscal year 2005 were transferred to the Perkins Student Loan Fund.

The Director of Financial Aid is responsible for the administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the College in federal and state financial aid programs. The College Controller is responsible for the programs' financial management, general ledger accounting, payments, and collections.

During the audit period Fort Lewis College obtained authorizations to award federal student financial aid funds of \$2,853,000 in the Pell Grant Program, \$185,000 in the Supplemental Educational Opportunity Grant Program, \$333,000 in the College Work-Study Program and \$17,000 in the Perkins Student Loan Program.

During the audit period Fort Lewis College obtained authorizations to award Colorado student financial aid funds of \$62,800 in total for the CLEAP and SLEAP Programs, \$606,800 in the Student Grant Program, \$244,000 in the Colorado Work Study Program, \$31,000 in the Merit Award Program, \$0 in the Diversity Grant Program, and \$210,000 in the Governor's Opportunity Scholarship.





**INDEPENDENT AUDITORS' REPORT ON THE STATEMENTS OF APPROPRIATIONS,  
EXPENDITURES, TRANSFERS, AND REVERSIONS OF THE STATE-FUNDED  
STUDENT ASSISTANCE PROGRAMS**

August 24, 2006

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Fort Lewis College, a blended component unit of the State of Colorado, for the year ended June 30, 2006. This Statement is the responsibility of the College's management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The statement was prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2005 revision. The Statement is a summary of cash activity of the state-funded student financial assistance program with the exception of the College Work-Study Program and the Perkins Loan Program, and does not present certain transactions that would be included in the statements of the state-funded student financial assistance programs if presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying Statement is not intended to present the financial position or changes in financial position of Fort Lewis College, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Program of Fort Lewis College for the year ended June 30, 2006, in conformity with the provisions of the Colorado Commission on Higher Education's *Colorado Handbook for State-Funded Financial Assistance Programs*.



Members of the Legislative Audit Committee  
August 24, 2006  
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In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2006 on our consideration of Fort Lewis College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Chadwick, Steinkirchner, Davis & Co., P.C.

FORT LEWIS COLLEGE  
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS  
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS  
FISCAL YEAR ENDED JUNE 30, 2006

	Total Colorado Financial Aid	Student Grant Program	Work Study Program	Undergraduate Merit Award Program	Perkins Loan Match	Diversity Grant Program	Governor's Opportunity Scholarship	CLEAP	SLEAP
Appropriations:									
Original	\$1,083,601	\$ 564,000	\$ 244,396	\$ 31,267	\$ -	\$ -	\$ 198,307	\$ 6,779	\$ 38,852
Supplementals	71,224	42,800	-	-	-	-	11,300	61	17,063
Totals	1,154,825	606,800	244,396	31,267	-	-	209,607	6,840	55,915
Expenditures	1,154,825	606,800	244,396	31,267	-	-	209,607	6,840	55,915
Reversion to State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**FORT LEWIS COLLEGE**

**STATE-FUNDED STUDENT ASSISTANCE PROGRAMS**

**June 30, 2006**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE  
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND  
REVERSIONS**

**Basis of Accounting**

The Statement of Appropriations, Expenditures, Transfers, and Revisions has been prepared in accordance with the format set forth in the Colorado Commission on Higher Education's publication *Colorado Handbook for State-Funded Student Financial Assistance Programs*.

The Perkins Loan Program matching requirement from general funds, as approved by the Colorado Commission on Higher Education, is recorded as a transfer from the general fund to the loan fund and not as general fund expense and loan fund revenue.

All student aid is expensed on a cash basis except for Perkins loans and the College Work Study Program (CWS). Perkins loan disbursements are recorded as loans receivable when the funds are disbursed. The CWS is on the accrual basis in that the expense is recognized when the services are performed.

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