FORT LEWIS COLLEGE

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2011 and 2010

Wall, Smith, Bateman and Associates, Inc.

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FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

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 2011 audit was conducted under contract with Wall, Smith, Bateman and Associates, Inc. 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 October 2011.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Fort Lewis College for the year ended June 30, 2011 and to express an opinion on the financial statements. This included a review of 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.

- Report on the College's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.

- Evaluate progress in implementing prior audit recommendations.

The Schedule of Expenditures of Federal Awards for Fort Lewis College and applicable audit opinions are included in the June 30, 2011 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

Audit Results

Wall, Smith, Bateman and Associates, Inc. expressed an unqualified opinion on the financial statements for the year ended June 30, 2011.

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 there were no significant difficulties encountered in performing the audit.

Summary of Findings and Recommendations

There were no reported findings or recommendations resulting from the audit work completed for fiscal year 2011.

Summary of Progress in Implementing Prior Audit Findings

Two recommendations were made in the prior year audit. These recommendations were implemented. A detailed description and the dispositions are contained in the disposition of prior audit recommendations.

MISSION, HISTORY, ENROLLMENT, AND STAFFING

MISSION

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

Fort Lewis College offers accessible, high quality, baccalaureate liberal arts education to a diverse student population, preparing citizens for the common good in an increasingly complex world. We strive to be the finest public liberal arts college in the western United States.

Student success is at the center of all College endeavors. The College is dedicated to the highest quality liberal arts education that develops the whole person for success in life and work. Learner needs, rather than institutional preferences, determine priorities for academic planning, policies, and programs. Quality teaching and advising is demanded, recognized, and rewarded.

Academic freedom is the foundation for learning and advancement of knowledge. The College vigorously protects freedom of inquiry and expression while expecting civility and mutual respect to be practiced in all interactions.

Diversity is a source of renewal and vitality. The College is committed to developing capacities for living together in a democracy, the hallmark of which is individual, social, and cultural diversity. The College fosters a climate and models a condition of openness in which students, faculty, and staff engage with respect, tolerance and equity. The College is further dedicated to our historical mission to educate the nation's Native Americans within the liberal arts framework.

Informed and engaged citizens are essential to the creation of a civil and sustainable society. The College values the development of the responsible citizen, grounded in honesty, courage, and compassion, and is committed to advancing democratic ideals. Through community-based learning, the College engages students in community involvement and formal reflection on the value of these experiences.

Service to Southwest Colorado and the Four Corners area, including access to the College, is a public trust. The College is committed to forging partnerships and being responsive to the Four Corners region. It strives to make available its knowledge resources, services, and educational offerings at times, places, in forms, and by methods that will meet the needs of its constituents.

Connected knowing, independent learning, and collaborative learning are basic to being well educated. The College structures interdisciplinary learning experiences throughout the curriculum to have students develop the ability to think in terms of whole systems and to understand the interrelatedness of knowledge across disciplines. Emphasis is placed on the development of teamwork skills through collaborative opportunities.

Evaluation of all functions is necessary for improvement and continual renewal. The College is committed to studying and documenting its effectiveness through assessment.

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.

	FY 2010-11	FY 2009-10	FY 2008-09
Resident FTE	2,397.73	2,407.26	2,426.2
Non-Resident FTE	1,179.53	1,100.29	1,104.4
Total FTE Students	3,577.26	3,507.55	3,530.6

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.

	FY 2010-11	FY 2009-10	FY 2008-09
Faculty FTE	187.0	199.5	194.5
Staff FTE	296.7	298.5	299.1
Total FTE	483.7	498.0	493.6

FINDINGS AND RECOMMENDATIONS SECTION

FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2011

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

FORT LEWIS COLLEGE

AUDITORS' FINDINGS AND RECOMMENDATIONS

FISCAL YEAR ENDED JUNE 30, 2011

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2010 included two recommendations. The disposition of these audit recommendations as of June 30, 2011 was as follows:

	Recommendation	Disposition
1	Fort Lewis College should improve it's control over the application of generally accepted accounting principles by: • Using a financial statement and disclosure checklist to aid in preparing the financial statements • Implementing a review process over the preparation of the College's financial statements.	Implemented
2	Fort Lewis College should improve its cash management activities over reimbursements of state cash used for federal programs by: • Developing policies and procedures to closely monitor Pell Grant cash balance in order to ensure that draw downs of federal funds replenish the state cash used in a timely manner. • Continue to train, supervise and monitor personnel regarding the reimbursement request process.	Implemented

FINANCIAL STATEMENTS SECTION

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business type activities of Fort Lewis College (the College), a blended component unit of the State of Colorado, as of and for the year ended June 30, 2011 and 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the financial statements of Fort Lewis College Foundation, a discretely presented component unit of the College, as of June 30, 2011 and 2010. 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 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 statements are free of material misstatement. The financial statements of the Fort Lewis College Foundation were not audited in accordance with the *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, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the College as of June 30, 2011 and 2010 and the discretely presented component unit of the College as of June 30, 2011 and 2010, and the respective changes in its financial position and its 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 October 31, 2011 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10-20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Pledged Revenues and Expenses for Series 2007 Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements of the College. Such information, which is the responsibility of the College's management, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Certified Public Accountants

October 31, 2011

We are pleased to present this financial discussion and analysis of Fort Lewis College (the College). The discussion is intended to make the financial statements easier to understand and communicate the College's financial situation in an open and accountable manner. Furthermore, the management's discussion and analysis provides an objective analysis of the College's financial position and results of operations as of and for the years ended June 30, 2011 and 2010 (fiscal year 2011 and 2010, respectively), with comparative information for fiscal year 2009. College management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

The presented information relates to the financial activities of the College, a public liberal arts institution, and focuses on the financial condition and results of operations as a whole. The financial statements for the Fort Lewis College Foundation, a legally separate organization whose operations benefit the College – are discretely presented within The College's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the College.

Fort Lewis College was established under an agreement with the federal government whereby any qualified Native American students would be admitted tuition free and on terms of equality with other students. Fort Lewis College is one of two public, non-tribal schools in this category in the country. The Native American Tuition Funding, included in State Grants and Contracts on the financial statements, represents reimbursement for tuition waived in the previous fiscal year. This reimbursement accounts for approximately 25% of the general fund budget.

According to recent reports, Fort Lewis College ranks 1st in the nation among institutions of higher education in the number of baccalaureate degrees awarded to Native American students[1] and 1st in the nation in the number of Science, Engineering, Technology, and Math (STEM) baccalaureate degrees awarded to Native American students.[2] According to the American Indian Science & Engineering Society, Fort Lewis College ranks 7th in the nation among institutions of higher education in percent of full time Native American undergraduates[3] enrolled in college. Fort Lewis College is the only Native American Serving, Non-Tribal Institution in Colorado.

Understanding the Financial Statements

Financial highlights are presented in this discussion and analysis to help with the reader's assessment of the College's financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following five parts.

- ***Report of Independent Auditors*** presents an unqualified opinion prepared by the College's auditors (an independent certified public accounting firm, Wall, Smith, Bateman & Associates, Inc.) on the fairness, in all material respects, of the College and its discretely presented component unit's respective financial position.

- ***Statement of Net Assets*** presents the assets, liabilities, and net assets of the College as of June 30, 2011 and 2010. Its purpose is to present a financial snapshot of the College. This statement aids readers in determining the assets available to continue the College's operations; evaluating how much the College owes to vendors and lending institutions; and understanding the College's net assets and their availability for expenditure.

- ***Statement of Revenues, Expenses, and Changes in Net Assets*** presents the total revenues earned and expenses incurred by the College for operating, nonoperating, and other related activities for the years ended June 30, 2011 and 2010. This statement's purpose is to assess the College's operating results.

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[1] National Science Foundation, http://webcaspar.nsf.gov
[2] Ibid
[3] *Winds of Change,* American Indian Science & Engineering Society, 14th Annual College Guide, 2007

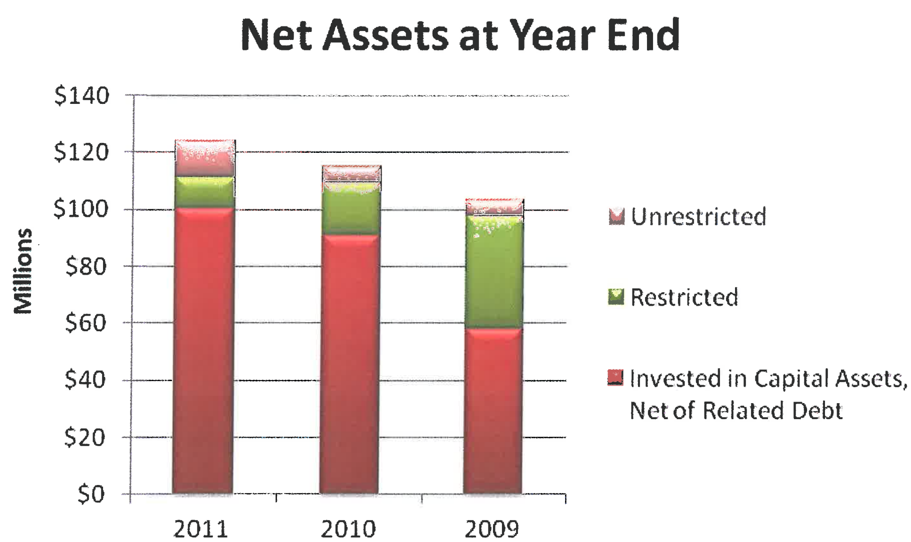
• ***Statement of Cash Flows*** presents College cash receipts and payments for the years ended June 30, 2011 and 2010. This statement's purpose is to assess the College's ability to generate net cash flows and meet its payment obligations as they come due.

• ***Notes to the Financial Statements*** present additional information to support the financial statements and are commonly referred to as Note(s). The purpose of the Notes is to clarify and expand on the information in the financial statements.

FINANCIAL HIGHLIGHTS

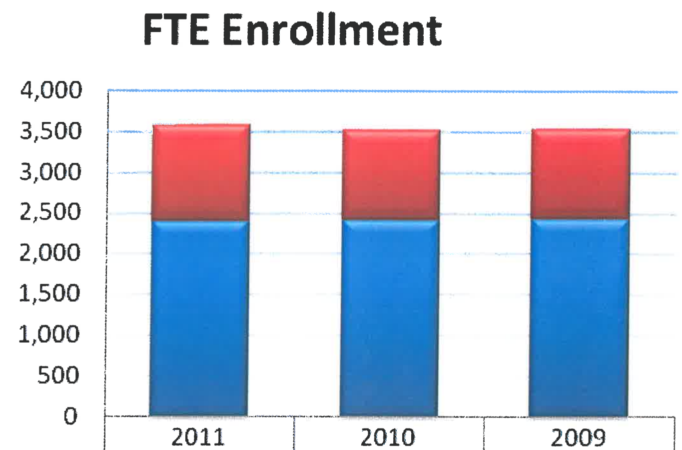
Year Ended June 30, 2011:

- **Net Assets** -- The College's financial position, as a whole, improved during the year ended June 30, 2011. The combined net assets increased by $9,280,374 or approximately 8% over the prior year. This increase is primarily due to the completion of the Student Union construction project and three smaller campus-funded construction projects. Additionally, the College received $1,352,303 in state capital contributions during FY 2011.



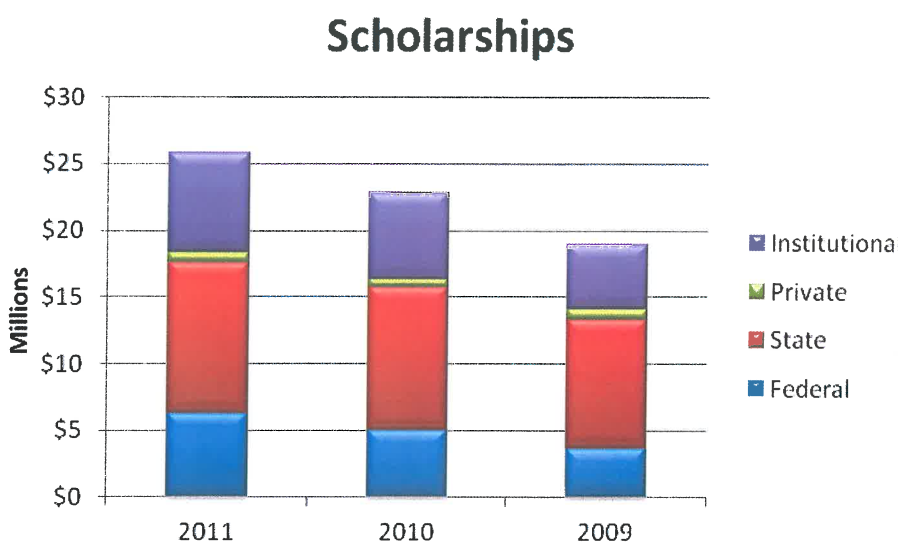
- **New Student Union** -- The Student Union construction project was completed in June of 2011. The project included the renovation of the existing building and the construction of an addition to the original facility. The building addition was completed in time for the Fall 2010 semester and the renovation project was completed the following summer. The Student Union project was added to the campus building inventory at a value of $43.2 million. This project and the Animas Hall project (completed in FY 2010) were primarily funded through revenue bonds issued in December 2007, along with $4.3 million in capital gifts and grants for the Student Union project. More detail on capital construction projects may be found in the Capital Assets section of this Management's Discussion and Analysis.

- **Enrollment** -- Overall FTE enrollment increased by 2% in FY 2011. In-state enrollment remained flat while out-of-state enrollment grew approximately 7%, resulting in a net increase of approximately $1.2 million in tuition revenue. Out-of-state Native American enrollment contributed 50% of the enrollment growth, increasing the scholarship allowance by $1.3 million and the State reimbursement of Native American tuition to be received in FY 2012 by 13%. The College has allocated significant resources to enrollment management functions, including marketing and financial aid leveraging in order to recover the enrollment loss attributed to increasing admission standards. The improvement in student preparedness will ultimately stabilize the size and quality of the freshman class and, therefore, increase students' chances for success, as measured by retention and graduation rates.



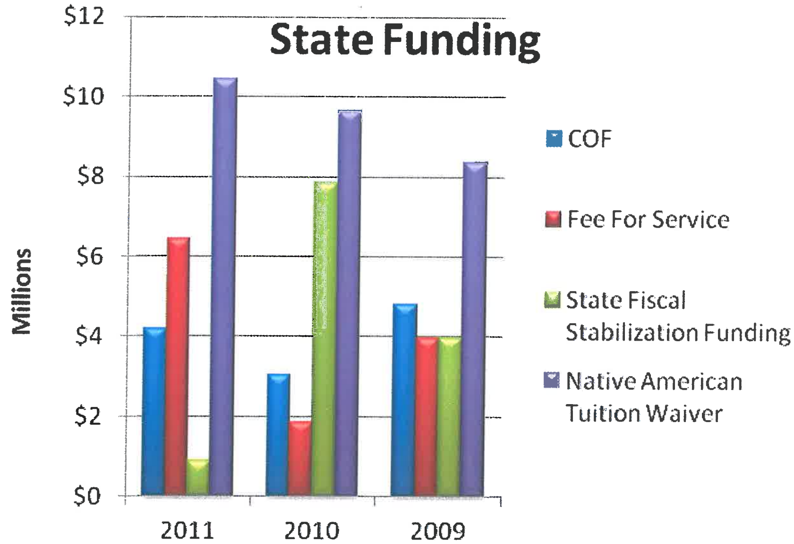
	2011	2010	2009
Non-Resident	1,179.53	1,100.29	1,104.40
Resident	2,397.73	2,407.26	2,426.20

- **Scholarships** -- The College increased institutionally-funded scholarships in FY 2011 by 6.7% or $500,585. This increase did not materially change the tuition discount rate of -26% (adjusted for the Native American Tuition Waiver). Scholarship awards were increased as part of the overall enrollment management strategy. Since FY 2010 enrollment increased by 2% and Fall 2011 enrollment is up slightly, the College believes that its enrollment management initiatives are beginning to produce positive results. More importantly, the retention rate for returning students is also improving. Scholarships over the past three fiscal years are depicted below. State-funded scholarships include the Native American Tuition Waiver.



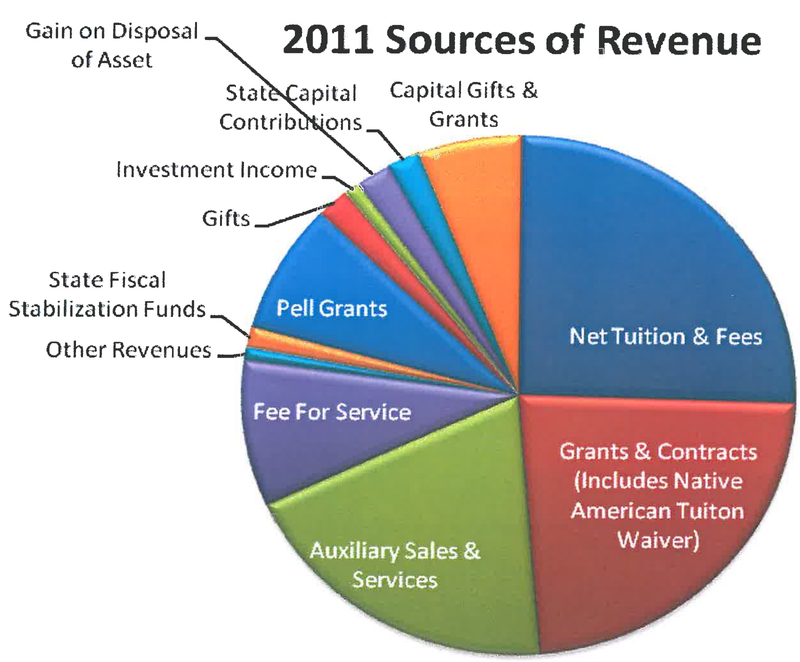
- **State Funding** -- Over the past three fiscal years, Fort Lewis College received $12,712,403 in American Recovery and Reinvestment Act (ARRA) funds through the State of Colorado. These funds were called State Fiscal Stabilization Funds and were appropriated to the College to replace reduced State funding from the College Opportunity Fund (COF) and Fee For Service agreement, due to shortfalls in the State budget. ARRA funding received by the College in FY 2011, which was the last year of the initiative, was $897,793. The State of Colorado increased the Fee for Service funding provided to the College from $1,855,916 in FY 2010 to

$6,421,964 in FY 2011. Even with this increase in State funding, the College made significant budget reduction in response to an overall reduction in State funding.

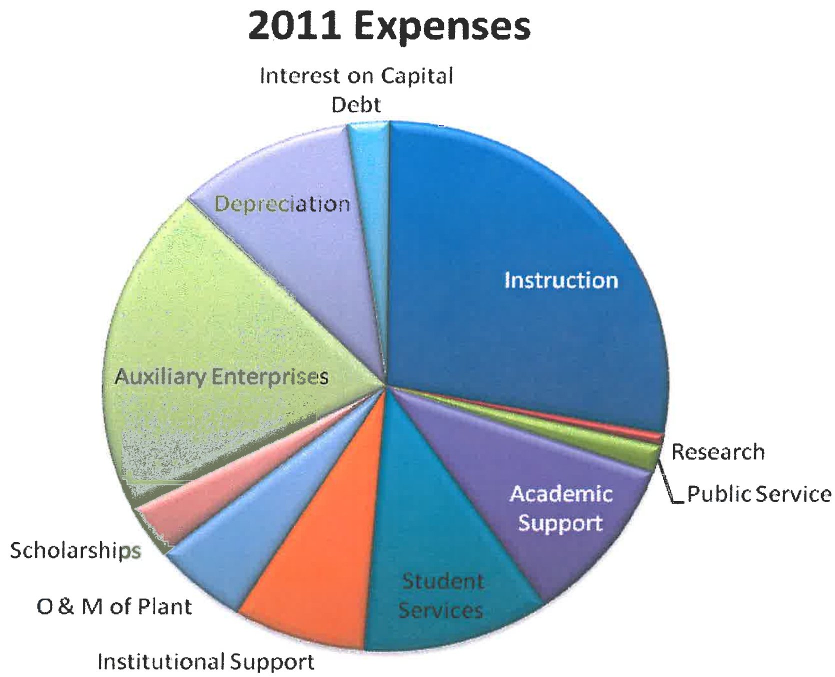


- **Land Sale** – During FY 2011, the College sold approximately 357 acres of land to the City of Durango to be maintained in perpetuity as open space. The sale allowed the Board of Trustees to establish a quasi-endowment of $1.6 million.

Total revenues received in FY 2011 were $70,396,093 and are depicted below without distinction as to whether they are classified as Operating or Nonoperating on the Statement of Revenues, Expenses and Changes in Net Assets.



Total expenses for FY 2011 were $61,115,719 and are illustrated in the chart below without distinction as to whether they are classified as Operating or Nonoperating on the Statement of Revenues, Expenses and Changes in Net Assets.



Year Ended June 30, 2010:

- The College's financial position, as a whole, improved during the year ended June 30, 2010. The combined net assets increased $11,633,427 or approximately 11% over the prior year. This increase is primarily due to the completion of the State-funded Biology wing of Berndt Hall and three smaller State-funded construction projects not yet completed. In total, the College received $9,275,482 in State capital contributions during FY 2010.
- Animas Hall, the first new residence hall constructed on the campus since West Hall was built in 1994, was completed in time for the Fall 2009 semester at a cost of $12,406,210. Animas Hall incorporates many new design features and has been designated as a Leadership in Energy and Environmental Design (LEED) Gold building. The LEED Gold honor is given to buildings that have accomplished sustainable design and construction practices, reduced environmental impact, and documented water and energy efficiency measures.
- Institutionally-funded construction during FY 2010 included the renovation and enlargement of the Student Union building. The new addition to the Student Union was completed in time for the Fall 2010 semester and renovation of the existing building was expected to be complete during the summer of 2011. The Student Union project was budgeted at $40.5 million. This project and the recently completed Animas Hall project were funded through revenue bonds issued in December 2007. More detail on capital construction projects may be found in the Capital Assets section of this Management's Discussion and Analysis.
- An enrollment decline of 0.65% resulted in $1.3 million less than the prior year in net tuition revenue. Auxiliary sales and services revenue also decreased as compared to prior year by slightly less than $1.0 million, primarily because of the privatization of the College Bookstore in July 2009. Academic year 2010 was the third year of declining enrollments which have been attributed primarily to the College's increase in admissions standards. The College has allocated significant resources to enrollment management functions, including marketing and financial aid leveraging in order to recover the enrollment loss.

- The privatization of the College Bookstore led to a reduction in Auxiliary Enterprise expenses of approximately $2 million, which contributed to the overall reduction in operating expenses during FY 2010. Despite the reduction in expenses, the College increased institutionally-funded scholarships in FY 2010 by 50%. Scholarship awards were increased as part of the overall enrollment management strategy. Fall 2010 enrollment was up by 2.1%, which was seen as evidence that enrollment management initiatives were beginning to produce positive results.
- During FY 2010, Fort Lewis College received $7,836,102 in American Recovery and Reinvestment Act (ARRA) funds through the State of Colorado. These funds were appropriated to the College to replace reduced State funding from the College Opportunity Fund and Fee For Service agreement, due to shortfalls in the State budget. FY 2010 was the second year the College received ARRA funds and FY 2011 is expected to be the last year the College will receive ARRA funding. The College implemented budget reduction plans formulated over the past year to accommodate the significant and permanent reduction in State funding.

The financial statements and notes are presented for the reporting entity 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 below.

Condensed Statements of Net Assets

	June 30, 2011	June 30, 2010	June 30, 2009
Current Assets	$29,095,834	$24,883,806	$21,670,551
Noncurrent Assets	158,530,950	157,450,671	146,459,983
Total Assets	187,626,784	182,334,477	168,130,534
Current Liabilities	11,558,997	14,189,787	10,397,351
Noncurrent Liabilities	51,804,433	53,161,710	54,383,630
Total Liabilities	63,363,430	67,351,497	64,780,981
Net Assets:			
Invested in capital assets, net of related debt	100,368,716	90,886,973	58,275,315
Restricted	11,245,529	18,563,652	39,574,132
Unrestricted	12,649,109	5,532,355	5,500,106
Total Net Assets	$124,263,354	$114,982,980	$103,349,553

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2011 AND 2010

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

	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009
Operating Revenues			
Tuition and Fees, Net	$17,924,953	$16,695,468	$18,016,452
Grants and Contracts	16,287,482	16,043,311	13,641,060
Auxiliary Services, Net	13,637,474	12,532,296	13,484,883
Other	6,750,058	2,099,662	4,236,340
Total Operating Revenues	54,599,967	47,370,737	49,378,735
Operating Expenses	59,678,504	59,591,603	60,411,497
Net Operating Revenues (Expenses)	(5,078,537)	(12,220,866)	(11,032,762)
Nonoperating Revenues (Expenses):			
State Fiscal Stability Revenue	897,793	7,836,102	3,978,508
Federal Pell Grants	5,697,475	4,608,198	3,266,092
Other Net Nonoperating Revenues	650,099	1,529,630	3,702,316
Net Nonoperating Revenues	7,245,367	13,973,930	10,946,916
Income (Loss) Before Other Revenues, Expenses, or Transfers	2,166,830	1,753 064	(85,846)
Gain (Loss) on Disposal of Assets	1,455,930	(41,356)	4,000
State Capital Contributions	1,352,303	9,275,482	9,566,702
Capital Grants and Gifts	4,211,861	531,561	-
Additions to Endowments	93,450	114,676	-
Increase (Decrease) in Net Assets	9,280,374	11,633,427	9,484,856
Net Assets – Beginning of Year	114,982,980	103,349,553	93,864,697
Net Assets – End of Year	$124,263,354	$114,982,980	$103,349,553

CAPITAL ASSETS

At June 30, 2011, the College had approximately $151 million invested in capital assets, net of accumulated depreciation of $72.7 million. Depreciation charges were $6.2 million for the year ended June 30, 2011. At June 30, 2010, the College had approximately $142.9 million invested in capital assets, net of accumulated depreciation of $66.8 million. Depreciation charges were $5.1 million for the year ended June 30, 2010. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	June 30, 2011	June 30, 2010	June 30, 2009
Land and Improvements	$106,301	$280,559	$280,559
Construction in Progress	1,217,005	35,786,177	31,184,369
Collections	1,248,107	1,248,956	1,258,623
Land Improvements, Net	11,176,958	10,325,686	10,393,670
Buildings and Improvements, Net	134,429,655	92,135,357	65,884,313
Equipment, Net	2,317,729	2,448,542	1,765,146
Library Materials, Net	664,112	687,011	713,113
Total	$151,159,867	$142,912,288	$111,479,793

Major capital additions completed in FY 2010-11 and the resources that funded their acquisition include:

Student Union Renovation/Expansion, funded by the College	$43,206,910
Berndt Hall Reconstruction – Geology, funded by the State	2,241,859
Reconstruction of Eighth Avenue, funded by the State	1,092,107
Residence Hall Roof Replacement, funded by the College	911,213
Electrical Distribution System Improvements, funded by the State	618,150
Repave Parking Lot D, funded by the College	259,836
Repave Fort Lewis Drive, funded by the College	206,345
Apartment flooring & carpet replacement, funded by the College	137,370
	$48,673,790

The following significant capital projects were in progress at June 30, 2011:

Equipment Storage Building, funded by the College	321,867
Berndt Hall Reconstruction – Biology, funded by the State	281,393
Residence Hall One Card Door Access, funded by the College	179,295
Residence Hall Roof Replacement, funded by the College	167,103
Energy Savings Performance Contract, funded by the College	104,356
Berndt Hall Reconstruction – Geology, funded by the State	91,455
Residence Hall Fire Door, funded by the College	60,982
Student Life Center Planning, funded by the College	10,554
	$1,217,005

Major capital additions completed in FY 2009-10 and the resources that funded their acquisition include:

Berndt Hall Reconstruction – Biology, funded by the State	$17,457,394
New Residence Hall, funded by the College	12,538,565
Campus Beautification, funded by the College	317,996
One Card Project, funded by the College	280,935
Repave Parking Lots U & R, funded by the College	287,662
Center of Southwest Studies Remodel, funded by the College	53,438
	$30,935,990

The following significant capital projects were in progress at June 30, 2009:

Student Union Building Renovation/Expansion, funded by the College	$31,984,311
Berndt Hall Reconstruction - Geology, funded by the State	1,647,618
Electrical Distribution System Improvements, funded by the State	597,647
Reconstruction of Eighth Avenue, funded by the State	528,924
Residence Hall Roof Replacement, funded by the College	470,956
Equipment Storage Building, funded by the College	313,574
Program Plan for the Sciences, funded by the College	96,705
Central Campus Precinct Plan, funded by the College	86,064
Repave Fort Lewis Drive, funded by the College	36,264
Repave Parking Lot D	24,115
	$35,786,178

DEBT

At June 30, 2011, 2010 and 2009, the College had approximately $51.4 million, $52.7 million and $53.9 million in long-term debt outstanding respectively. The table below summarizes debt over the past three fiscal years.

Outstanding Debt at Fiscal Year-End

	June 30, 2011	June 30, 2010	June 30, 2009
Auxiliary Revenue Bonds, Net	$51,410,484	$52,688,043	$53,910,604
Total	$51,410,484	$52,688,043	$53,910,604

ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE

Enrollment

Since the College's admission criteria changed from "*moderately selective*" to "*selective*" in the Fall of 2008, enrollment management has been a campus priority. In the current economic environment, 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 engaged consultants in both financial aid leveraging and marketing to develop strategic enrollment management plans. The College also reorganized its administrative structure to place a greater emphasis on the enrollment management function, creating a Division of Enrollment Management. This reorganization brings together Admission, Financial Aid, Marketing & Communications, Academic Advising and the Registrar's Office under one umbrella to ensure that prospective students receive a consistent message.

Capital Construction / Property

Capital construction projects have played a significant role in campus planning over the past several years. During FY 2007-08, the College issued $55.8 million in revenue bonds to finance the construction of a new student union and a residence hall, and to refinance existing debt. A new student fee was implemented in FY 2007-08 pledged to debt payments for the new student union. The new residence hall (Animas Hall) was completed and is very popular with the students. The student union addition opened in August 2010, and the renovated original building opened in June 2011. State capital construction funds for the Berndt Hall Biology project totaling $17.9 million were allocated in the 2008 legislative cycle, with the building ready for occupancy in January 2010.

In FY 2008-09, the College received $3.2 million from the Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (COP), for design of the Geosciences/Physics/Engineering facilities in Berndt Hall. The College used $2.2 million to complete the design. An additional $29.3 million is needed for the construction portion of the project, with the College being responsible for $4.2 million of this amount. The legislation, which established the original COP, envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the required semi-annual lease payments. At this time, it is not anticipated that there will be sufficient Federal Mineral Lease revenue to issue additional COPs in the near future.

During FY 2011, the College's Board of Trustees negotiated the sale of approximately 357 acres of unused College property to the City of Durango to preserve it in perpetuity as open space. The property, known as "Horse Gulch", is used for recreational purposes by the Durango and campus communities. The property was sold for $1,650,000 and the net proceeds were placed in a quasi-endowment.

Finally, the Facilities Master Plan envisions multi-use recreation fields in the northeast corner of campus. Recognizing the mutual benefit these fields could have to both the campus and community, the College and City of Durango have entered into a Memorandum of Understanding (MOU) defining the terms and conditions, as well as roles and responsibilities for development of recreation fields consistent with the Facilities Master Plan. The City is providing capital and long-term maintenance, and the College is providing land. The College and City have recognized that the selection and design of the fields must suit the needs of both the College's students and the citizens of Durango. The College has collaborated with the City in a similar arrangement for shared use of the campus softball complex for many years.

State Funding

During FY 2008-09, the State of Colorado experienced a serious budget shortfall due to the economic recession. Funding for all higher education institutions was rolled back to FY 2005-06 levels. This reduction was accomplished by reducing both the College Opportunity Fund stipend and Fee for Service contracts. The allocated reduction to Fort Lewis College of $4.0 million was covered by the receipt of American Recovery and Reinvestment Act (ARRA) funds. In FY 2009-10, the State further reduced funding to higher education, and again allocated ARRA funds to offset the reduction, with the College receiving $7.8 million. As a result of the increased reliance on ARRA funds in FY 2009-10, there was not enough available in FY 2010-11 to offset all the reductions to higher education. For the FY 2010-11 budget cycle, State funding to Fort Lewis College was decreased by $1.2 million, to $11.5 million.

The adopted allocation model for FY 2011-12 reduced funding to Fort Lewis College to $9.3 million, an overall reduction of $3.4 million from the FY 2009-10 level. During the FY 2011-12 budget cycle, the President's Budget Committee set aside $2 million in anticipation of further cuts in the FY 2012-13 budget year.

New Leadership

Dr. Barbara Jean Morris became the new Provost and Vice President of Academic Affairs at Fort Lewis College in July, 2011. During her first few months in office, Provost Morris has put a priority on evaluating academic processes.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide users of our financial statements with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fort Lewis College Controller's Office at Room 140, Berndt Hall, and 1000 Rim Drive, Durango Colorado 81301 or call (970) 247-7368.

FORT LEWIS COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$26,582,356	$19,882,475
Student Accounts Receivable, Net	463,392	414,827
Accounts Receivable - Fort Lewis College Foundation	345,387	58,155
Other Accounts Receivable	1,069,717	4,041,802
Student Loans Receivable, Net	286,880	250,060
Inventories	127,544	125,731
Prepaid Expense	220,558	110,756
Total Current Assets	29,095,834	24,883,806
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,195,781	12,111,247
Student Loans Receivable, Net	1,555,969	1,764,406
Other Non-current Assets	619,333	662,730
Nondepreciable Capital Assets:		
Land and Improvements	126,985	280,559
Construction in Progress	1,217,005	35,786,177
Collections	1,248,107	1,248,956
Total Nondepreciable Capital Assets	2,592,097	37,315,692
Depreciable Capital Assets:		
Land Improvements, Net	11,156,274	10,325,686
Buildings and Improvements, Net	134,429,655	92,135,357
Equipment, Net	2,317,729	2,448,542
Library Materials, Net	664,112	687,011
Total Depreciable Capital Assets, Net	148,567,770	105,596,596
Total Noncurrent Assets	158,530,950	157,450,671
Total Assets	187,626,784	182,334,477
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,812,624	2,987,139
Accrued Liabilities	5,950,103	7,127,045
Deferred Revenue	1,033,192	2,300,834
Deposits Held for Others	177,496	261,678
Bonds Payable, Current Portion	1,365,000	1,310,000
Compensated Absence Liabilities	220,582	203,091
Total Current Liabilities	11,558,997	14,189,787
Noncurrent Liabilities:		
Bonds Payable, Net	50,045,484	51,378,043
Compensated Absence Liabilities	1,758,949	1,783,667
Total Noncurrent Liabilities	51,804,433	53,161,710
Total Liabilities	63,363,430	67,351,497
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	100,368,716	90,886,973
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Capital Projects	1,939,684	9,284,834
Endowment	739,894	646,444
Other	8,424,302	8,490,725
Unrestricted	12,649,109	5,532,355
Total Net Assets	$124,263,354	$114,982,980

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

FORT LEWIS COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS	2011	2010
Pooled Cash	$ 888,401	$ 1,873,659
Pooled Investments	13,390,854	11,826,535
Pledges Receivable	234,917	691,400
Segregated Cash	8,275	8,490
Segregated Investments	71,578	65,267
Accounts Receivable	25,552	11,708
Tangible Assets, Net	8,065,827	8,507,389
TOTAL ASSETS	$ 22,685,404	$ 22,984,448
LIABILITIES		
Accounts Payable and Accrued Expenses	25,234	7,500
Accounts Payable - Fort Lewis College	234,390	61,677
Gift Annuity Obligation Payable	12,112	18,512
Loan Payable	411,049	439,297
TOTAL LIABILITIES	682,785	526,986
NET ASSETS		
Unrestricted		
Board Designated	34,827	13,889
Board Designated Endowment	1,176,670	854,606
Gifts-in-Kind	293,604	295,354
General Unrestricted	1,135,939	989,130
General Unrestricted, FASB ASC 958-205-65	(132,101)	(25,036)
	2,508,939	2,127,943
Temporarily Restricted		
Scholarships, Awards, and Other	6,839,481	7,584,746
Gifts-in-Kind and Tangible Assets	5,130,673	5,518,783
Temporarily Restricted, FASB ASC 958-205-65	132,101	25,036
	12,102,255	13,128,565
Permanently Restricted		
True Endowments	4,749,875	4,559,404
Gifts-in-Kind	2,641,550	2,641,550
	7,391,425	7,200,954
TOTAL NET ASSETS	22,002,619	22,457,462
TOTAL LIABILITES AND NET ASSETS	$ 22,685,404	$ 22,984,448

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 Years Ended June 30, 2011 and 2010

	2011	2010 Restated
REVENUES		
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of $4,262,931 - 2011 and $4,160,650 -2010 and net of scholarship allowances of $22,578,657 -2011 and $20,104,049 -2010)	$17,924,953	$16,695,468
Federal Grants and Contracts	3,179,166	3,527,785
State Grants and Contracts	11,855,044	11,393,360
Local Grants and Contracts	263,504	140,129
Non-Governmental Grants and Contracts	989,768	982,037
Sales and Services of Educational Activities	234,593	191,773
Auxiliary Enterprises (including pledged revenues of $11,523,535 - 2011 and $12,069,383 -2010 and net of scholarship allowances of $1,355,334 - 2011 and $1,229,294 -2010)	13,637,474	12,532,296
Fee For Service Contract Revenue	6,421,964	1,855,916
Other Operating Revenues	93,501	51,973
Total Operating Revenues	54,599,967	47,370,737
EXPENSES		
Operating Expenses:		
Instruction	17,015,898	16,489,579
Research	454,640	557,910
Public Service	1,024,219	1,141,945
Academic Support	6,174,711	6,571,917
Student Services	6,561,292	6,341,830
Institutional Support	4,634,227	5,011,900
Operation and Maintenance of Plant	3,298,576	5,147,778
Scholarships and Fellowships	2,015,682	1,716,741
Auxiliary Enterprises	12,297,623	11,481,043
Depreciation	6,201,636	5,130,960
Total Operating Expenses	59,678,504	59,591,603
Operating Income (Loss)	(5,078,537)	(12,220,866)
NONOPERATING REVENUES (EXPENSES)		
State Fiscal Stabilization Revenue	897,793	7,836,102
Federal Pell Grants	5,697,475	4,608,198
Gifts (including pledged revenues of $56,195 - 2011 and $229,402 - 2010)	1,314,903	1,487,417
Investment Income (including pledged revenues of $46,708 -2011 and $173,356 - 2010)	636,354	916,583
Interest Expense on Capital Debt	(1,437,215)	(891,952)
Other Nonoperating Revenues	136,057	17,582
Net Nonoperating Revenues	7,245,367	13,973,930
Income (loss) before other revenues, expenses, or transfers	2,166,830	1,753,064
OTHER REVENUES, (EXPENSES), OR TRANSFERS		
Gain or (Loss) on Disposal of Assets	1,455,930	(41,356)
State Capital Contributions	1,352,303	9,275,482
Capital Grants & Gifts (including pledged revenues of $3,953,267 - 2011 and $320,108 - 2010)	4,211,861	531,561
Additions to Endowments	93,450	114,676
Increase (Decrease) in Net Assets	9,280,374	11,633,427
NET ASSETS		
Net Assets - Beginning of Year	114,982,980	103,349,553
Net Assets - End of Year	$124,263,354	$ 114,982,980

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

FORT LEWIS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS, BEGINNING OF YEAR	$ 2,127,943	$ 13,128,565	$ 7,200,954	$ 22,457,462
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	96,033	1,513,865	39,110	1,649,008
Donations - Gifts in Kind	-	18,736	-	18,736
Investment Income	749,047	(339,046)	99,155	509,156
Realized and Unrealized Gain in Investments	-	1,374,227	-	1,374,227
Fund Raising Income	-	7,691	-	7,691
Other Income	33,540	187,094	-	220,634
Subtotal	878,620	2,762,567	138,265	3,779,452
Net Assets Released from Restriction	3,838,402	(3,838,402)	-	-
Total from Revenues, Gains, and Other Support	4,717,022	(1,075,835)	138,265	3,779,452
EXPENSES AND LOSSES				
Scholarships	708,363	-	-	708,363
Program Expense	3,357,611	-	-	3,357,611
Fund Raising	54,575	-	-	54,575
Management and General	113,746	-	-	113,746
Total Expenses and Losses	4,234,295	-	-	4,234,295
Reclass for FASB ASC 958-205-65 Adjustment	(107,065)	107,065	-	-
Changes in Donor Restrictions	5,334	(57,540)	52,206	-
Change in Net Assets for the Year	380,996	(1,026,310)	190,471	(454,843)
NET ASSETS AT END OF YEAR	$ 2,508,939	$ 12,102,255	$ 7,391,425	$ 22,002,619

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

FORT LEWIS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS, BEGINNING OF YEAR	$ 1,407,521	$ 10,011,727	$ 6,984,818	$ 18,404,066
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	259,959	1,443,803	76,011	1,779,773
Donations - Gifts in Kind	-	2,072,466	-	2,072,466
Investment Income	349,400	42,369	-	391,769
Realized and Unrealized Gain/(Loss) in Investment:	-	1,634,920	-	1,634,920
Fund Raising Income	-	15,504	-	15,504
Other Income	29,957	150,840	-	180,797
Subtotal	639,316	5,359,902	76,011	6,075,229
Net Assets Released from Restriction	1,583,364	(1,580,262)	(3,102)	-
Total from Revenues, Gains, and Other Support	2,222,680	3,779,640	72,909	6,075,229
EXPENSES AND LOSSES				
Scholarships	702,606	-	-	702,606
Program Expense	1,192,966	-	-	1,192,966
Fund Raising	44,474	-	-	44,474
Management and General	81,787	-	-	81,787
Total Expenses and Losses	2,021,833	-	-	2,021,833
Reclass for FASB ASC 958-205-65 Adjustment	565,947	(565,947)	-	-
Changes in Donor Restrictions	(46,372)	(96,855)	143,227	-
Change in Net Assets for the Year	720,422	3,116,838	216,136	4,053,396
NET ASSETS AT END OF YEAR	$ 2,127,943	$ 13,128,565	$ 7,200,954	$ 22,457,462

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

FORT LEWIS COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and Fees	$ 18,031,976	$ 16,827,294
Sales of Products	304,166	271,691
Sales of Services	20,198,745	11,452,635
Grants and Contracts	15,443,017	16,578,537
Student Loans Collected	341,074	274,541
Other Operating Receipts	260,989	98,599
Cash Payments:		
Scholarships Disbursed	(2,015,682)	(1,716,741)
Student Loans Disbursed	(188,457)	(143,654)
Payments to Suppliers	(14,965,687)	(12,826,040)
Payments to Employees	(35,747,331)	(36,113,473)
Other Operating Payments	(19,784)	(14,682)
Net Cash Provided (Used) by Operating Activities	1,643,026	(5,311,293)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Fiscal Stabilization Revenue	3,174,283	7,836,102
Federal Pell Grants	5,697,475	4,608,198
Gifts for Other than Capital Purposes	1,183,833	1,590,599
Agency Receipts	23,932,912	19,633,828
Agency Payments	(24,016,695)	(19,559,064)
Net Cash Provided by Noncapital Financing Activities	9,971,808	14,109,663
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contracts	3,943,711	1,050,000
Proceeds from the Sale of Capital Assets	1,646,387	-
Acquisition and Construction of Capital Assets	(15,765,172)	(28,198,434)
Principal Paid on Capital Debt	(1,310,000)	(1,255,000)
Interest on Capital Debt	(1,054,122)	(736,453)
Net Cash Provided (Used by Capital and Related Financing Activities	(12,539,196)	(29,139,887)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	708,777	931,257
Net Cash Provided by Investing Activities	708,777	931,257
Net Increase (Decrease) in Cash	(215,585)	(19,410,260)
Cash - Beginning of Year	31,993,722	51,403,982
Cash - End of Year	$ 31,778,137	$ 31,993,722

(Continued on Next Page)

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

FORT LEWIS COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010
(Continued)

	2011	2010
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ (5,078,537)	$ (11,753,805)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	6,201,636	5,130,960
Noncash Operating Transactions	161,652	75,836
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	1,227,010	(2,483,110)
Inventories	(1,813)	323,808
Prepaid Expense	(109,802)	(65,803)
Construction in Progress	-	(332,256)
Accounts Payable	(172,665)	1,520,445
Accrued Liabilities	(830,084)	778,988
Deferred Revenue	337,038	1,378,211
Deposits Held for Others	(84,182)	46,442
Compensated Absence Liabilities	(7,227)	68,991
Net Cash Provided (Used) by Operating Activities	$ 1,643,026	$ (5,311,293)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State Capital Contributions	$ 1,485,889	$ 9,275,482
Gain (Loss) on Capital Asset Deletions	(40,497)	(41,356)

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

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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 a public 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 is 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) Accounting Standards Codification (ASC), Topic 958 Not-for Profit Entities*. 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, 2011, for the purposes stated above was $3,577,156. This amount includes a $2,000,000 capital gift for the renovation and expansion of the Student Union building, completed in 2011. Transfers for the year ended June 30, 2010 were $1,547,006. 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.

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, and 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

An inventory of consumable custodial, maintenance and office supplies is maintained in an internal service center and is stated at the lower of cost or market, with cost being determined either on the first-in, first-out or average cost method.

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.

USE OF ESTIMATES

Estimates are made in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ significantly from those estimates.

CAPITAL ASSETS

Capital assets are stated at cost at the date of acquisition or at fair value at the date of donation. For equipment, the capitalization policy includes all items with a value of $5,000 or more, and an estimated useful life of greater than one year.

Intangibles and renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. For intangibles and renovations and improvements, the capitalization policy includes items with a value of $50,000 or more. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the building project. Interest incurred during the construction phase is included as part of the value of the construction in progress.

All collections, such as works of art and historical artifacts, have been capitalized at cost at the date of acquisition or fair value at the date of donation. The nature of certain collections is such that the value and usefulness of the collections does not decrease over time. These collections have not been depreciated in the accompanying financial statements.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight –line method over the shorter of the lease term or the estimated useful; life. Such amortization is included as depreciation expense in the accompanying financial statements.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives of assets are as follows:

Asset Class	Years
Buildings	20-40
Improvements other than Buildings	20-50
Equipment	3-10
Library Materials	15

COMPENSATED ABSENCE LIABILITIES

Employees' compensated absences are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the College. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Professional exempt employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 480 hours while classified employees accrue leave at 6.66 hours per month with a maximum accrual of 360 hours for employees hired after June 30, 1988. Employees hired before June 30, 1988 can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates shown in the table below. Vacation accruals are paid in full upon separation, whereas only a portion of sick leave is paid upon specific types of separation, such as retirement.

Vacation Accrual Rates:

Years of Service	Days Earned Per Month	Maximum Accrual
Classified employees hired Before January 1, 1968	1.25 – 1.75	30 – 42 days
Classified employees hired on Or after January 1, 1968	1.00 – 1.75	24 - 42 days
Professional Exempt Employees	2 days	48 days

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 fiscal stabilization funding, Federal Pell grants, gifts, investment income, and other nonoperating 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.

STATE FISCAL STABILIZATION FUNDING

On February 19, 2009, the American Recovery and Reinvestment Act (ARRA) of 2009 was signed into law. These federal funds were allocated to state governments via the State Fiscal Stabilization Fund (SFSF) Program. This education grant funding was used for activities allowable under the U.S. Department of Education's guidance. The Colorado Department of Higher Education is the fiscal agent under this award made from the Colorado Governor's Office to the institutions of higher education in the state. In accepting these funds, certain stipulations were placed on the use of the funds, including steps to mitigate tuition and fee increases for in-state students. SFSF funding was received through the second quarter of fiscal year 2011. SFSF funding is provided as pass-through funds through the State without the federal government or State directly receiving goods and services and is recorded as nonoperating revenue.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF 2010 FINANCIAL STATEMENTS

The College restated the Statement of Revenues, Expenses, and Changes in Net Assets for fiscal year ended June 30, 2010 by reclassifying $1,855,916 from Sales and Services of Educational Activities to Fee for Service Contract Revenue to make the College's financial statements more comparable to other Colorado public higher education institutions. $198,519 was reclassified to the revenue line Sales and Services of Educational Activities from Operating Expenses to properly report credit card fees. A third reclassification of $417,061 was made to reduce Operating Revenue in Federal, State, and Non-Governmental Grants and Contracts to Capital Grants & Gifts to present the amount of grant funds received for nonoperating purposes in accordance with GASB 35. Another $114,500 was reclassified from Gifts to Capital Grants & Gifts. Capital grants and gifts were received primarily for the construction of the Student Union building. Additionally, a disclosure of Additions to Endowments in fiscal year 2010 was made by reclassifying $50,000 from Federal Grants and Contracts, $50,000 from Gifts and $14,676 from Investment Income. The restatements did not affect the total net assets of the College.

RECLASSIFICATIONS

Certain amounts in 2010 have been reclassified to conform to the 2011 financial statement presentation.

FISCAL RULES

Colorado State Senate Bill 10-003, enacted by the General Assembly and signed by the Governor and effective June 9, 2010, amends section 24-30-202, C.R.S. As amended, section 24-30-202(13)(b), C.R.S., allows a governing board of an Institution of Higher Education that has adopted Fiscal Rules and has determined that such Fiscal Rules provide adequate safeguards for the proper expenditure of the moneys of the institution to elect to exempt the institution from the Fiscal Rules promulgated by the State Controller pursuant to section 24-30-202. Pursuant to this change, on June 3, 2011, the Fort Lewis College Board of Trustees voted to opt out of the State of Colorado Fiscal Rules and establish its own set of Fiscal Rules. These rules were adopted by the Board of Trustees on June 3, 2011 and became effective July 01, 2011. The new rules may be accessed at: http://www2.fortlewis.edu/fiscalrules/home.aspx

NOTE 2: CASH AND CASH EQUIVALENTS

Fort Lewis College (College) deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2011, Fort Lewis College had cash on deposit with the State Treasurer of $28,228,002, which represented approximately .46 percent of the total $6,100.3 million fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year end. On the basis of Fort Lewis College's participation in the Pool, the College reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's 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 for the fiscal year.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2011, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2011, approximately 86.7 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $18,384,300 of corporate bonds rated lower medium and $15,015,000 of corporate bonds rated as speculative, and $14,218,750 of corporate bonds rated as very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the

Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2011, the weighted average maturity of investments in the Treasurer's Pool is 0.015 years for Commercial Paper (1.3 percent of the Pool), 1.054 years for U.S. Government Securities (81.7 percent of the Pool), 1.06 years for Asset Backed Securities (6.9 percent of the Pool), and 3.133 years for Corporate Bonds (10.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2010-11.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2011

At year-end, the carrying amount of the College's cash was $2,818,380. The cash included petty cash and change funds of $18,587 and bank deposits of $2,799,788. The bank balance of the deposits was $3,531,548. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

As of year-end June 30, 2010, the College had $31,416,948 on deposit with the State Treasurer. On that date, the carrying amount of the College's cash was $4,844,101. The cash included petty cash and change funds of $21,812 and bank deposits of $4,822,289. The bank balance of the deposits was $5,199,424. Of this bank balance, $697,136 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and $4,502,288 was covered by collateral held by the bank or its agent in the State's name.

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.

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

Pooled cash and investments

Pooled cash and investments as of June 30, 2011 and 2010 are summarized as follows:

	June 30, 2011		June 30, 2010	
	Cost Basis	Market Value	Cost Basis	Market Value
Cash and Cash Equivalents	$ 888,401	$ 888,401	$ 1,873,659	$ 1,873,659
Marketable Securities				
Fixed Income	4,746,242	5,061,898	5,686,243	5,953,708
Equities	6,378,541	7,131,659	5,632,690	5,105,518
Commodities	926,555	1,197,297	702,598	767,309
Total pooled cash and investments	$ 12,939,739	$ 14,279,255	$ 13,895,190	$ 13,700,194

Net realized losses of $84,093 and $122,556 was recognized on these marketable securities as of June 30, 2011 and 2010, respectively. Net unrealized gains of $1,596,049 and $800,446 were recognized on these marketable securities as of as of June 30, 2011 and 2010, respectively.

Segregated cash and investments

Segregated cash and investments at June 30, 2011 and 2010 are summarized as follows:

	June 30, 2011		June 30, 2010	
	Cost Basis	Market Value	Cost Basis	Market Value
Segregated Cash and Cash Equivalents	$ 8,275	$ 8,275	$ 8,490	$ 8,490
Segregated Investments:				
Fixed Income	24,018	25,982	23,086	25,434
Equities	32,820	42,695	34,835	39,833
Commodities	2,829	2,901	-	-
Total Segregated Investments	59,667	71,578	57,921	65,267
Total segregated cash and investments	$ 67,942	$ 79,853	$ 66,411	$ 73,757

Net realized gains of $6,259 and $15,463 was recognized on the Gift Annuity funds as of June 30, 2011 and 2010, respectively. Net unrealized gains of $4,492 and $7,346 were recognized on these marketable securities as of June 30, 2011 and 2010, respectively.

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

Total cash and investments

Total cash investments at June 30, 2011 and 2010 are summarized as follows:

	2011			2010		
	Cost Basis	Market Value	% of Total	Cost Basis	Market Value	% of Total
Cash and Cash Equivalents	$ 896,676	$ 896,676	6%	$ 1,882,149	$ 1,882,149	14%
Marketable Securities						
Fixed Income	4,770,260	5,087,880	35%	5,701,340	5,970,429	43%
Equities	6,411,361	7,174,354	50%	5,675,514	5,154,064	37%
Commodities	929,384	1,200,198	9%	702,598	767,309	6%
Total	$ 13,007,681	$ 14,359,108	100%	$ 13,961,601	$ 13,773,951	100%

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, 2011 and 2010 the Accounts Receivable balances are comprised of:

	6/30/2011	6/30/2010
Student Accounts Receivable	$1,027,263	$1,000,558
Less: Allowance for Doubtful Accounts	(563,871)	(585,731)
Student Accounts Receivable, Net	463,392	414,827
Student Loans Receivable	2,051,416	2,204,032
Less: Allowance for Doubtful Accounts	(208,567)	(189,566)
Student Loans Receivable, Net	1,842,849	2,014,466
Accounts Receivable – Fort Lewis College Foundation	345,387	58,155
Other Accounts Receivable		
Sponsored Programs	536,749	3,259,042
Vendor Credits	-	-
Conferences & Summer Programs	358,009	174,076
Other	174,959	608,684
Other Accounts Receivable	1,069,717	4,041,802
Total Receivables, Net	$3,721,345	$6,529,250

NOTE 5: CAPITAL ASSETS

The college's capital asset activity for the year ended June 30, 2011 was as follows:

	Balance 6/30/2010	Additions	Deletions	Transfers	Balance 6/30/2011
Land	$ 259,875	$ -	$ 153,574	$ -	$ 106,301
Land Improvements	18,275,608	968,985	-	589,303	19,833,896
Buildings and Improvements	143,532,772	12,323,657	-	34,791,844	190,648,273
Construction in Progress	35,786,177	811,975	-	(35,381,147)	1,217,005
Equipment	6,994,135	462,745	173,950	-	7,282,930
Software	777,782	5,560	15,707	-	767,635
Library Materials	2,846,738	71,213	140,583	-	2,777,368
Capitalized Collections	1,248,956	-	849	-	1,248,107
Total	209,722,043	14,644,135	484,663	-	223,881,515
Less Accumulated Depreciation:					
Land Improvements	7,929,238	727,700	-	-	8,656,938
Buildings and Improvements	51,397,414	4,821,204	-	-	56,218,618
Equipment	4,604,948	514,597	138,044	-	4,981,501
Software	718,427	44,024	11,116	-	751,335
Library Materials	2,159,728	94,111	140,583	-	2,113,256
Total Accumulated Depreciation	66,809,755	6,201,636	289,743	-	72,721,648
Capital Assets, Net	$ 142,912,288	$ 8,442,499	$ 194,920	$ -	$ 151,159,867

The college's capital asset activity for the year ended June 30, 2010 was as follows:

	Balance 6/30/2009	Additions	Deletions	Transfers	Balance 6/30/2010
Land	$ 259,875	$ -	$ -	$ -	$ 259,875
Land Improvements	17,669,990	-	-	605,618	18,275,608
Buildings and Improvements	113,922,392	28,752	439,017	30,020,645	143,532,772
Construction in Progress	31,184,369	35,632,142	123,442	(30,906,892)	35,786,177
Equipment	6,106,898	993,464	386,856	280,629	6,994,135
Software	800,874	10,000	33,092	-	777,782
Library Materials	3,171,994	73,562	398,818	-	2,846,738
Capitalized Collections	1,258,623	-	9,667	-	1,248,956
Total	174,375,015	36,737,920	1,390,892	-	209,722,043
Less Accumulated Depreciation:					
Land Improvements	7,255,636	673,602	-	-	7,929,238
Buildings and Improvements	48,038,079	3,798,353	439,018	-	51,397,414
Equipment	4,468,308	486,180	349,540	-	4,604,948
Software	674,318	77,201	33,092	-	718,427
Library Materials	2,458,881	95,625	394,778	-	2,159,728
Total Accumulated Depreciation	62,895,222	5,130,961	1,216,428	-	66,809,755
Capital Assets, Net	$ 111,479,793	$ 31,606,959	$ 174,464	$ -	$ 142,912,288

NOTE 5: CAPITAL ASSETS (continued)

The construction in progress balances include $91,456 and $1,306,330 in capitalized interest for the years ended June 30, 2011 and 2010, respectively.

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, 2011 and 2010, tangible assets are comprised of the following:

	June 30, 2011		June 30, 2010	
	Restricted	Unrestricted	Restricted	Unrestricted
Gifts-in-kind				
Real estate	$ 2,081,500	$ 320,000	$ 2,081,500	$ 320,000
Accumulated depreciation	(39,824)	(26,396)	(38,086)	(24,646)
Equipment and other	8,455	-	8,455	-
Collection items	4,729,831	-	4,711,098	-
Total gifts-in-kind	6,779,962	293,604	6,762,967	295,354
Purchased assets				
Real estate	994,400	-	1,384,170	-
Accumulated Depreciation	(168,374)	-	(101,337)	-
Collection items	92,335	-	92,335	-
Concert piano	73,900	-	73,900	-
Total purchased assets	992,261	-	1,449,068	-
Total tangible assets	$ 7,772,223	$ 293,604	$ 8,212,035	$ 295,354

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. Depreciation expense recorded for June 30, 2011 and 2010 was $70,525 and $20,525, respectively.

NOTE 7: ACCRUED LIABILITIES

At June 30, 2011 and 2010, the Accrued Liabilities balances, as presented on the Statements of Net Assets, are comprised of:

	6/30/2011	6/30/2010
Accrued Payroll & Benefits	$ 4,876,840	$ 4,867,315
Accrued Interest Payable	604,655	617,356
Contractor Retainage	290,691	1,587,688
Other Liabilities	177,917	54,686
Total	$ 5,950,103	$ 7,127,045

NOTE 8: LONG-TERM LIABILITIES

The College's Long-Term Liability activity for the year ended June 30, 2011 was as follows:

	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011	Current Portion
Bonds and Leases Payable:					
Revenue Bonds	$ 53,365,000	$ -	$ (1,310,000)	$ 52,055,000	$1,365,000
Deferred Loss on Defeasance	(165,215)		17,523	(147,692)	(17,523)
Bond Discount	(511,742)		14,918	(496,824)	(14,918)
Total Bonds and Leases Payable	52,688,043	-	(1,277,559)	51,410,484	1,332,559
Other Liabilities:					
Compensated Absences	1,986,758	161,526	(168,753)	1,979,531	220,582
Total Other Liabilities	1,986,758	161,526	(168,753)	1,979,531	220,582
Total Long-Term Liabilities	$ 54,674,801	$ 161,526	$ (1,446,312)	$ 53,390,015	$1,553,141

The College's Long-Term Liability activity for the year ended June 30, 2010 was as follows:

	Balance 6/30/2009	Additions	Reductions	Balance 6/30/2010	Current Portion
Bonds and Leases Payable:					
Revenue Bonds	$ 54,620,000	$ -	$ 1,255,000	$ 53,365,000	$1,310,000
Deferred Loss on Defeasance	(182,737)		17,522	(165,215)	(17,522)
Bond Discount	(526,659)		14,917	(511,742)	(14,917)
Total Bonds and Leases Payable	53,910,604	-	1,287,439	52,688,043	1,277,561
Other Liabilities:					
Compensated Absences	1,917,763	259,481	(190,486)	1,986,758	203,091
Total Other Liabilities	1,917,763	259,481	(190,486)	1,986,758	203,091
Total Long-Term Liabilities	$ 55,828,367	$ 259,481	$ 1,096,953	$ 54,674,801	$1,480,652

On December 4, 2007, the College issued the Series 2007 Revenue Bonds in the amount of $55,785,000 to finance construction of a new residence hall, to renovate and enlarge the student union building, and to refund the College's existing debt. The revenue bonds bear interest at rates ranging from 4% to 5.2%.

NOTE 9: BONDS PAYABLE

The following table describes future debt service requirements:

Required bond payments to maturity as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 1,365,000	$ 2,405,071	$ 3,770,071
2013	1,425,000	2,349,971	3,774,971
2014	1,595,000	2,286,336	3,881,336
2015	1,675,000	2,213,051	3,888,051
2016	1,755,000	2,133,996	3,888,996
2017-2021	8,810,000	9,421,372	18,231,372
2022-2026	8,860,000	7,545,559	16,405,559
2027-2031	11,215,000	5,196,009	16,411,009
2032-2036	11,025,000	2,357,756	13,382,756
2037-2038	4,330,000	219,250	4,549,250
Total	$ 52,055,000	$ 36,128,371	$ 88,183,371

Principal and interest are payable solely from Net Pledged Revenues which consist of gross revenues derived from the operation of the College's pledged operations and pledged student activity fees as shown in the Series 2007 Revenue Bonds Schedule of Pledged Revenues and Expenses in the Supplemental Information section of this report.

NOTE 10: DEBT REFUNDING

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 was paid in full during fiscal year 2010.

Revenue Bonds – Series 2007 C and D

On December 4, 2007, the College issued the Auxiliary Facilities Enterprise Refunding Revenue Bonds, Series 2007 C and D, in the amount of $9,730,000 for the purpose of refunding the 1998 Auxiliary Facilities Enterprise Refund Bonds in their entirety. The refunding was accomplished by depositing in an escrow account the net proceeds of the Series C and D bond issue to provide for all future payments on the refunded 1998 bonds. The balance of debt outstanding on the advanced refunded bonds was paid in full during fiscal year 2010.

NOTE 11: 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, 2011:

Year Ending June 30:	
2012	$ 91,938
2013	27,512
2014	10,488
2015	1,510
2016	0
Total	$131,448

Rent expense for the years ended June 30, 2011 and 2010 was $92,760 and $96,981, respectively.

NOTE 12: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2011 and 2010 are:

	6/30/11	6/30/10
Education and General	$133,565	$312,495
Auxiliary Enterprises	378,597	481,130
Restricted Funds	380,305	322,623
Plant Funds	249,987	52,232
Total	$1,142,454	$1,168,480

NOTE 13: SCHOLARSHIP ALLOWANCE

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the College's financial statements. Also included in the scholarship allowance amounts are Native American Tuition Waivers, which are funded through the State. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance.
Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2011 and 2010 were as follows:

NOTE 13: SCHOLARSHIP ALLOWANCE (continued)

	Tuition and Fees	Auxiliary Revenue	6/30/11 Total	6/30/10 Total
Gross Revenue	$ 40,503,610	$ 14,992,808	$ 55,496,418	$ 50,561,107
Scholarship Allowances:				
Federal	(5,471,575)	(328,443)	(5,800,018)	(4,427,885)
State - Native American Tuition Waivers	(9,949,111)	(597,218)	(10,546,329)	(11,482,615)
Private	(638,450)	(38,324)	(676,774)	(563,358)
Institutional	(6,519,521)	(391,349)	(6,910,870)	(4,859,485)
Total Scholarship Allowances	(22,578,657)	(1,355,334)	(23,933,991)	(21,333,343)
Net Revenue	$ 17,924,953	$ 13,637,474	$ 31,562,427	$ 29,227,764

NOTE 14: SPENDING LIMITATIONS

In November 1992, Colorado voters passed Section 20 Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of 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 year 2006 the College began reporting its activity to the State as an enterprise. During the fiscal years ended June 30, 2006 through 2008, the College maintained its TABOR enterprise status. In fiscal years 2009 and 2010, the College received 13.5% and 11.5% respectively of its total annual revenue in state grants which resulted in the loss of its TABOR enterprise designation. The increase in state revenues for both 2009 and 2010 related to funding received for capital construction projects, particularly the reconstruction of Berndt Hall for the Biology, Agriculture and Forestry programs. In fiscal year 2011, the College regained its TABOR enterprise status when the state-funded Biology construction project was completed and the College received only 1.5% in state grants. The table shown below demonstrates the type and size of State grants to Fort Lewis College for the years ended June 30, 2011 and 2010, respectively.

State Support Calculation for TABOR Purposes:

State Grants:	FY 2011	FY 2010
Capital Appropriations	$ 1,039,365	$ 8,114,462
Total State Grants	$ 1,039,365	$ 8,114,462
Total Revenues (gross operating, nonoperating and other revenues)	$70,083,276	$70,798,800
Ratio of State Grants to Total Revenues	1.5%	11.5%

NOTE 14: 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, 2011 and 2010, appropriated expenses were within the authorized spending authority as shown in the following table:

Appropriated Funds

Description	FY 2011	FY 2010
Total Appropriation	$35,377,224	$41,399,139
Actual appropriated revenues	$35,327,224	$41,399,139
Actual appropriated expenditures and transfers	$35,327,224	$41,399,139
Net increase (decrease) in appropriated net assets	$ 0	$ 0

NOTE 15: 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 years ended June 30, 2011 and 2010 was $29,372,298 and $29,471,185, respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was $9,380,804, $16,994,617, and $199,445, respectively for June 30, 2011 and $10,198,507, $16,629,472, and $267,002, respectively for June 30, 2010. 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 an actuarial assessment and 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 P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

NOTE 15: EMPLOYMENT BENEFITS (continued)

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the Colleges optional retirement plan. Currently, College employees are required to participate in the College's optional plan unless they are active or inactive members of PERA with at least one year of service credit. In that case, they may elect either PERA or the College's optional plan.

During the 2010 legislative session, several bills that impacted Colorado PERA were passed by the Legislature and were signed into law. The major provisions of this legislation modified future annual increases in benefit payments, future employer and employee contribution rates, early retirement reduction factors, highest average salary calculations, indexing of benefits, vesting period for employer matching contributions, service retirement eligibility, suspension of benefits in certain situations, and contributions for retirees working during retirement.

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. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below.

Based on changes in the 2010 legislative session slightly different plan requirements were in effect until December 31, 2010. The following requirements were effective at June 30, 2011.

Plan members are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For employees hired before January 1, 2007, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010 if the member has less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members with five years of service credit at January 1, 2011, are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. For members hired before January 1, 2007, age plus years of service increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

NOTE 15: EMPLOYEE BENFITS (continued)

Most members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as 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 and limited to a 15 percent increase between periods if the salaries used were from the last three years of employment. For retirements after January 1, 2009, four periods are used and are ranked from lowest to highest with the maximum increase between years limited to 15 percent. For members hired on or after January 1, 2007, the maximum increased between ranked periods is 8 percent. Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increase between periods of 8 percent.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Members who are 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 eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

Funding Policy -- The contribution requirements of plan members are established, and may be amended, by the General Assembly. 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.

College employees contribute 10.5 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2010, to December 31, 2010, the state contributed 11.35 percent of the employee's salary. From January 1, 2011, through June 30, 2011, the state contributed 12.25 percent. During all of Fiscal Year 2010-11, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2010, the division of PERA in which the state participates has a funded ratio of 62.8 percent and a 47 year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

NOTE 15: EMPLOYEE BENFITS (continued)

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED.

In the 2010 legislative session, the general assembly extended both the AED and SAED. The AED will continue to increase at a rate of .4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. Both the AED and SAED will be reduced by one-half percent point when funding levels reach 103 percent, and both will be increased by one-half percent point when the funding level subsequently falls below 90 percent. Neither the AED nor the SAED may exceed 5 percent.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required, that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The College's total contributions to PERA for the fiscal years ending June 30, 2011, 2010, and 2009 were $1,022,139, $1,369,348, and $1,385,068, respectively. These contributions met the contribution requirement for each year.

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the state's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the state's administrative functions were transferred to PERA, and all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of $16,500. Participants who are age 50 and older may contribute an additional $5,500 contribution in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants. PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan, the deferred compensation plan, and the defined contribution plan.

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 $1,937,386 for the fiscal year ended June 30, 2011 and $1,895,760 for the fiscal year ended June 30, 2010. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or $1,359,569 for the fiscal year ended June 30, 2011 and $1,330,358 for the fiscal year ended June 30, 2010.

NOTE 15: EMPLOYEE BENFITS (continued)

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, 2011 and 2010 was $14,958 and $20,025 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, 2011 and 2010 was $2,924782, and $3,044,265 respectively.

NOTE 16: OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

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; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above. Beginning July 1, 2004, the College is required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The College contributed $86,664, $104,025, and $112,728 as required by statute in Fiscal Years 2010-11, 2009-10, and 2008-09, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2010, there were 48,455 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.35 billion, a funded ratio of 17.5 percent, and a 42-year amortization period. The actuarial valuation was based on the entry age cost method, an 8 percent investment rate of return, a 4.5 percent projection of salary increases (assuming a .75 percent inflation rate), a 3.5 percent annual medical claims increase, no post-retirement benefit increases, and a level dollar amortization on an open basis over 30 years.

NOTE 16: POST-EMPLOYMENT BENEFITS (Continued)

Life Insurance Program

PERA provides its members access to a group decreasing term life insurance plan administered by Unum. Active members may join the plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintains coverage for members and retirees under a closed group plan underwritten by New York Life, and coverage for members and retirees who qualified for waiver of premium due to disability under plans underwritten by Anthem Life, Prudential Life, and New York Life.

Other Postretirement Healthcare and Life Insurance Benefits
Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare. As of June 30, 2011, there were 20 participants in post retirement coverage from the eight member higher education institutions. Two of those participants retired from Fort Lewis College.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting following Governmental accounting standards for a business type activity. The financial statements can be obtained by contacting the Human Resources Office at Fort Lewis College at (970) 247-7429. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of the Trust's investments is based on quoted market prices from national securities exchanges. There are no long term contracts for contributions to the plan. Participating schools can withdraw their participation in the plan with at least one years' notice to the CHEIBA board.

NOTE 17: 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 $951,641 as of June 30, 2011. 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 $1,540,112 as of June 30, 2011.

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. Management does not believe the ultimate resolution of these matters will have a significant adverse effect on the financial position of the College.

NOTE 18: CERTIFICATES OF PARTICIPATION

On November 6, 2008, the State Treasurer entered a lease purchase agreement under which a Trustee issued $230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (COP). The Certificates were issued at a net premium of $180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carried coupon rates ranging from 3.00 percent to 5.50 percent with a total interest cost of 5.38 percent. The Certificates proceeds will be used to fund renovations, additions, and new construction at twelve state Institutions of Higher Education and were collateralized with existing properties at eleven of the twelve institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average $16.2 million for the first ten years and $16.8 million for the second ten years. The

NOTE 18: CERTIFICATES OF PARTICIPATION (continued)

legislation envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are $325.5 million, and three institutions will make $42.8 million of lease payments over the life of the Certificates to fund the portion of their required project match that they elected to finance through the Certificates.

COP proceeds of $3,247,000 were allocated for Fort Lewis College to fund the design phase of reconstructing the Geosciences/Physics/Engineering facilities in Berndt Hall. Fort Lewis College did not pledge any of its facilities as collateral for this project and no rental payments will be made by the College. However, the College hopes to receive another $29,306,647 in COP funds in a future fiscal year for the Berndt Hall project, inclusive of $4,231,974 for which the College is responsible. For the year ended June 30, 2011, $1,960,546 had been spent from COP funds, plus an additional $276,064 in capitalized interest.

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SUPPLEMENTAL INFORMATION

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FORT LEWIS COLLEGE
SERIES 2007 REVENUE BONDS
SCHEDULE OF PLEDGED REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Residence Halls and Apartments	$ 6,618,674	$ 6,446,213
Campus Food Service	3,662,887	3,260,690
Bookstore	172,406	257,078
Student Union Building	2,173,530	2,137,878
Campus Parking	395,275	388,429
Child Development Center	348,165	318,692
Central Services	476,515	489,879
Recreation Center	2,103,361	2,083,152
Conferences & Summer Programs	1,104,373	856,501
Health Center	653,894	658,186
Total Operating Revenue	17,709,080	16,896,698
OPERATING EXPENSES		
Residence Halls and Apartments	4,077,324	4,130,844
Campus Food Service	2,522,482	2,117,440
Bookstore	44,723	209,814
Student Union Building	789,544	722,093
Campus Parking	97,145	94,637
Child Development Center	350,384	325,406
Central Services	1,076,267	944,748
Recreation Center	1,877,580	1,762,206
Conferences & Summer Programs	720,922	588,260
Health Center	728,397	729,606
Total Operating Expenses	12,284,768	11,625,054
Net Revenues before Transfers	5,424,312	5,271,644
TRANSFERS		
Mandatory Transfers	3,802,451	3,499,380
Net Non-Mandatory Transfers	1,413,553	1,524,525
Total Transfers	5,216,004	5,023,905
Increase (Decrease) in Fund Balance	$ 208,308	$ 247,739
Net Operating Revenue	$ 5,424,312	$ 5,271,644
Bond Principal and Interest	3,767,451	3,464,380
Excess of net operating revenues over debt service	$ 1,656,861	$ 1,807,264
Debt Service Coverage Ratio	144%	152%

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Certified Public Accountants

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

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Fort Lewis College (the College), a blended component unit of the State of Colorado, as of and for the year ended June 30, 2011 and 2010 have issued our report thereon dated October 31, 2011. We have also audited the financial statements of Fort Lewis College Foundation, a discretely presented component unit of the College, as of June 30, 2011 and 2010. 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, Fort Lewis College Foundation were not audited in accordance with the Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of Colorado Legislative Audit Committee, management of the College, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

October 31, 2011

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October 31, 2011

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Fort Lewis College (the College), a blended component unit of the State of Colorado, as of and for the year ended June 30, 2011 and 2010 have issued our report thereon dated October 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information during our meeting regarding planning matters on May 18, 2011 and in the engagement letter dated May 9, 2011. Professional standards also require that we communicate to you the following information related to our audit

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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 fiscal year ended 2011. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. 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 most sensitive estimates affecting the College's financial statements were:

Management's estimate of depreciation is based on the estimated useful life of the fixed assets being depreciated at June 30, 2011. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of allowance for doubtful accounts is based on historical trends of write offs related to accounts receivable. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the scholarship allowances is based on the student-to-student method, which uses the lesser of total charges (net of refunds) or total financial aid (net of refunds) by student. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no known or likely misstatements identified during the audit.

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

Management Representation
We have requested certain representations from management that are included in the management representation letter dated October 31, 2011.

Management 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.

Other Audit Findings or Issues
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 governmental unit's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the State of Colorado Legislative Audit Committee and management of the 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.

Very truly yours,

Wall, Smith Bateman and Associates, Inc.

Wall, Smith, Bateman & Associates, Inc.
Alamosa, Colorado

The electronic version of this report is available on the Web site of the Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number 2094-11