FORT LEWIS COLLEGE

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Year Ended June 30, 2018 and 2017

Wall,
Smith,
Bateman Inc.
Certified Public Accountants

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FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
Fiscal Years Ended June 30, 2018 and 2017

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 Fiscal Year 2018 audit was conducted under contract with Wall, Smith, Bateman Inc. The audit was made in accordance with auditing 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 May through October 2018.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Fort Lewis College for the fiscal years ended June 30, 2018 and 2017 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* and the identification of the College's key information technology systems, and determination of the extent of testing performed on those systems, in accordance with auditing standards.
- Perform an audit of the College's federal grant programs under the federal Single Audit Act for the year ended June 30, 2018.
- Perform a financial and compliance audit and express an opinion on the Statement of Appropriations, Expenditures, Transfers and Reversions of the College's State-Funded Student Financial Assistance Programs. This included a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*.
- Review the College's compliance with appropriate state and federal laws and regulations, State Fiscal Rules, and bond covenants that could have a material effect on the College's financial statements.
- Review exhibits required by the State Controller in support of the statewide financial statements.
- Submit attestation memos to the Office of the State Auditor on the results of audit work performed.
- 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*, for the year ended June 30, 2018.
- Prepare a report of comments and/or management letter, containing audit findings and recommendations for improvements in operations, internal controls, and accounting procedures, along with any opportunities for cost savings determined during the audit process.

The Schedule of Expenditures of Federal Awards for Fort Lewis College and applicable audit opinions are included in the June 30, 2018 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

Audit Results

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the year ended June 30, 2018 and 2017. Wall, Smith, Bateman Inc. also expressed an unmodified opinion on the Statements of Appropriations Expenditures, Transfers and Reversions of State-Funded Student Financial Assistance Programs for the fiscal year ended June 30, 2018.

Required Auditor Communications to the Legislative Audit Committee and the Board of Trustees

The auditor is required to communicate to the Legislative Audit Committee and the Board of Trustees (the Board) certain matters related to the conduct of the audit and to ensure that the Legislative Audit Committee and the Board receives additional information regarding the scope and results of the audit that may assist the Legislative Audit Committee and the Board in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee and the Board 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 2018.

Summary of Progress in Implementing Prior Audit Findings

There were no reported findings or recommendations resulting from the audit work completed for fiscal year 2017.

FORT LEWIS COLLEGE
HISTORY, MISSION, ENROLLMENT, AND STAFFING

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 full 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) Section 23-52-101.

MISSION AND CORE VALUES

The following have been adopted by the Board of Trustees for Fort Lewis College:

Mission

Fort Lewis College provides an integrated and formative liberal arts and professional education to a diverse student population, preparing global citizens to work in and contribute to a complex world.

Core Value Statements

Education

- We vigorously protect academic freedom as the foundation for learning, inquiry, free expression, and the advancement of knowledge.
- We are committed to personalized experiential learning.
- We provide connected knowing and independent and collaborative learning.
- We offer courses, majors, and programs that will benefit students and society

Diversity

- We see diversity as a source of renewal and vitality.
- We honor our historic commitment to Native American education.
- We are committed to treating everyone with respect, dignity, and consideration.

Community

- We prepare students to be productive members of society while they are in school and after graduation.
- We are committed to making our community a better place to live and work.

- We partner with the community and businesses to expand service to Southwest Colorado, the region, the state, and the country.
- We serve as a resource for our community.

High Expectations

- We define purposeful, high-impact outcomes.
- We are committed to challenging students, faculty, and staff to move beyond the ordinary.
- We challenge and hold each other accountable to achieving those expectations.
- We provide an environment that rewards creativity.
- We hold each other accountable for improvement and continual renewal.

Stewardship

- We practice responsible planning and prudent financial management.
- We explain and communicate the rationale behind our decisions.
- We work to protect and strengthen the reputation of Fort Lewis College.
- We protect the natural resources under our stewardship.
- We will offer the necessary tools and resources to support faculty and staff in pursuit of their professional development.

Relevance

- We are committed to holding a significant and positive position in Higher Education, in the workforce and in our community.
- We provide education that is practical, applicable and contemporary.
- We make use of best practices.
- We are an employer of choice.

ENROLLMENT

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

	FY 2017-18	FY 2016-17	FY 2015-16
Resident FTE	1,479	1,647	1,857
Non-Resident FTE	1,459	1,514	1,605
Total FTE Students	2,938	3,161	3,462

STAFFING

Staffing data for the past three years are presented below as employee full-time equivalents (FTE). Each faculty FTE is equal to 24 credit hours taught during the fiscal year. Each staff FTE is equal to working 2,080 hours each fiscal year.

	FY 2017-18	FY 2016-17	FY 2015-16
Faculty FTE	210	211	198
Staff FTE	334	326	325
Total FTE	544	537	523

FINDINGS AND RECOMMENDATIONS SECTION

FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2018

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

DISPOSITION OF PRIOR YEAR AUDIT RECOMMENDATIONS

Fiscal Year Ended June 30, 2018

Fort Lewis College had no prior year findings or recommendations.

FINANCIAL STATEMENTS SECTION

INDEPENDENT AUDITORS' REPORT

Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Fort Lewis College (the College), an Institution of Higher Education, State of Colorado, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Fort Lewis College Foundation, a discretely presented component unit, discussed in Note 1 to the financial statements, which represents 100 percent of the total assets, total revenues and net assets of the aggregate discretely presented component unit as of June 30, 2018 and 2017. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Lewis College Foundation, is based solely on the report of the other auditors. We conducted our 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 Fort Lewis College Foundation were not audited in accordance with the *Government Auditing Standards.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund and the discretely presented component unit of Fort Lewis College, an Institution of Higher Education, State of Colorado, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter Regarding Relationship to State of Colorado

As discussed in Note 1 – Summary of Significant Accounting Policies, the financial statements of Fort Lewis College are intended to present the net position and changes in net position for only that portion of the financial reporting entity, State of Colorado, attributable to the transactions of the College. They do not purport to, and do not present fairly the financial position of the State of Colorado as of June 30, 2018 and 2017, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Changes in Accounting Principle

As discussed in Note 1 - Summary of Significant Accounting Policies, in fiscal year 2018 the College adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information, and other postemployment benefit information on pages 10-21 and 68-71 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Lewis College's basic financial statements. The Schedule of Pledged Revenues and Expenses for Series 2007, 2012, and 2016 Revenue Bonds is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Pledged Revenues and Expenses for Series 2007, 2012, and 2016 Revenue Bonds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Revenues and Expenses for Series 2007, 2012, and 2016 Revenue Bonds is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 03, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 03, 2018

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2018 and 2017

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 examination of the College's financial position and results of operations as of and for the years ended June 30, 2018 (FY 2018 or fiscal year 2018) and June 30, 2017 (FY 2017 or fiscal year 2017), with comparative information for the year ended June 30, 2016 (FY 2016 or fiscal year 2016). 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 institution dedicated to the liberal arts and professional education, 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 all 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. Tuition from Native American students accounts for approximately 32% of the education and general budget.

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 unmodified opinion prepared by the College's auditors (an independent certified public accounting firm, Wall, Smith, Bateman Inc.) on the fairness, in all material respects, of the College and its discretely presented component unit's respective financial position.

- ***Statement of Net Position*** presents the assets, liabilities, and net position of the College as of June 30, 2018 and 2017. 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 position and their availability for expense.

- ***Statement of Revenues, Expenses, and Changes in Net Position*** presents the total revenues earned and expenses incurred by the College for operating, non-operating, and other related activities for the years ended June 30, 2018 and 2017. This statement's purpose is to assess the College's operating results.

- ***Statement of Cash Flows*** presents College cash receipts and payments for the years ended June 30, 2018 and 2017. 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.

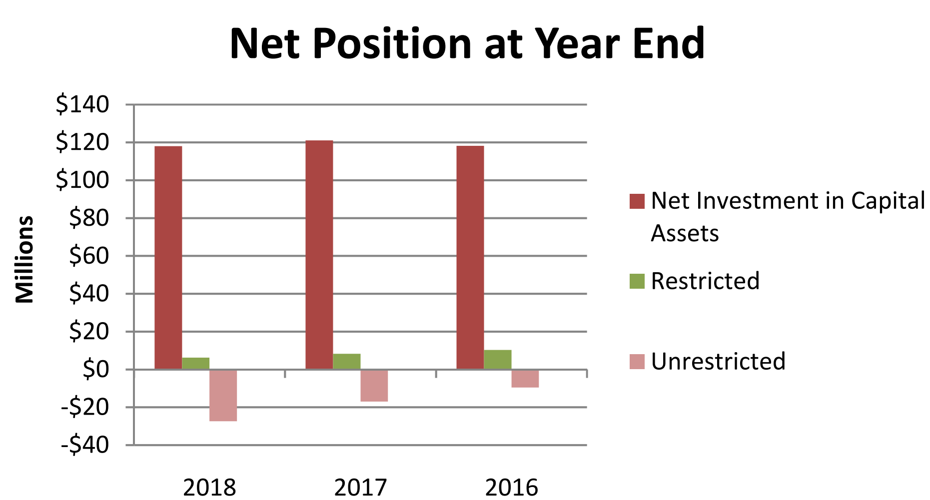
FINANCIAL HIGHLIGHTS

Year Ended June 30, 2018:

- **Net Position** – The College's financial position, as a whole, declined during the year ended June 30, 2018. The ending net position for FY 17 was restated due to the impact of GASB 75, decreasing by $1,321,765 to a restated ending balance of $112,194,976. In FY 18, the combined net position further decreased by 13.61% or $15,269,295 to an ending net position of $96,925,681 for FY 18. The Unrestricted Net Position declined sharply due to the impact of GASB 68, 'Accounting and Financial Reporting for Pensions' which took effect in fiscal year 2015 and GASB 75, 'Accounting and Financial Reporting for Postemployment Benefits other than Pensions' which took effect in fiscal year 2018. The negative net position due to GASB 68 and GASB 75 was ($49,222,137) at June 30, 2018. The effects on Net Position of these GASB statements are reflected in the tables below:

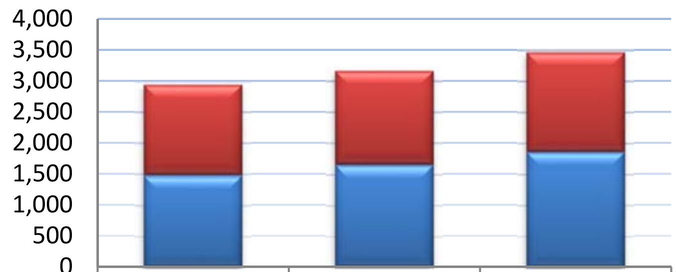
	Fiscal Year 2018	Fiscal Year 2017
Net Position (GAAP Basis)	$ 96,925,681	$113,516,741
GASB 68 - Pension	47,893,400	38,962,267
GASB 75 - OPEB	1,328,737	-
Net Position Excluding Pension and OPEB	$ 146,147,818	$ 152,479,008

	Fiscal Year 2018	Fiscal Year 2017
Unrestricted Net Position (GAAP Basis)	$ (27,374,886)	$ (15,714,905)
GASB 68 - Pension	47,893,400	38,962,267
GASB 75 - OPEB	1,328,737	-
Unrestricted Net Position Excluding Pension and OPEB	$ 21,847,251	$ 23,247,362



- **Enrollment --** Undergraduate full-time equivalent (FTE) enrollment decreased by 7.0% (222 students) in FY 2018; in-state enrollment declined by 10.2% while out-of-state enrollment declined approximately 3.6%. Fall 2017 headcount, based on final fall census reports was 7.9% lower than the prior year, with resident headcount down by 10.0% and nonresident headcount up by approximately 5.6%. Native American Tuition Waiver fall headcount enrollment based on original fall census reports, was 3.2% lower than the prior year, with resident and non-resident headcount down by approximately 2.4% and 4.7% respectively.

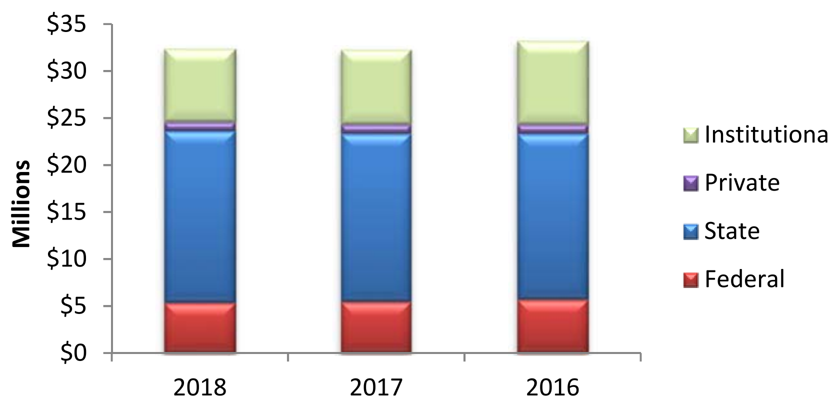
FTE Enrollment



	2018	2017	2016
Non-Resident	1,459	1,514	1,605
Resident	1,479	1,647	1,857

- **Scholarships** –The discount rate for 2018 (adjusted for the effect of the Native American Tuition Waiver) was 37.3%. Scholarship awards have been strategically awarded with the goal of increasing enrollment and retention. Financial aid awards over the past three fiscal years are depicted below. State-funded financial aid includes the Native American Tuition Waiver.

Financial Aid



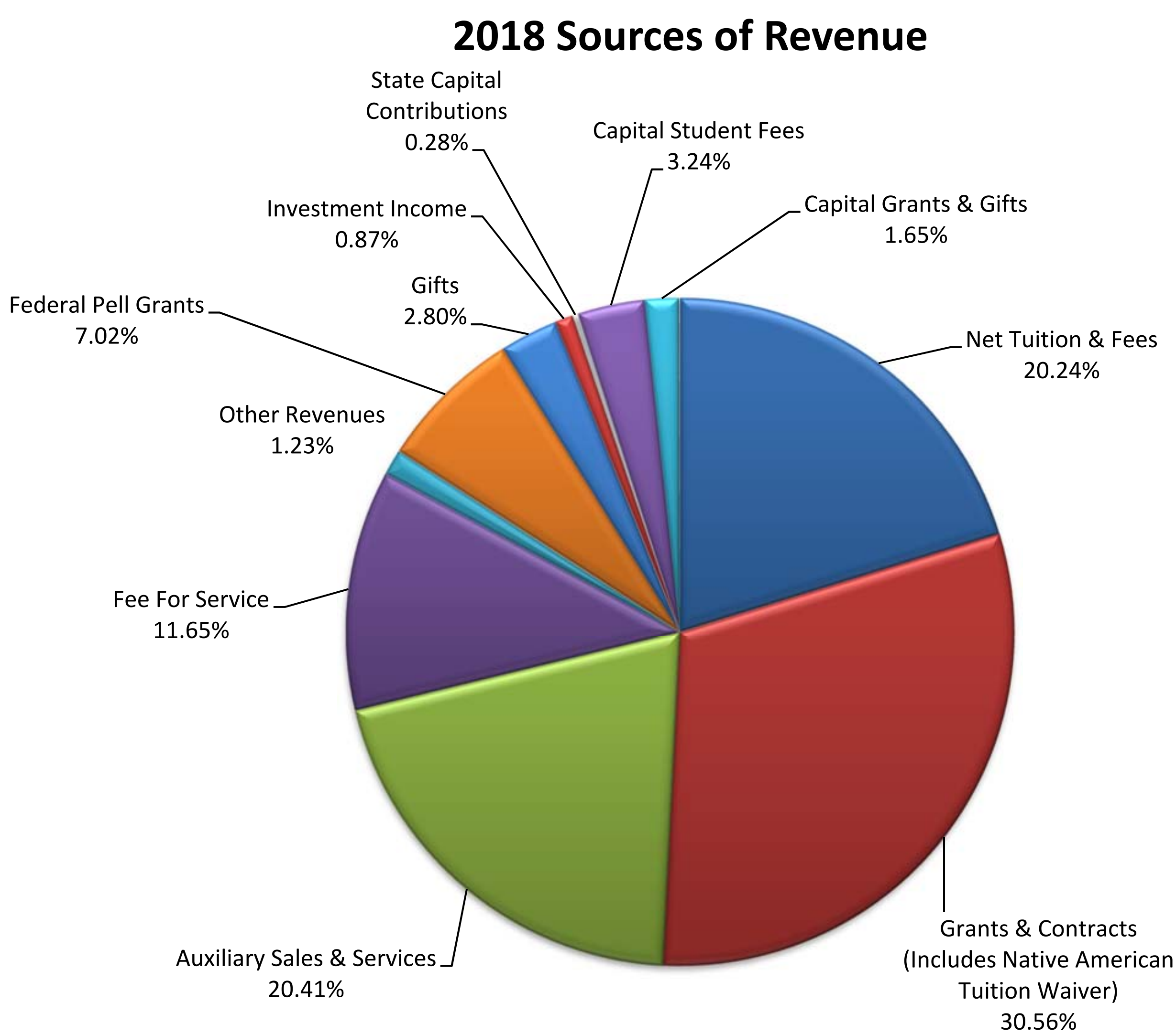
- **State Funding** – Funding for Higher Education in the State of Colorado is allocated in two ways: College Opportunity Fund (COF) stipends and Fee for Service (FFS) contracts. The following table provides the combined COF and FFS received by the College between FY 2016 and FY 2018.

	FY 2018	FY 2017	FY 2016
Total State Funding	$11,784,939	$ 11,481,200	$ 11,822,422
Change from Previous Year	2.6%	-2.9%	

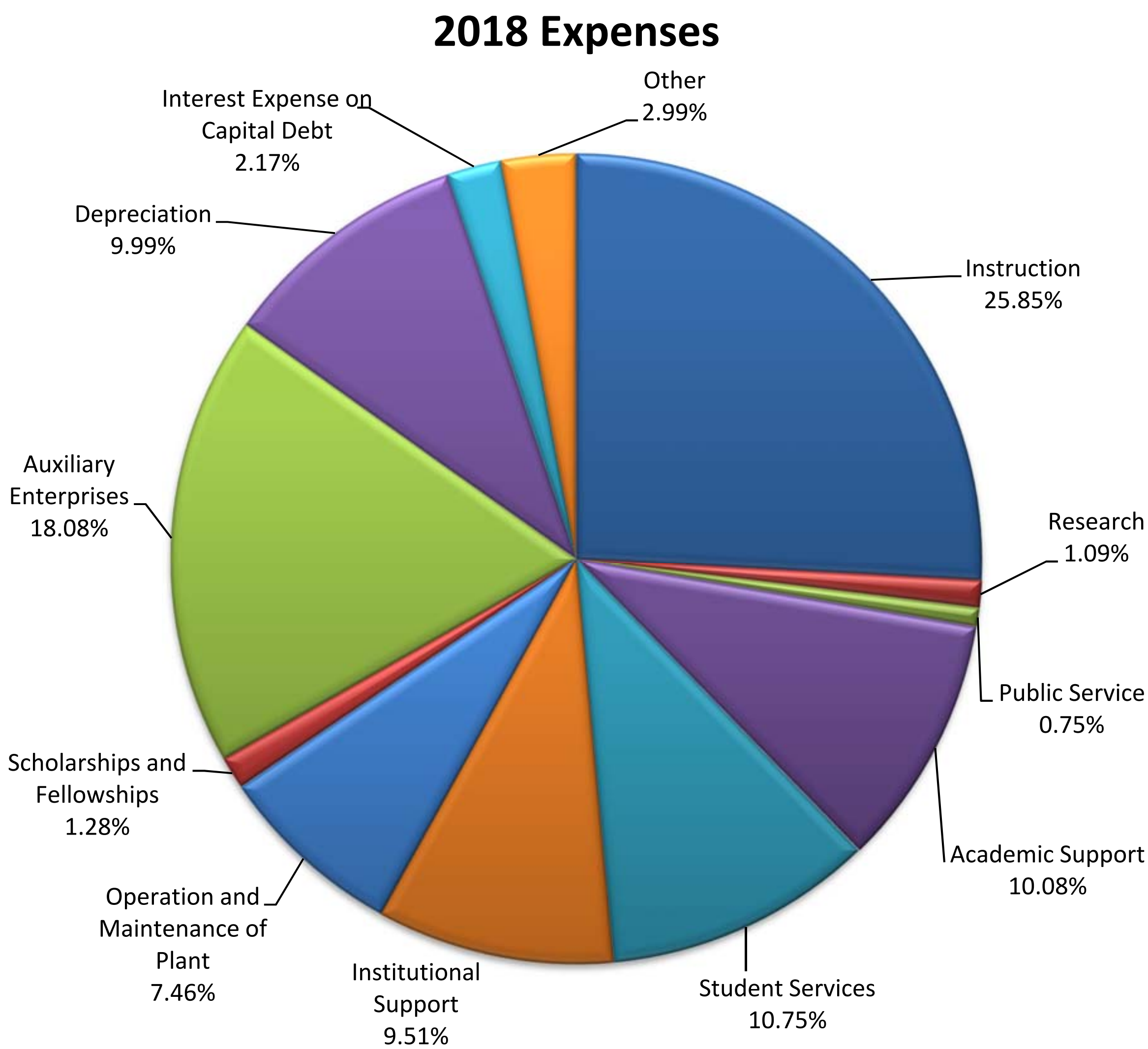
In addition to regular State funding, Fort Lewis College also receives reimbursement from the State for tuition waived to qualified Native American students, as a result of a 1911 Federal mandate. The reimbursement is funded one year in arrears; the tuition waived is paid in the following year. The funding received for Native American Tuition waivers is considered financial aid, as the waiver directly benefits the students. The College has pursued legislation that would require the Federal government to reimburse a portion of this tuition, without success to date. The following table represents the Native American tuition reimbursement received between FY 2016 and FY 2018.

	FY 2018	FY 2017	FY 2016
Native American Tuition Reimbursement	$16,948,194	$ 17,364,248	$ 16,157,618
Change from Previous Year	-2.4%	7.5%	

- **Total revenues** received in FY 2018 were $73,591,044 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 Position.



- **Total expenses** for FY 2018 were $88,860,339 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 Position. Other Expenses include $2,603,533 for the liquidation of the Perkins Loan Program.



Year Ended June 30, 2017:

- **Net Position** – The College's financial position, as a whole, declined during the year ended June 30, 2017. The combined net position decreased by 4.45% or $5,282,340, from $118,799,081 to $113,516,741. The Unrestricted Net Position remained negative due to the impact of GASB 68, 'Accounting and Financial Reporting for Pensions' which took effect in fiscal year 2015. The negative net position due to GASB 68 was ($38,962,267) at June 30, 2017. A restatement in FY 18 due to the implementation of GASB 75 decreased the FY 17 net position by $1,321,765 to $112,194,976.

- **Enrollment** -- Undergraduate full-time equivalent (FTE) enrollment decreased by 8.7% (301 students) in FY 2017; in-state enrollment declined by 11.3% while out-of-state enrollment declined approximately 5.7%. Fall 2016 headcount, based on final fall census reports was 2.7% lower than the prior year, with resident headcount down by 5.7% and nonresident headcount up by approximately 0.8%. Native American Tuition Waiver fall headcount enrollment based on original fall census reports, was 3.2% lower than the prior year, with resident headcount up by 2.5% and nonresident headcount down by approximately 4.1%. The College continues to work with Royall and Company, enrollment management consultants, using direct mail campaigns to effect enrollment.

- **Scholarships** –The discount rate for 2017 (adjusted for the effect of the Native American Tuition Waiver) was 37.0%. Scholarship awards were strategically awarded with the goal of increasing enrollment and retention.

- **Strategic Enrollment Planning –** The College undertook a strategic enrollment planning process called the Summit Process in FY 2017 with the goal of identifying 21st century skills that Fort Lewis College graduates should have mastered, as well as new graduate, undergraduate, micro-credentials and other programs with the goal of increasing enrollment. Emphasis was put on programs with a STEM emphasis (Science, Technology, Engineering, Math) and professional programs. Ideas were generated throughout the year by faculty, staff and students, and were forwarded the Summit Council for feasibility analyses to be performed in FY 2018. Ideas will be evaluated for enrollment potential, generation of revenue, and fit with the College's existing strengths and location.

- **AACSB Accreditation** – The Association to Advance Collegiate Schools of Business, or AACSB International announced that the College has extended its business accreditation. Only about five percent of the world's business schools have achieved AACSB accreditation and the College's business school is the only school on the western slope of Colorado to have AACSB accreditation.

CONDENSED FINANCIAL STATEMENTS FOR THE COLLEGE

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.) Condensed Financial Statements for the College are presented below.

- **The Statements of Net Position** report assets, liabilities, and net position (the difference between assets and liabilities.) A condensed Statement of Net Position is shown below.

Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	June 30, 2016
Current Assets	$33,076,158	$33,266,443	$39,379,515
Noncurrent Assets	171,508,348	177,809,386	173,672,149
Total Assets	204,584,506	211,075,829	213,051,664
Deferred Outflows of Resources	14,235,723	19,953,522	7,161,598
Current Liabilities	8,886,113	6,495,694	12,499,445
Noncurrent Liabilities	108,797,856	108,951,095	87,190,441
Total Liabilities	117,683,969	115,446,789	99,689,886
Deferred Inflows of Resources	4,210,579	2,065,821	1,724,295
Net Position:			
Net Investment in Capital Assets	118,042,167	121,017,761	118,173,389
Restricted	6,258,400	8,213,885	10,237,310
Unrestricted	(27,374,886)	(15,714,905)	(9,611,618)
Total Net Position	$96,925,681	$113,516,741	$118,799,081

- **The Statements of Revenues, Expenses and Changes in Net Position** report the results of operating and non-operating revenues and expenses during the year, as well as the resulting increase or decrease in net position at the end of the year.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016
Operating Revenues			
Tuition and Fees, Net	$14,894,776	$15,286,911	$16,382,998
Grants and Contracts	22,491,387	22,943,532	20,987,085
Auxiliary Enterprises, Net	15,020,967	14,739,355	15,669,923
Other	9,480,940	8,889,626	8,852,413
Total Operating Revenues	61,888,070	61,859,424	61,892,419
Operating Expenses	84,273,381	80,981,630	72,560,232
Net Operating Revenues (Expenses)	(22,385,311)	(19,122,206)	(10,667,813)
Non-operating Revenues (Expenses):			
Federal Pell Grants	5,163,301	5,349,069	5,596,976
Other Net Non-operating Revenues (Expenses)	(1,830,580)	993,854	547,353
Net Non-operating Revenues	3,332,721	6,342,923	6,144,329
Income (Loss) Before Other Revenues, Expenses, or Transfers	(19,052,590)	(12,779,283)	(4,523,484)
Gain (Loss) on Disposal of Assets	(54,616)	-	(22,503)
State Capital Contributions	203,982	4,689,250	19,406,074
Capital Student Fees, Net	2,387,113	2,494,751	2,672,954
Capital Grants and Gifts	1,215,520	297,094	2,314,017
Additions to Endowments	31,296	15,848	35,995
Increase (Decrease) in Net Position	(15,269,295)	(5,282,340)	19,883,053
Net Position – Beginning of Year	113,516,741	118,799,081	98,916,028
Restatement, GASB 75	(1,321,765)		
Restated Net Position – Beginning of Year	112,194,976	118,799,081	98,916,028
Net Position – End of Year	$96,925,681	$113,516,741	$118,799,081

CAPITAL ASSETS

At June 30, 2018, the College had approximately $168.0 million net investment in capital assets, net of accumulated depreciation of $122.7 million. Depreciation expense was $8.9 million for the year ended June 30, 2018. At June 30, 2017, the College had approximately $173.0 million net investment in capital assets, net of accumulated depreciation of $115.0 million. Depreciation expense was $8.4 million for the year ended June 30, 2017. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	June 30, 2018	June 30, 2017	June 30, 2016
Land	$106,301	$106,301	$106,301
Construction in Progress	906,713	600,729	26,593,629
Collections	1,419,377	1,417,991	1,387,707
Land Improvements, Net	8,545,054	8,371,267	9,060,068
Buildings and Improvements, Net	152,842,768	158,553,087	127,878,393
Equipment, Net	3,743,287	3,459,292	3,133,927
Library Materials, Net	473,831	519,954	525,533
Total	$168,037,331	$173,028,621	$168,685,558

Major capital additions completed in FY 2018 and the resources that funded their acquisition include:

Berndt Hall – Geosciences, Physics, Engineering, final phase funded by the College	$1,126,333
Pedestrian Safety Improvements, funded by the State	650,911

The following significant capital projects were in progress at June 30, 2018:

Cooper Residence Halls Improvements, funded by the College	403,069
West Campus Water Main Replacement, funded by the College	326,230

Major capital additions completed in FY 2017 and the resources that funded their acquisition include:

Berndt Hall – Geosciences, Physics, Engineering, funded by the State, with a match of $2.3 million for construction and $755,000 for relocation funded by the College, as of June 30, 2017	$31,464,079
Bader/Snyder Residence Hall Improvements, Bader A and Bader C, funded by the College	4,307,451

The following significant capital projects were in progress at June 30, 2017:

Pedestrian Safety Improvements, funded by the State	$ 489,568

DEBT

At June 30, 2018, 2017 and 2016, the College had approximately $53.0 million, $55.2 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, 2018	June 30, 2017	June 30, 2016
Total Auxiliary Revenue Bonds, Net	$53,019,518	$55,220,682	$53,907,458

OTHER HIGHLIGHTS

- **Budget Model and Planned Use of Fund Balance** – The President's Budget Committee first included a five-year budget model in its general fund budget process for FY 2012-13, and has continued the practice since that time. The five-year model assumptions include enrollment projections, tuition and state funding changes, non-discretionary spending increases and faculty and staff salary/equity increases, among other items. The Budget Committee agreed that taking a conservative view of financial planning would help illustrate the importance of enrollment to the college budget, as well as highlighting the impact of current decisions on future budgets.

  During the FY 2017-18 budget cycle, the President's Budget Committee sought to "right size" or "fully load" departmental general fund operating budgets, since they had not been adjusted in recent years. As the college's fiscal situation has been constrained in recent years due to declining enrollment, the Budget Committee recognized that reallocation of existing departmental funds was not the preferred method to increase other departmental budgets. Instead, the committee recommended that fund balance be used to cover the additional $2.6M in expenditures that were identified in the "right sizing" exercise. The typical budget presented to the Board of Trustees includes only ongoing revenue and expenses - considered permanent – and does not include using one-time dollars, such as fund balance. Since college reserves had grown over the previous few years, the Budget Committee felt that the planned use of fund balance would enable the college to absorb additional expenditures for a limited amount of time.

- **New President** – The College hired a new president to replace Dr. Dene Thomas who retired at the end of the fiscal year 2018. Following an exhaustive search committee process that reviewed 120 candidates, three candidates were brought to campus to meet with students, faculty, staff, administrators and community members. With extensive input from those constituents, the Board of Trustees for Fort Lewis College named Dr. Tom Stritikus as the next president of Fort Lewis College. Dr. Stritikus came to FLC from his position as deputy director of K-12 Education at the Bill and Melinda Gates Foundation, where he led funding initiatives in teacher prep, innovation and education. Previous to the Gates Foundation, Dr. Stritikus was Dean of the College of Education at the University of Washington (UW), where he also taught. He is a first-generation college graduate who earned a bachelor's degree in English from the University of Nebraska-Lincoln in 1993 before joining the Teach for America program and teaching elementary school in Baltimore. In 1997, he entered graduate school at the University of California-Berkeley where he earned a master's and a Ph.D. in Education in Language, Literacy and Culture.

- **New Academic Programs –** As a result of the Summit Process held in fiscal year 2017 which identified new academic offerings with the goal of increasing enrollment, four new academic programs were selected and developed for kick off in the Fall of 2018. These programs were: Master of Arts in Education: Culturally and Linguistically Diverse Education, Bachelor's Degree in Environmental Science, Pre-Health Professions Certificate and Elementary/Early Childhood Education Endorsement.

- **Senate Bill 18-200 –** Governor John Hickenlooper signed Senate Bill 18-200, a package of reforms designed to reduce the risk profile of the PERA (Public Employees Retirement Association) retirement plan and improve its funded status. It increases contributions from employers and employees, directs the state to allocate $225 million each year to PERA to reduce the unfunded liability, changes future benefits for new employees, among other changes designed to fully fund PERA in 30 years.

- **Perkins Loan Liquidation –** Due to the lack of renewal of the Perkins loan program by the federal government, the College liquidated the program and assigned all outstanding loans to the U.S. Department of Education. At June 30, 2018, all but 2 loans were accepted by the Department.

ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE

Enrollment

As noted in the 2018 Financial Highlights section, the college has experienced declining undergraduate FTE enrollment for the last three years. This decline has been attributed to a number of factors including, but not limited to, changing state admission standards, decreasing numbers of high school graduates, increased competition for Colorado high school graduates and the distance of Durango from metropolitan areas.

Regarding admission standards, the State of Colorado Department of Higher Education has changed the entrance criteria for freshmen admits effective with the Fall 2019 incoming class. At that point, freshman students must be college ready in English and Math, as evidenced by the lack of need for remedial classes. In recent years, approximately 35% of each class has required some form of remediation in English and/or Math. In order to accommodate this change in standards, Fort Lewis College has restructured supplemental academic instruction programs and started tightening admission criteria related to remedial needs. As a result, freshman class size has been down over the last few years. During the Fall 2018 recruitment cycle, the College reevaluated and relaxed its interpretation of the proposed State admission standards, resulting in an increase of the recruiting class by 7.2%.

In Spring 2017, the College initiated a strategic enrollment planning effort, which led to the development of a number of academic programs. Four of these programs were started in Fall 2018, listed in the "Other Highlights" section above.

Furthermore, the retention of existing students is equally important as recruiting new students in terms of increasing enrollment. Under the leadership of the new President, Dr. Tom Stritikus, the College is researching high impact practices focused on helping retain students. A retention task force has been assembled and has begun working towards implementation of new high impact programs.

Budget Reductions

During the FY 2018-19 budget cycle, the President's Budget Committee recommended expenditure reductions of $4.2M, in order to balance the Education & General Fund budget based upon very conservative enrollment projections. Because actual fall headcount enrollment was better than assumptions, extra funds are available in the FY 2018-19 fiscal year. As part of the budget process, the Committee allocated funding to both admissions and marketing efforts to help boost recruiting efforts. Full implementation of the funding should be realized with the Fall 2019 incoming class.

Capital Construction

Funding for the first phase of the Whalen Gymnasium/Exercise Science addition was approved in the 2018 legislative cycle. The first portion of this project addresses the needs of the Health Sciences department, including both Exercise Science and Public Health majors, two of the College's fastest growing academic departments. Similar to the completion of Sitter Hall for Physics, Engineering and Geosciences, the Whalen project will provide a state of the art facility that will help with recruitment in these growing programs.

Finally, Cooper Residence Hall is undergoing a complete renovation. The College is using auxiliary reserves to accomplish this work.

State Funding

As outlined earlier, the College receives funding from the State of Colorado for the College Opportunity Fund (COF), Fee for Service Contract (FFS) and the Native American tuition waiver reimbursement. The combination of this funding makes the College more dependent on State funding than most other colleges and universities in the State of Colorado.

Currently, the State of Colorado's fiscal environment remains fairly stable relative to higher education funding. Efforts in the 2018 legislative cycle brought attention to the rural four-year institutions, including Fort Lewis College. The current formula used by Colorado Department of Higher Education (CDHE) is heavily dependent on enrollment for the allocation of State dollars to higher education institutions. Discussions are underway between the rural institutions and CDHE regarding changes to the higher education funding formula to better address their unique needs.

Leadership Changes

Dr. Tom Stritikus became the 9th president of Fort Lewis College, beginning his tenure on August 1, 2018. His history is detailed in the "Other Highlights" section of this document. In addition to a new president, the Provost, Vice President of Student Affairs and the Associate Vice President of Enrollment Management will have retired/resigned by December 2018, providing the new president with the opportunity to set a new leadership direction and style for the institution.

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, 1000 Rim Drive, Durango, Colorado, 81301 or call (970) 247-7364.

FORT LEWIS COLLEGE
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 22,571,787	$ 23,487,018
Investments	7,016,698	6,693,600
Student Accounts Receivable, Net	510,339	613,617
Accounts Receivable - Fort Lewis College Foundation	285,098	200,160
Other Accounts Receivable	2,028,393	1,547,990
Student Loans Receivable, Net	-	293,664
Inventories	57,584	57,171
Prepaid Expense	606,259	373,223
Total Current Assets	33,076,158	33,266,443
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,471,017	3,204,002
Student Loans Receivable, Net	-	1,576,763
Nondepreciable Capital Assets:		
Land and Improvements	106,301	126,985
Construction in Progress	906,713	600,729
Collections	1,419,377	1,417,991
Total Nondepreciable Capital Assets	2,432,391	2,145,705
Depreciable Capital Assets:		
Land Improvements, Net	8,545,054	8,350,583
Buildings and Improvements, Net	152,842,768	158,553,087
Equipment, Net	3,743,287	3,459,292
Library Materials, Net	473,831	519,954
Total Depreciable Capital Assets, Net	165,604,940	170,882,916
Total Noncurrent Assets	171,508,348	177,809,386
Total Assets	204,584,506	211,075,829
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources	14,235,723	19,953,522

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

FORT LEWIS COLLEGE
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	2018	2017
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,782,875	1,946,738
Accrued Liabilities	2,440,352	959,883
Unearned Revenue	1,693,489	1,096,943
Deposits Held for Others	583,958	247,625
Bonds Payable, Current Portion	2,097,958	2,012,436
Compensated Absence Liabilities	287,481	232,069
Total Current Liabilities	8,886,113	6,495,694
Noncurrent Liabilities:		
Bonds Payable, Net	50,921,560	53,208,246
Compensated Absence Liabilities	1,653,369	2,102,704
Pension Liability	54,936,471	53,640,145
Other Post Employment Benefits Liability	1,286,456	-
Total Noncurrent Liabilities	108,797,856	108,951,095
Total Liabilities	117,683,969	115,446,789
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	4,210,579	2,065,821
NET POSITION		
Net Investment in Capital Assets	118,042,167	121,017,761
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Endowment	1,401,011	1,369,715
Other	4,715,740	6,702,521
Unrestricted	(27,374,886)	(15,714,905)
Total Net Position	$ 96,925,681	$ 113,516,741

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS	**2018**	**2017**
Cash and Cash Equivalents	$ 477,661	$ 732,888
Investments	19,480,778	18,585,662
Pledges Receivable	620,543	401,061
Beneficial Interest in Assets Held by Others	63,838	64,618
Tangible Assets, Net	7,692,324	7,610,793
TOTAL ASSETS	$ 28,335,144	$ 27,395,022
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 6,724	$ 1,631
Due to Fort Lewis College	285,098	200,660
Gift Annuity Obligation Payable	3,136	3,696
Margin Loan	732,357	932,294
TOTAL LIABILITIES	1,027,315	1,138,281
NET ASSETS		
Unrestricted		
General Unrestricted	2,060,344	2,061,661
Board Designated Endowments	1,499,289	1,434,032
Other Board Designations	312,089	268,258
Gifts-in-Kind and Other Tangible Assets	1,151,600	1,118,750
Total Unrestricted Net Assets	5,023,322	4,882,701
Temporarily Restricted		
Scholarships, Awards, and Other	4,903,823	4,954,529
Endowment Funds	1,857,415	1,702,249
Gifts-in-Kind and Other Tangible Assets	3,746,179	3,697,498
Total Temporarily Restricted Net Assets	10,507,417	10,354,276
Permanently Restricted		
Endowment Funds	8,982,545	8,225,219
Gifts-in-Kind and Other Tangible Assets	2,794,545	2,794,545
Total Permanently Restricted Net Assets	11,777,090	11,019,764
TOTAL NET ASSETS	27,307,829	26,256,741
TOTAL LIABILITIES AND NET ASSETS	$ 28,335,144	$ 27,395,022

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

FORT LEWIS COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUES		
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of $3,724,269 - 2018 and $3,569,481 - 2017, net of scholarship allowances of $29,240,334 - 2018 and $29,156,181 - 2017, and net of bad debt of $54,221 - 2018 and $45,372 - 2017)	$ 14,894,776	$ 15,286,911
Federal Grants and Contracts	2,900,007	2,500,314
State and Local Grants and Contracts	18,651,369	19,235,689
Non-Governmental Grants and Contracts (including pledged revenues of $340,000 - 2018 and $340,000 - 2017)	940,011	1,207,529
Auxiliary Enterprises (including pledged revenues of $14,805,292 - 2018, and $14,846,871 - 2017, net of scholarship allowances of $1,713,110 - 2018 and $1,592,580 - 2017, and net of bad debt of $132,361 - 2018 and $106,827 - 2017)	15,020,967	14,739,355
Fee For Service Contract Revenue	8,575,861	8,078,150
Other Operating Revenues (including pledged revenues of $1,236 - 2018 and $7,285 - 2017 and bad debt of $5,644 - 2018 and $4,621 - 2017)	905,079	811,476
Total Operating Revenues	61,888,070	61,859,424
EXPENSES		
Operating Expenses:		
Instruction	22,968,734	22,588,079
Research	968,078	693,299
Public Service	664,484	730,396
Academic Support	8,959,282	8,347,373
Student Services	9,552,108	9,095,875
Institutional Support	8,452,031	8,068,332
Operation and Maintenance of Plant	6,632,746	5,747,794
Scholarships and Fellowships	1,140,344	1,536,845
Auxiliary Enterprises	16,062,362	15,767,845
Depreciation	8,873,212	8,405,792
Total Operating Expenses	84,273,381	80,981,630
Operating Income (Loss)	(22,385,311)	(19,122,206)

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

FORT LEWIS COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2018 and 2017

	2018	2017
NONOPERATING REVENUES (EXPENSES)		
Federal Pell Grants	5,163,301	5,349,069
Gifts (including pledged revenues of $64,753 - 2018 and $108,986 - 2017)	2,063,770	2,229,636
Investment Income (including pledged revenues of $173,249 - 2018 and $109,463 - 2017)	637,992	688,046
Interest Expense on Capital Debt	(1,928,809)	(1,923,828)
Other Nonoperating Expense (Perkins Loan Liquidation)	(2,603,533)	-
Net Nonoperating Revenues	3,332,721	6,342,923
Income (loss) before other revenues, expenses, or transfers	(19,052,590)	(12,779,283)
OTHER REVENUES, (EXPENSES), OR TRANSFERS		
Gain or (Loss) on Disposal of Assets	(54,616)	-
State Capital Contributions	203,982	4,689,250
Capital Student Fees (all pledged, net of bad debt of $8,687 - 2018 and $9,399 -2017)	2,387,113	2,494,751
Capital Grants & Gifts	1,215,520	297,094
Additions to Endowments	31,296	15,848
Increase (Decrease) in Net Position	(15,269,295)	(5,282,340)
NET POSITION		
Net Position - Beginning of Year	113,516,741	118,799,081
Restatement GASB 75	(1,321,765)	
Net Position - Beginning of Year, Restated	112,194,976	
Restated Net Position - End of Year	$ 96,925,681	$ 113,516,741

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS AT BEGINNING OF YEAR	$ 4,882,701	$ 10,354,276	$ 11,019,764	$ 26,256,741
SUPPORT, REVENUE, AND GAINS				
Donations - Cash	127,674	2,120,076	744,810	2,992,560
Donations - Marketable Securities	-	167,484	-	167,484
Donations - Gifts-in-Kind	-	306,088	-	306,088
Other Income	52,649	140,644	463	193,756
Subtotal of Donations and Other Income	180,323	2,734,292	745,273	3,659,888
Investment Income (Loss), Net	405,340	192,535	-	597,875
Total Before Reclassifications	585,663	2,926,827	745,273	4,257,763
Reclassification of Net Assets Released from Restrictions	2,996,283	(2,996,283)	-	-
Total Support, Revenue, and Gains	3,581,946	(69,456)	745,273	4,257,763
EXPENSES AND LOSSES				
Program Expenses	2,827,360	-	-	2,827,360
Fundraising	205,656	-	-	205,656
Management and General	173,659	-	-	173,659
Total Expenses and Losses	3,206,675	-	-	3,206,675
Changes in Donor Restrictions	(234,650)	222,597	12,053	-
Change in Net Assets for the Year	140,621	153,141	757,326	1,051,088
NET ASSETS AT END OF YEAR	$ 5,023,322	$ 10,507,417	$ 11,777,090	$ 27,307,829

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
NET ASSETS AT BEGINNING OF YEAR	$ 4,398,904	$ 9,059,298	$ 10,762,315	$ 24,220,517
SUPPORT, REVENUE, AND GAINS				
Donations - Cash	175,660	2,254,577	160,727	2,590,964
Donations - Marketable Securities	24,955	4,650	1,247	30,852
Donations - Gifts-in-Kind	47,650	248,941	-	296,591
Other Income	51,863	179,828	-	231,691
Subtotal of Donations and Other Income	300,128	2,687,996	161,974	3,150,098
Investment Income (Loss), Net	400,999	1,235,079	-	1,636,078
Total Before Reclassifications	701,127	3,923,075	161,974	4,786,176
Reclassification of Net Assets Released from Restrictions	2,502,802	(2,502,802)	-	-
Total Support, Revenue, and Gains	3,203,929	1,420,273	161,974	4,786,176
EXPENSES AND LOSSES				
Program Expenses	2,413,319	-	-	2,413,319
Fundraising	186,750	-	-	186,750
Management and General	149,883	-	-	149,883
Total Expenses and Losses	2,749,952	-	-	2,749,952
Changes in Donor Restrictions	29,820	(125,295)	95,475	-
Change in Net Assets for the Year	483,797	1,294,978	257,449	2,036,224
NET ASSETS AT END OF YEAR	$ 4,882,701	$ 10,354,276	$ 11,019,764	$ 26,256,741

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

FORT LEWIS COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and Fees	$ 15,013,698	$ 15,193,462
Sales of Products	608,255	587,293
Sales of Services	22,235,553	22,866,842
Grants and Contracts	23,189,061	22,844,826
Student Loans Collected	285,641	379,903
Other Operating Receipts	781,395	798,037
Cash Payments:		
Scholarships Disbursed	(1,425,800)	(1,528,733)
Student Loans Disbursed	(282,708)	(289,982)
Payments to Suppliers	(19,817,940)	(17,502,540)
Payments to Employees	(44,785,435)	(48,736,041)
Net Cash Provided (Used) by Operating Activities	(4,198,280)	(5,386,933)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Pell Grants	5,163,301	5,349,069
Gifts for Other than Capital Purposes	1,978,832	1,827,869
Agency Receipts	18,699,250	20,512,909
Agency Payments	(18,703,700)	(20,542,676)
Additions to Endowment	31,296	15,848
Net Cash Provided by Noncapital Financing Activities	7,168,979	7,163,019
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Student Fees	2,391,666	2,496,775
State capital contributions	230,717	4,662,514
Capital Gifts and Grants	1,215,521	297,095
Net Proceeds from Bonds Issued/ Proceeds from capital debt	-	3,600,000
Acquisition and Construction of Capital Assets	(3,805,633)	(15,287,869)
Principal Paid on Capital Debt	(2,012,435)	(2,098,027)
Interest on Capital Debt	(1,953,645)	(1,955,657)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,933,809)	(8,285,168)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	3,128,167	1,824,046
Purchase of investments	(3,272,566)	(1,948,736)
Investment Earnings	459,293	375,386
Net Cash Provided by Investing Activities	314,894	250,696
Net Increase (Decrease) in Cash	(648,216)	(6,258,386)
Cash - Beginning of Year	26,691,020	32,949,406
Cash - End of Year	$ 26,042,804	$ 26,691,020

The accompanying notes are an integral part of this financial statement

FORT LEWIS COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

	2018	2017
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ (22,385,311)	$ (19,122,206)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	8,873,212	8,405,792
Pension Expense	8,931,133	7,856,853
Noncash Operating Transactions	12,560	536,507
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	(796,447)	264,081
Prepaid Expense	(233,036)	150,645
Accounts Payable	(417,124)	(707,082)
Accrued Liabilities	1,616,060	(2,823,490)
Unearned Revenue	594,596	159,805
Compensated Absence Liability	(393,923)	(107,838)
Net Cash Provided (Used) by Operating Activities	$ (4,198,280)	$ (5,386,933)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Gain (Loss) on Capital Asset Deletions	$ (54,616)	$ -
Amortization of deferred loss	(185,467)	(185,467)
Change in unrealized gains on investments	323,098	437,350
Amortization of bond premium	188,729	188,749

The accompanying notes are an integral part of this financial statement

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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 and comprise the voting members. 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 a two-year term.

REPORTING ENTITY AND COMPONENT UNIT

The 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 Office of the State Controller.

The College adheres to Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 34*, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* 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. 61 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 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, 2018 for the purposes stated above was $2,645,260, which included $851,940 for scholarships and $381,060 for grant pass-through transactions. The total transfer for the year ended June 30, 2017, for the purposes stated above was $2,174,883, which included $894,496 for scholarships and $376,961 for grant pass-through transactions. Complete financial statements for the Foundation can be obtained from the Controller's Office at the College.

As defined by GASB Statement No. 61, 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.

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

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

RESTRICTED CASH AND CASH EQUIVALENTS
Cash balances that are externally restricted such as endowments or agency funds, 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 Position.

INVESTMENTS AND INVESTMENT INCOME
Investments are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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. At this time, the College does not have any capital leases.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets and half of the annual depreciation is expensed in the first and last year of service, regardless of when the asset was acquired. The useful lives of assets are as follows:

Asset Class	Years
Land Improvements	20-50
Buildings	10-40
Equipment and Software	3-10
Library Materials	10

UNEARNED REVENUE

Unearned revenues represent unearned student tuition and fees, sports camp revenues, and advances on grants and contracts for which the College has not yet provided the associated services.

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, length of service and FTE (Full Time Equivalent) status. Full-time professional exempt employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 480 hours, while full-time classified employees accrue sick leave at 6.66 hours per month with a maximum accrual of 360 hours for employees hired on or after July 1, 1988. Full-time classified employees hired before July 1, 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 up to 192 hours upon separation for exempt staff and a graduated scale for classified staff (from 192 to 336 depending on years of service), whereas only a portion of sick leave is paid upon specific types of separation, such as retirement. Most part-time employees accrue vacation leave that is pro-rated based on their hours worked.

Vacation Accrual Rates:

Years of Service	Hours Earned Per Month	Maximum Accrual
Classified employees hired Before July 1, 1988	10 - 14	240 - 336 hours
Classified employees hired on Or after July 1, 1988	8 - 14	192 - 336 hours
Professional Exempt Employees	16	384 hours

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

NET POSITION

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

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

Restricted Net Position, 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 Position – Unrestricted Net Position are those funds that do not meet the definition of "Restricted" or "Net Investment in Capital Assets" 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 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 and then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

PENSIONS

Fort Lewis College participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* Governmental accounting standards require the net pension liability and related amounts of the SDTF for financial reporting purposes be measured using the plan provisions in effect as of the SDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled C*hanges between the measurement date of the net pension liability and June 30, 2018.*

OTHER POST EMPLOYMENT BENEFITS (OPEB)

The College participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

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 fiscal rules may be accessed at: https://www.fortlewis.edu/fiscalpolicy

NEW ACCOUNTING PRONOUNCEMENTS

During 2018, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB No. 75), which revises and establishes new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB).

GASB No. 75 requires cost-sharing employers participating in the PERA program, such as the College to record their proportionate share, as defined in GASB No. 75, of PERA's unfunded OPEB, specifically the Health Care Trust Fund (HCTF). The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The College has no legal obligation to fund this HCTF shortfall nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 75 to record a portion of PERA's unfunded liability negatively impacted the College's beginning net position by $1,321,765. The OPEB Liability recorded as of June 30, 2018 was $1,286,456. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

RECLASSIFICATIONS

Certain amounts from fiscal year 2017 have been reclassified to conform to the fiscal year 2018 financial statement presentation.

PERKINS LIQUIDATION

The College liquidated the Perkins Loan Program in FY 18 and all outstanding loans were assigned to the U.S. Department of Education. A non-operating expense of $2,603,533 was booked to reflect the write off of the student loans receivable.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Fort Lewis College deposits most of its cash with the Colorado State Treasurer. The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2018, Fort Lewis College had cash on deposit with the State Treasurer of $23,178,879, which represented 0.30% percent of the total $7,635.8 million fair value of investments in the State Treasurer's Pool (Pool).

On the basis of the 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. Fort Lewis College's share of the unrealized gains (losses) on the Treasury Pool is ($278,893) and ($9,661) at June 30, 2018 and 2017, respectively.

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, 2018.

As of June 30, 2018, the carrying amount of the College's cash held locally was $3,142,824. The cash included petty cash and change funds of $6,555 and bank deposits of $3,136,269. The bank balance of the deposits was $3,895,216. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

As of June 30, 2017, the carrying amount of the College's cash held locally was $4,212,683. The cash included petty cash and change funds of $6,525 and bank deposits of $4,206,159. The bank balance of the deposits was $5,396,129. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

Investments

During the 2013 Colorado legislative session, the General Assembly passed legislation (HB 13-1297) that grants investment authority to Fort Lewis College. The Fort Lewis College Board of Trustees exercised its investment authority during the fiscal year ended June 30, 2016. The College has authority to invest institutional funds in any investment deemed advisable by the Board of Trustees per C.R.S. Section 23-52-103.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS, cont.

The following summarizes the College's investments by type at June 30, 2018:

	Fair Value	Cost
Cash and cash equivalents - Money Market	$ 7,135	$ 7,135
Mutual Funds - Equity	2,970,000	2,409,485
Mutual Funds - Fixed Income	4,039,563	4,142,142
Total investments	$ 7,016,698	$ 6,558,762

Investment income included in the accompanying Statement of Revenues, Expenses and Changes in Net Position is as follows:

Total dividends and interest (net of fees of $34,434)	$ 145,143
Net realized and unrealized gains (unrealized $43,569, realized $134,387)	177,955
Total	$ 323,098

The following summarizes the College's investments by type at June 30, 2017:

	Fair Value	Cost
Cash and cash equivalents - Money Market	$ 5,451	$ 5,451
Mutual Funds - Equity	2,858,555	2,479,380
Mutual Funds - Fixed Income	3,829,594	3,794,401
Total investments	$ 6,693,600	$ 6,279,232

Investment income included in the accompanying Statement of Revenues, Expenses and Changes in Net Position is as follows:

Total dividends and interest (net of fees of $32,074)	$ 124,693
Net realized and unrealized gains (unrealized $224,302 realized $88,355)	312,657
Total	$ 437,350

Credit Quality Risk - Credit quality risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical ratings organization (NRSRO). At June 30, 2018, the College held Fixed Income Mutual Funds rated by Morningstar as follows: 3 Stars total fair value of $1,698,299, 4 Stars total fair value of $1,937,660, and 5 Stars total fair value of $403,604. At June 30, 2017, the College held Fixed Income Mutual Funds rated by Morningstar as follows: 3 Stars total fair value of $2,217,064, and 5 Stars total fair value of $1,612,530. The Morningstar Rating is a measure of a fund's risk-adjusted return, relative to similar funds. Funds are rated from 1 to 5 stars, with the best performers receiving 5 stars and the worst performers receiving a single star.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Interest rate risk applies only to debt investments. The College held no debt investments at June 30, 2018.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS, cont.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk.

Fair Value of Investments

Fort Lewis College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Fort Lewis College has the following recurring fair value measurements as of June 30, 2018:

- Equity Mutual Funds of $2,970,000 are valued using quoted market prices (Level 1 inputs)
- Fixed Income Mutual Funds of $4,039,563 are valued using quoted market prices (Level 1 inputs)

Fort Lewis College has the following recurring fair value measurements as of June 30, 2017:

- Equity Mutual Funds of $2,858,555 are valued using quoted market prices (Level 1 inputs)
- Fixed Income Mutual Funds of $3,829,594 are valued using quoted market prices (Level 1 inputs)

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS

Under the Foundation's adopted investment policy, investments are identified and allocated using the following investment classes: cash and cash equivalents, fixed income securities, equities and commodities. Asset allocation is reviewed at least quarterly by the Investment Committee, focusing on the maintenance of liquidity for cash flow and on long-term and opportunistic growth. For the years reported herein, cash and cash equivalents consist of demand deposits and money market accounts. Fixed income securities include Governmental National Mortgage Association pools, and other government backed securities and are held individually, in exchange traded funds and in mutual funds. Equities are held individually, in exchange traded funds and stock mutual funds. All values are derived from quoted prices in active markets for identical assets.

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS, cont.

Cash and investments

Cash and investments as of June 30, 2018 are summarized as follows:

	2018			
	Cost Basis	Fair Value	% of Total	Unrealized Appreciation (Depreciation)
Cash and Cash Equivalents	$ 477,661	$ 477,661	2%	$ -
Investments				
Marketable Securities				
Fixed Income	9,923,924	9,743,050	49%	(180,874)
Equities	9,715,581	9,737,727	48%	22,146
Total Investments	19,639,505	19,480,777	98%	(158,728)
Total Cash and Investments	$ 20,117,166	$ 19,958,438	100%	$ (158,728)

Cash and investments as of June 30, 2017 are summarized as follows:

	2017			
	Cost Basis	Fair Value	% of Total	Unrealized Appreciation (Depreciation)
Cash and Cash Equivalents	$ 732,888	$ 732,888	4%	$ -
Investments				
Marketable Securities				
Fixed Income	9,030,374	9,210,124	48%	179,750
Equities	8,626,307	9,375,538	49%	749,231
Total Investments	17,656,681	18,585,662	96%	928,981
Total Cash and Investments	$ 18,389,569	$ 19,318,550	100%	$ 928,981

During the year ended June 30, 2018, net realized gains of $1,156,790 were recognized on investments, along with net unrealized losses of $1,069,199 and no amortization of premiums. During the year ended June 30, 2017, net realized gains of $1,440,032 were recognized on investments, along with net unrealized losses of $255,408 and amortization of premiums of $22,706.

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS, cont.

Beneficial Interest in Assets Held by Others and Gift Annuity Obligations

The Foundation has beneficial interest in assets held by others and reports them at fair market value. During the years ended June 30, 2018 and 2017 such assets were held and managed by Morgan Stanley. Trusts are established to fund long-term annuity obligations. When annuity obligations have been satisfied, any remaining funds are distributed to the Foundation.

Beneficial interest in assets held by others as of June 30, 2018 are summarized as follows:

	2018		
	Cost Basis	Fair Value	Unrealized Appreciation
Cash and Cash Equivalents	$ 472	$ 472	$ -
Investments			
Fixed Income	31,248	30,342	(906)
Equities	29,973	33,024	3,051
Total Investments	61,221	63,366	2,145
Total Cash and Investments	$ 61,693	$ 63,838	$ 2,145

Beneficial interest in assets held by others as of June 30, 2017 are summarized as follows:

	2017		
	Cost Basis	Fair Value	Unrealized Appreciation
Cash and Cash Equivalents	$ 2,196	$ 2,196	$ -
Investments			
Fixed Income	28,359	28,721	362
Equities	32,889	33,701	812
Total Investments	61,248	62,422	1,174
Total Cash and Investments	$ 63,444	$ 64,618	$ 1,174

During the year ended June 30, 2018, net realized gains of $608 were recognized on these investments, along with net unrealized gains of $960. During the year ended June 30, 2017, net realized gains of $1,975 were recognized on these investments, along with net unrealized gains of $1,803.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statements of Net Position. At June 30, 2018 and 2017, the Accounts Receivable balances are comprised of:

	2018	2017
Student Accounts Receivable	$ 1,308,211	$ 1,407,686
Less: Allowance for Doubtful Accounts	(797,872)	(794,049)
Student Accounts Receivable, Net	510,339	613,637
Student Loans Receivable	-	2,154,091
Less: Allowance for Doubtful Accounts	-	(283,684)
Student Loans Receivable, Net	-	1,870,407
Accounts Receivable - Fort Lewis College Foundation	285,098	200,160
Other Accounts Receivable		
Sponsored Programs	316,172	537,470
Conferences & Summer Programs	177,005	219,084
Other*	1,535,216	791,436
Other Accounts Receivable	2,028,393	1,547,990
Total Receivables, Net	$ 2,823,830	$ 4,232,194

*Other accounts receivable include $1,374,338 for a State of Colorado Fee for Service payment for FY 18 and $638,048 for FY 17. In fiscal year 2018 the College liquidated the Perkins loan program, and assigned all loans receivable to the Department of Education. As of June 30, 2018, all but one loan was accepted by the Department and that loan was subsequently accepted in August 2018.

NOTE 5: CAPITAL ASSETS

The College's capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 6/30/2017	Additions	Deletions	Transfers	Balance 6/30/2018
Land	$ 106,301	$ -	$ -	$ -	$ 106,301
Land Improvements	21,821,032	512,809	545,870	489,568	22,277,539
Buildings and Improvements	250,797,019	1,308,343	282,769	60,050	251,882,643
Construction in Progress	600,729	855,602	-	(549,618)	906,713
Equipment	9,422,058	1,220,688	272,715	-	10,370,031
Software	1,337,760	9,707	79,656	-	1,267,811
Library Materials	2,546,877	34,004	122,906	-	2,457,975
Capitalized Collections	1,417,991	1,386	-	-	1,419,377
Total	288,049,767	3,942,539	1,303,916	-	290,688,390
Less Accumulated Depreciation:					
Land Improvements	13,449,765	828,590	545,870	-	13,732,485
Buildings and Improvements	92,243,932	7,035,942	239,999	-	99,039,875
Equipment	6,110,614	821,583	262,167	-	6,670,030
Software	1,189,912	106,970	72,357	-	1,224,525
Library Materials	2,026,923	80,127	122,906	-	1,984,144
Total Accumulated Depreciation	115,021,146	8,873,212	1,243,299	-	122,651,059
Capital Assets, Net	$ 173,028,621	$ (4,930,673)	$ 60,617	$ -	$ 168,037,331

The College's capital asset activity for the year ended June 30, 2017, was as follows:

	Balance 6/30/2016	Additions	Deletions	Transfers	Balance 6/30/2017
Land	$ 106,301	$ -	$ -	$ -	$ 106,301
Land Improvements	21,696,356	113,077	-	11,599	21,821,032
Buildings and Improvements	213,445,732	10,769,257	-	26,582,030	250,797,019
Construction in Progress	26,593,629	600,729	-	(26,593,629)	600,729
Equipment	8,630,087	1,160,764	368,793		9,422,058
Software	1,410,867	-	73,107	-	1,337,760
Library Materials	2,566,220	74,744	94,087	-	2,546,877
Capitalized Collections	1,387,707	30,284	-	-	1,417,991
Total	275,836,899	12,748,855	535,987	-	288,049,767
Less Accumulated Depreciation:					
Land Improvements	12,636,287	813,478	-	-	13,449,765
Buildings and Improvements	85,567,339	6,676,593	-	-	92,243,932
Equipment	5,793,066	686,341	368,793	-	6,110,614
Software	1,113,962	149,057	73,107	-	1,189,912
Library Materials	2,040,687	80,323	94,087	-	2,026,923
Total Accumulated Depreciation	107,151,341	8,405,792	535,987	-	115,021,146
Capital Assets, Net	$168,685,558	$ 4,343,063	$ -	$ -	$173,028,621

Additions to buildings and construction in progress for the year ended June 30, 2018 includes $0 of capitalized interest and for the year ended June 30, 2017 includes $28,026 of capitalized interest.

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. Depreciation expense for both years ended June 30, 2018 and 2017 was $35,787.

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.

At June 30, 2018, tangible assets are comprised of the following:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Gifts-in-kind				
Land and buildings	$ 1,250,000	$ 12,000	$ -	$ 1,262,000
Accumulated Depreciation	(150,000)	-	-	(150,000)
Collection Items	51,600	2,811,177	2,641,550	5,504,327
Total Gifts-in-kind	1,151,600	2,823,177	2,641,550	6,616,327
Purchased Assets				
Land and buildings	-	994,400	-	994,400
Accumulated Depreciation	-	(237,633)	-	(237,633)
Collection Items	-	92,335	152,995	245,330
Concert Piano	-	73,900	-	73,900
Total Purchased Assets	-	923,002	152,995	1,075,997
Total Tangible Assets	$ 1,151,600	$ 3,746,179	$ 2,794,545	$ 7,692,324

At June 30, 2017, tangible assets are comprised of the following:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Gifts-in-kind				
Land and buildings	$ 1,250,000	$ 12,000	$ -	$ 1,262,000
Accumulated Depreciation	(131,250)	-	-	(131,250)
Collection Items	-	2,745,459	2,641,550	5,387,009
Total Gifts-in-kind	1,118,750	2,757,459	2,641,550	6,517,759
Purchased Assets				
Land and buildings	-	994,400	-	994,400
Accumulated Depreciation	-	(220,596)	-	(220,596)
Collection Items	-	92,335	152,995	245,330
Concert Piano	-	73,900	-	73,900
Total Purchased Assets	-	940,039	152,995	1,093,034
Total Tangible Assets	$ 1,118,750	$ 3,697,498	$ 2,794,545	$ 7,610,793

NOTE 7: ACCRUED LIABILITIES

At June 30, 2018 and 2017, the types and amounts of accrued liabilities, as presented on the Statements of Net Position, are comprised of:

	2018	2017
Accrued Payroll & Benefits	$ 1,897,844	$ 275,823
Accrued Interest Payable	469,140	490,715
Contractor Retainage	40,593	156,947
Other Liabilities	32,775	36,398
Total	$ 2,440,352	$ 959,883

NOTE 8: UNEARNED REVENUE

At June 30, 2018 and 2017, the types and amounts of unearned revenue, as presented on the Statements of Net Position, are comprised of:

	2018	2017
Tuition and Fees	$ 413,155	$ 305,658
Auxiliary Enterprises	89,035	159,172
Grants and Contracts	966,883	437,787
Miscellaneous	224,416	194,326
Total	$ 1,693,489	$ 1,096,943

NOTE 9: LONG-TERM LIABILITIES

The College's long-term liability activity for the year ended June 30, 2018, was as follows:

	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Current Portion
Bonds Payable:					
Revenue Bonds	$ 51,723,914	$ -	$ (2,012,435)	$ 49,711,479	$ 2,097,958
Bond Premium/(Discount)	3,496,768	-	(188,729)	3,308,039	-
Total Bonds Payable	55,220,682	-	(2,201,164)	53,019,518	2,097,958
Other Liabilities:					
Compensated Absences	2,334,773	14,039	(407,962)	1,940,850	287,481
Total Other Liabilities	2,334,773	14,039	(407,962)	1,940,850	287,481
Total Long-Term Liabilities	$ 57,555,455	$ 14,039	$ (2,609,126)	$ 54,960,368	$ 2,385,439

NOTE 9: LONG-TERM LIABILITIES, cont.

The College's long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Current Portion
Bonds Payable:					
Revenue Bonds	$ 50,221,941	$ 3,600,000	$ (2,098,027)	$ 51,723,914	$ 2,012,436
Bond Premium/(Discount)	3,685,517	-	(188,749)	3,496,768	-
Total Bonds Payable	53,907,458	3,600,000	(2,286,776)	55,220,682	2,012,436
Other Liabilities:					
Compensated Absences	2,442,611	119,074	(226,912)	2,334,773	232,069
Total Other Liabilities	2,442,611	119,074	(226,912)	2,334,773	232,069
Total Long-Term Liabilities	$ 56,350,069	$ 3,719,074	$ (2,513,688)	$ 57,555,455	$ 2,244,505

NOTE 10: BONDS PAYABLE

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 2007 Revenue Bonds bore interest at rates ranging from 4% to 5.56%. On February 28, 2012, the College issued the Series 2012 Revenue Bonds in the amount of $6,520,000 to finance various energy conservation improvements to the Fort Lewis College campus. The 2012 Revenue Bonds bear interest at 3.8%.

On March 2, 2016, the College issued Series 2016A Enterprise Revenue Refunding Bonds to refund the Series 2007A Revenue Bonds as an in-substance defeasance. The face value of the old debt was $10,440,000 and the escrow deposit was $11,250,399. The par amount of the new debt was $10,555,000 with a premium of $792,619. The interest rate of the old debt ranged from 4.00% to 4.75% and the interest rate of the new debt ranges from 2.00% to 5.00%. The sum of the debt service of the old debt was $15,403,619 and the debt service of the new debt is $13,928,969, with a savings of $1,474,650 in cash flows. Present value of the debt service cash flow are $12,412,631 for the old debt versus $11,187,439 of the new debt, resulting in an economic gain of $1,225,192. The term of the new debt is the same as that of the remaining term of the old debt (18 years). Underwriting and other issuance costs were $97,381. Unrefunded debt for the Series 2007A Revenue Bonds amounted to $1,365,000.

On March 2, 2016, the College issued Series 2016B Enterprise Revenue Refunding Bonds to refund the Series 2007B1 Revenue Bonds as an in-substance defeasance. The face value of the old debt was $25,985,000 and the escrow deposit was $28,122,534. The par amount of the new debt was $25,400,000 and the premium was $2,957,037. The interest rate of the old debt ranged from 4.00% to 5.00% and the interest rate of the new debt ranges from 2.00% to 5.00%. The sum of the debt service of the old debt was $43,602,825 and the debt service of the new debt is $39,635,671, with a savings of $3,967,154 in cash flows. Present value of the debt service cash flow are $32,790,232 for the old debt versus $29,329,405 of the new debt, resulting in an economic gain of $3,460,827. The term of the new debt is the same as that of the remaining term of the old debt (23 years). Underwriting and other issuance costs were $234,342. Unrefunded debt for the Series 2007A Revenue Bonds amounted to $3,395,000.

NOTE 10: BONDS PAYABLE, cont.

On March 29, 2016, the College issued Series 2016C Drawdown Bond in the amount of $4,060,000 with the Bank of the San Juans for the final phase of the Bader/Snyder Residence Hall renovations. This bond has a fixed interest rate of 2.96% and issuance costs were $60,000. The draw down schedule was as follows:

Date	Draw	Available Balance
		$ 4,060,000
4/14/2016	$ 60,000	4,000,000
6/1/2016	400,000	3,600,000
7/1/2016	400,000	3,200,000
8/1/2016	400,000	2,800,000
9/1/2016	400,000	2,400,000
10/1/2016	400,000	2,000,000
11/1/2016	400,000	1,600,000
12/1/2016	400,000	1,200,000
1/1/2017	400,000	800,000
2/1/2017	400,000	400,000
3/1/2017	400,000	-
	$ 4,060,000	

As of June 30, 2017 the College had drawn the full amount of $4,060,000.

Total outstanding bonds, including premiums or discounts, are summarized below:

Issue	Date Issued	Amount Issued	2018	2017
2007A Revenue Bonds	12/4/2007	$ 13,125,000	$ 1,255,000	$ 1,310,000
2007B1 Revenue Bonds	12/4/2007	29,380,000	3,355,000	3,395,000
2007 B2 Revenue Bonds	12/4/2007	3,550,000	-	525,000
2007 C Revenue Bonds	12/4/2007	5,355,000	595,000	1,165,000
2012 Revenue Bonds	2/28/2012	6,520,000	5,606,480	5,808,914
2016A Reveue Bonds	3/2/2016	10,555,000	9,550,000	10,060,000
2016B Revenue Bonds	3/2/2016	25,400,000	25,400,000	25,400,000
2016C Revenue Bonds	3/29/2016	4,060,000	3,950,000	4,060,000
Unamortized Premium/Discount		-	3,308,039	3,496,767
Total		$ 97,945,000	$ 53,019,518	$ 55,220,681

NOTE 10: BONDS PAYABLE, cont.

Principal and interest requirements on all outstanding bonds at June 30, 2018 are summarized in the table below.

Year Ending June 30,	Principal	Interest	Total
2019	$ 2,097,958	$ 1,876,304	$ 3,974,262
2020	1,564,652	1,820,030	3,384,682
2021	1,622,572	1,770,991	3,393,563
2022	2,141,778	1,708,135	3,849,913
2023	2,217,330	1,643,648	3,860,978
2024-2028	12,706,729	6,826,014	19,532,743
2029-2033	15,570,461	3,738,736	19,309,197
2034-2037	11,790,000	1,200,507	12,990,507
Total	$ 49,711,480	$ 20,584,365	$ 70,295,845

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, a portion of tuition, and pledged student fees as shown in the Series 2007, Series 2012 and Series 2016 Revenue Bonds Schedule of Pledged Revenues and Expenses in the Supplementary Information section of this report.

NOTE 11: OPERATING LEASES

Certain equipment, consisting of vehicles, 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, 2018:

Year ending June 30,	
2019	$ 8,164
2020	7,767
2021	7,371
2022	-
2023	-
Total	$ 23,302

NOTE 12: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2018 and 2017 are:

	2018	2017
Education and General	$ 355,729	$ 194,750
Auxiliary Enterprises	219,434	250,623
Restricted Funds	88,571	69,478
Plant Funds	5,776,044	1,603,736
Total	$ 6,439,778	$ 2,118,587

NOTE 13: 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 $5,776,044 and $1,603,736 as of June 30, 2018 and 2017, respectively. These improvements will be funded by appropriations from the State or internal transfers of funds.

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 require compliance with terms and conditions specified in the grant agreements, and are 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 14: 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 Position. 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 nonoperating 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, 2018 and 2017, was as follows:

	Tuition and Fees	Auxiliary Revenue	6/30/2018 Total	6/30/2017 Total
Gross Revenue	$ 44,135,110	$ 16,734,077	$ 60,869,187	$ 60,775,028
Scholarship Allowances:				
Federal	(4,292,513)	(598,232)	(4,890,745)	(4,978,393)
State (Includes Native American Tuition Waivers)	(18,002,295)	(146,906)	(18,149,201)	(17,689,792)
Private	(740,447)	(103,193)	(843,640)	(859,202)
Institutional	(6,205,079)	(864,779)	(7,069,858)	(7,221,375)
Total Scholarship Allowances	(29,240,334)	(1,713,110)	(30,953,444)	(30,748,762)
Net Revenue	$ 14,894,776	$ 15,020,967	$ 29,915,743	$ 30,026,266

NOTE 15: DEFERRED OUTFLOWS AND INFLOWS

The College's Deferred Outflows and Inflows as of June 30, 2018 and 2017 were as follows:

	2018	2017
Deferred Outflows		
Accounting Loss on Bond Refunding	$ 3,024,354	$ 3,209,822
Pension Projected vs. Actual Investment Earnings	856,588	1,778,213
Pension Contributions Subsequent to Measurement Date	769,393	785,900
Pension Expected vs. Actual Investment Earnings	-	533,188
Pension Changes in Assumptions or Other Inputs	9,539,066	13,646,399
OPEB Expected vs. Actual Investment Earnings	6,084	-
OPEB Contributions Subsequent to Measurement Date	40,238	41,916
Total Deferred Outflows	$ 14,235,723	$ 19,995,438
Deferred Inflows		
Pension Expected vs. Actual Experience	$ 2,069,102	$ -
Pension Employer Contributions and Proportionate Share of Contributions, net	2,052,874	1,900,714
Pension Changes in Assumptions	-	165,107
OPEB Projected vs. Actual Investment Earnings	21,522	-
OPEB Employer Contributions and Proportionate Share of Contributions	67,081	-
Total Deferred Inflows	$ 4,210,579	$ 2,065,821

Additional information on Long Term Liabilities and Bonds Payable can be found in Footnotes 9 and 10. Additional information on the Pension Deferred Inflows and Outflows can be found in Footnote 17.

NOTE 16: SPENDING LIMITATIONS

In November 1992, Colorado voters passed Section 20 Article X of the Colorado Constitution, commonly known as the Taxpayer 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 13.6% 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 College maintained its TABOR enterprise status from 2011 until 2015. In fiscal year 2016, the College lost its TABOR enterprise status due to increases in State revenues for the construction of the Geology, Physics and Engineering Building, resulting in 20.9% of its total annual revenue coming from State grants. In fiscal year 2017, the College

NOTE 16: SPENDING LIMITATIONS, cont.

regained TABOR enterprise status as the construction of the building was completed. The table shown below demonstrates the type and size of State grants to Fort Lewis College for the years ended June 30, 2018 and 2017.

State Support Calculation for TABOR Purposes:

	2018	2017
State Support:		
Capital Appropriations	$ 203,982	$ 4,689,250
State/Local Grants (non-financial aid)	66,234	116,521
Institutional Share of COP Debt Payments	155,825	117,551
Total State Support	$ 426,041	$ 4,923,322
Total Revenues (gross operating, nonoperating, and other revenues)	$ 73,692,253	$ 77,740,669
Ratio of State Support to Total Revenues	0.58%	6.33%

The Colorado State Legislature establishes spending authority to the College in its annual Long Appropriations Bill. The Long Bill appropriated funds include an amount from the State of Colorado's College Opportunity Fund and Fee for Service. The Native American Tuition Waiver is not included in these amounts.

For the years ended June 30, 2018 and 2017, appropriated expenses were within the authorized spending authority. For the year ended June 30, 2018, the College had a total long bill appropriation of $11,784,939. For the year ended June 30, 2017, the College had a total long bill appropriation of $11,481,200. All other revenues and expenses reported by the College represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources. These appropriations are not considered in the State support calculation for TABOR purposes.

NOTE 17: 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 Public Employees' Retirement Association of Colorado (PERA) plan or a non-PERA defined contribution plan.

The College's total payroll for the fiscal years ended June 30, 2018 and 2017 was $36,363,233 and $34,835,629, respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was $7,956,811, $23,671,715 and $313,826, respectively for June 30, 2018 and $8,378,468, $22,983,768, and $284,719, respectively for June 30, 2017. The remaining employees were not eligible for participation in any of the College's plans.

General Information about the PERA Pension Plan

Plan description. Eligible employees of Fort Lewis College are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions

NOTE 17: EMPLOYMENT BENEFITS, cont.

may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2017. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of June 30, 2018. Eligible employees and Fort Lewis College are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary.

NOTE 17: EMPLOYMENT BENEFITS, cont.

The employer contribution requirements for all employees are summarized in the following table:

	As of June 30, 2018
Employer contribution rate[1]	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%
Amount apportioned to the SDTF[1]	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.00%
Total employer contribution rate to the SDTF[1]	19.13%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and Fort Lewis College is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from Fort Lewis College were $1,522,138 and $1,540,109 for the years ended June 30, 2018 and 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to PERA Pension

At June 30, 2018, Fort Lewis College reported a liability of $54,936,471 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Fort Lewis College proportion of the net pension liability was based on the College's contributions to the SDTF for the calendar year 2017 relative to the total contributions of participating employers to the SDTF. At December 31, 2017, Fort Lewis College's proportion was 0.2744356101 percent, which was a decrease of 0.0175927156 percent from its proportion measured as of December 31, 2016.

At June 30, 2017, Fort Lewis College reported a liability of $53,640,145 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Fort Lewis College proportion of the net pension liability was based on the College's contributions to the SDTF for the calendar year 2016 relative to the total contributions of participating employers to the SDTF. At December 31, 2016, Fort Lewis College's proportion was 0.2920283257 percent, which was a decrease of 0.0227311752 percent from its proportion measured as of December 31, 2015.

NOTE 17: EMPLOYMENT BENEFITS, cont.

For the year ended June 30, 2018 and 2017, Fort Lewis College recognized pension expense of $8,931,133 and $7,856,853, respectively. At June 30, 2018 and 2017, Fort Lewis College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2018		Fiscal Year 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 856,588	N/A	$ 533,188	N/A
Changes of assumptions or other inputs	9,539,066	-	13,646,399	165,107
Net difference between projected and actual earnings on pension plan investments	-	2,069,102	1,778,213	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	2,052,874	-	1,900,714
Contributions subsequent to the measurement date	769,393	N/A	785,900	N/A
Total	$ 11,165,047	$ 4,121,976	$ 16,743,700	$ 2,065,821

The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of $769,393 and $785,900 for fiscal year 2018 and 2017, respectively, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
2019	$ 6,804,937
2020	1,023,644
2021	(768,609)
2022	(786,294)
2023	-
Thereafter	-

NOTE 17: EMPLOYMENT BENEFITS, cont.

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuations were determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

A discount rate of 4.72 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

NOTE 17: EMPLOYMENT BENEFITS, cont.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 4.72 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

NOTE 17: EMPLOYMENT BENEFITS, cont.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.72 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.54 percent higher compared to the current measurement date.

NOTE 17: EMPLOYMENT BENEFITS, cont.

Sensitivity of Fort Lewis College's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.72 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.72 percent) or 1-percentage-point higher (5.72 percent) than the current rate:

	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Proportionate share of the net pension liability	$ 68,344,915	$ 54,936,471	$ 43,928,960

Pension plan fiduciary net position. Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Changes between the measurement date of the net pension liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reaching a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

NOTE 17: EMPLOYMENT BENEFITS, cont.

- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At June 30, 2018, the College reported a liability of $54,936,471 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.72%. For comparative purposes, the following schedule presents an estimate of what the College's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 26,050,496

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $24,515,042 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 17: EMPLOYMENT BENEFITS, cont.

Defined Contribution Pension Plans

Voluntary Investment Program
Plan Description - Employees of Fort Lewis College that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions.

457 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 for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. Participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $18,500 in calendar year 2017 and $18,000 calendar years 2016 and 2015. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional $6,000 contribution in 2017. Special 457(b) catch-up contributions allow a participant for 3 years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit ($37,000 in 2017 and $36,000 in 2016 and 2015), or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2017, the plan had 18,211 participants.

Non-PERA Defined Contribution Plan
Certain full time faculty and professional staff of the College are required to participate in a defined contribution plan as an alternative to PERA. Two vendor choices are offered through the defined contribution plan: Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). The College's aggregate contribution to the above two vendors was equal to 11.4 percent of covered payroll or $2,698,575 for the fiscal year ended June 30, 2018 and $2,620,150 for the fiscal year ended June 30, 2017. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or $1,893,737 for the fiscal year ended June 30, 2018 and $1,838,701 for the fiscal year ended June 30, 2017.

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 – College Retirement Equities Fund (TIAA-CREF). The contributions by student employees for the fiscal years ended June 30, 2018 and 2017 were $23,537 and $21,354, respectively. The College is not liable for any matching contributions to the student retirement program.

Health Insurance Programs
The College's contributions to the various health insurance programs for the fiscal years ended June 30, 2018 and 2017 were $4,567,234 and $4,360,440, respectively.

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS

Health Care Trust Fund (HCTF)

Plan Description. Eligible employees of the College are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $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 basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS, cont.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State Division are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the College is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the College were $80,293 for the fiscal year ended June 30, 2018 and $86,399 for the fiscal year ended June 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the College reported a liability of $1,286,456 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The College's proportion of the net OPEB liability was based on the College's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the College's proportion was 0.0989885924 percent, which was a decrease of 0.0061903945 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the College recognized OPEB expense of $6,972. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 6,084	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	21,522
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	67,081
Contributions subsequent to the measurement date	40,238	N/A
Total	$ 46,322	$ 88,604

$40,238 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS, cont.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	
2019	$ (17,364)
2020	(17,364)
2021	(17,364)
2022	(17,364)
2023	(14,260)
Thereafter	-

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS, cont.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS, cont.

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS, cont.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$1,251,060	$1,286,456	$1,329,087

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS, cont.

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 1,446,381	$ 1,286,456	$ 1,149,955

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 19: RISK FINANCING AND INSURANCE-RELATED ACTIVITIES

The College is subject to risks of loss from liability for accident, property damage and personal injury. To mitigate these risks the College has purchased the following insurance:

Coverage	Company	Limit ($)	Deductible ($)
Property - Buildings (includes Computers and Equipment)	Hanover Group	489,613,122	10,000
Inland Marine	Hanover Group	1,753,981	1,000
Crime	Hanover Group	1,000,000	10,000
General Liability	Hanover Group	2,000,000	-
Sexual Misconduct or Molestation	Hanover Group	1,000,000	-
School Educators Legal Liability	Hanover Group	1,000,000	10,000
Employee Benefits Liability	Hanover Group	1,000,000	1,000
Law Enforcement Professional Liability	Hanover Group	1,000,000	2,500
Employment Practices Liability	Hanover Group	1,000,000	10,000
Fine Arts	Hanover Group	7,000,000	2,500
Commercial Auto	Hanover Group	1,000,000	1,000
Hired & Non-Owned Auto	Hanover Group	1,000,000	1,000
Workers' Compensation	Pinnacol Assurance	500,000	5,000
Excess	Hanover Group	10,000,000	10,000
Medical Professional	Hanover Group	3,000,000	1,000
Tenant Liability	Philadelphia	2,000,000	-
Foreign General Liability	AIG	6,000,000	-
Data Breach	Hanover Group	10,000	1,000
Flood	Hanover Group	5,000,000	25,000
Earthquake	Hanover Group	5,000,000	25,000

The College became fully insured through several insurance companies for worker's compensation in 2010 and for property and liability in 2011. The College is insured for everything above its deductible. The coverage in fiscal year 2018 is consistent with previous years and there have been no significant reductions in coverage or settlements exceeding coverages.

REQUIRED SUPPLEMENTARY INFORMATION

FORT LEWIS COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COLORADO PERA PENSION PLAN
For the Fiscal Year Ended June 30,

	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.27443561%	0.29202833%	0.31475950%	0.33276131%	0.34067181%
College's proportionate share of the net pension liability	$ 54,936,471	$ 53,640,145	$ 33,147,427	$ 31,301,239	$ 30,346,946
College's covered payroll	$ 8,052,222	$ 8,352,504	$ 8,716,807	$ 8,767,074	$ 8,975,428
College's proportionate share of the net pension liability as a percentage of its covered payroll	682%	642%	395%	376%	346%
Plan fiduciary net position as a percentage of the total pension liability	43.2%	42.6%	56.1%	59.8%	61.1%
PERA State Division Fiduciary Net Position (thousands)	$ 152,223,702	$ 13,626,180	$ 13,460,536	$ 14,013,947	$ 13,980,460
PERA State Division Net Pension Liability (thousands)	$ 20,017,982	$ 31,994,311	$ 23,991,569	$ 23,420,461	$ 22,888,431

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled the College presents information for those years for which information is available.

Notes to the Required Supplementary Information:

See Note 17 in the accompanying Notes to the Financial Statements for changes to assumptions or other inputs used.

FORT LEWIS COLLEGE
SCHEDULE OF CONTRIBUTIONS
COLORADO PERA PENSION PLAN
For the Fiscal Year Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 1,522,138	$ 1,540,109	$ 1,490,576	$ 1,491,417	$ 1,382,743	$ 1,347,586	$ 1,062,738	$ 1,022,139	$ 1,369,348	$ 1,385,068
Contributions in relation to the contractually required contribution	1,522,138	1,540,109	1,490,576	1,491,417	1,382,743	1,347,586	1,062,738	1,022,139	1,369,348	1,385,068
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 7,956,811	$ 8,378,468	$ 8,384,596	$ 8,328,195	$ 8,763,897	$ 9,036,932	$ 8,469,538	$ 9,380,804	$ 10,198,507	$ 11,051,772
Contributions as a percentage of covered payroll	19.13%	18.38%	17.78%	17.91%	15.78%	14.91%	12.55%	10.90%	13.43%	12.53%

Notes to the Required Supplementary Information:

See Note 17 in the accompanying Notes to the Financial Statements for changes to assumptions or other inputs used.

FORT LEWIS COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COLORADO PERA HEALTH CARE TRUST FUND
For the Fiscal Year Ended June 30,

	2018	2017
College's proportion of the net OPEB liability	0.0989885924%	0.1051789869%
College's proportionate share of the net OPEB liability	$ 1,286,456	$ 1,363,681
College's covered payroll	$ 8,036,356	$ 8,304,929
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	17.00%
Health Care Trust Fund Fiduciary Net Position (thousands)	$ 276,222	$ 260,228
PERA Health Care Trust Fund Net OPEB Liability (thousands)	$ 1,299,600	$ 1,296,534

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled the College presents information for those years for which information is available.

Notes to the Required Supplementary Information:
There have not been any changes to benefit terms.
There have not been any changes in assumptions.

FORT LEWIS COLLEGE
SCHEDULE OF CONTRIBUTIONS
COLORADO PERA HEALTHCARE TRUST FUND
For the Fiscal Year Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 80,293	$ 86,399	$ 85,609	$ 92,448	$ 109,417	$ 108,927	$ 96,444	$ 86,664	$ 104,025	$ 112,728
Contributions in relation to the contractually required contribution	80,293	86,399	85,609	92,448	109,417	108,927	96,444	86,664	104,025	112,728
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 7,871,863	$ 8,470,490	$ 8,393,039	$ 9,063,529	$ 10,727,157	$ 10,679,118	$ 9,455,294	$ 8,496,471	$ 10,198,529	$ 11,051,765
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

Notes to the Required Supplementary Information:

There have not been any changes to benefit terms.

There have not been any changes in assumptions.

SUPPLEMENTARY INFORMATION

FORT LEWIS COLLEGE
SCHEDULE OF PLEDGED REVENUES AND EXPENSES
FOR SERIES 2007, 2012, AND 2016 REVENUE BONDS
For the Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Residence Halls and Apartments	$ 8,180,110	$ 8,094,484
Campus Food Service	4,378,398	4,512,518
Bookstore	200,000	200,000
Student Union	1,858,271	1,954,794
Campus Parking	409,070	429,325
Child Development Center	424,190	395,094
Central Services	353,101	322,580
Recreation Center	1,640,700	1,589,795
Student Activities	734,649	664,048
Conferences & Summer Programs	706,202	654,170
Health and Counseling Center	601,772	629,064
10% Student Tuition	2,009,450	2,030,964
Indirect Cost Recovery	249,623	274,780
Total Revenues	21,745,535	21,751,616
OPERATING EXPENDITURES		
Residence Halls and Apartments	4,563,348	4,536,028
Campus Food Service	2,871,692	2,922,576
Bookstore	5,090	4,288
Student Union	1,169,341	1,129,998
Campus Parking	124,186	114,605
Child Development Center	453,352	472,167
Central Services	1,300,573	1,260,225
Recreation Center	1,480,076	1,619,605
Student Activities	691,627	689,288
Conferences & Summer Programs	511,523	484,304
Health and Counseling Center	767,599	799,848
Total Operating Expenditures	13,938,409	14,032,932
Net Revenue before Transfers	7,807,126	7,718,684
TRANSFERS		
Mandatory transfers	3,725,957	3,820,859
Net Non-mandatory Transfers	2,032,688	2,569,222
Total Transfers	5,758,644	6,390,081
Increase (Decrease) in fund balance	$ 2,048,482	$ 1,328,603
Net operating revenue	$ 7,807,126	$ 7,718,684
Bond Principal and Interest	3,966,080	4,141,798
Excess of net operating revenues over debt service	$ 3,841,046	$ 3,576,886
Debt service coverage ratio	197%	186%

Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITOR'S 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, in accordance with the 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 business-type activities and the major fund of Fort Lewis College (the College), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 03, 2018. We did not audit the financial statements of Fort Lewis College Foundation, a discretely presented component unit of the College, as of and for the year ended June 30, 2018, and 2017. The financial statements of the discretely presented component unit, Fort Lewis College Foundation, were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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.*

Certified Public Accountants

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 03, 2018

Wall,
Smith,
Bateman Inc.

December 03, 2018

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the major fund of Fort Lewis College (the College), an Institution of Higher Education, State of Colorado, as of and for the year ended June 30, 2018. 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 in our letter dated July 2, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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. As described in Note 1, the College changed accounting policies by adopting Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) during Fiscal Year 2018. The requirement to record a portion of PERA's unfunded OPEB liability and related deferred outflows of resources, negatively affected the College’s beginning net position by $1,321,765. Additional disclosures have been included in the notes to the financial statements as required by this standard. 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 the net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources at June 30, 2018 and total expense recognized during FY2018 are based upon the College's proportionate share of the collective net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources reported by the Public Employee's Retirement Association of Colorado (PERA) at December 31, 2017 and the collective pension and OPEB expenses for the year then ended. The College's proportion has been adjusted for contributions between PERA's reporting date of December 31, 2017 and the College's fiscal year end of June 30, 2018.
>
> Management’s estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2018. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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> Management's estimate of the 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.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure of the defined benefit pension plan in Note 17 to the financial statements describes the College's participation in the State Division Trust Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado (PERA).
>
> The disclosure of the other post employment benefits in Note 18 to the financial statements describes the College's participation in the Health Care Trust Fund, a cost-sharing multiple-employer defined benefit OPEB plan administered by the Public Employee's Retirement Association of Colorado (PERA).

The financial statement disclosures are neutral, consistent, and clear.

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 clearly trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 03, 2018.

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 College's financial statements or a determination of the type of auditors' 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 College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the schedule of the College's proportionate share of the net pension liability, and the schedule of the College's contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction On Use

This information is intended solely for the use of the State of Colorado Legislative Audit Committee, Board of Trustees, 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 Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION

FORT LEWIS COLLEGE
STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the Fiscal Year Ended June 30, 2018

Introduction

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

The financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2018, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the years ended June 30, 2018.

State-Funded Student Assistance Programs

The various state-funded student assistance programs at the College include the Colorado Student Grant Program and Colorado Work Study Program.

The state-funded student assistance awards made by the College were approximately $1,625,441 for the fiscal year ending on June 30, 2018.

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

During the audit period, Fort Lewis College obtained authorizations to award federal student financial aid funds of $5,113,186 in the Pell Grant Program, $132,322 in the Supplemental Educational Opportunity Grant Program, $156,041 in the College Work-Study Program and $278,747 in the Perkins Student Loan Program.

During the fiscal year ended June 30, 2018, Fort Lewis College obtained authorizations to award Colorado student financial aid funds of $1,226,310 in the Student Grant Program, $330,166 in the Colorado Work Study Program, and $68,965 in the Colorado Merit Program.

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

Members of the Legislative Audit Committee:

Report on the Statement

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) for Fort Lewis College (the College) for the year ended June 30, 2018. The Statement is the responsibility of the College's management. Our responsibility is to express an opinion on the Statement based on our audit.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Certified Public Accountants

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Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the College for the year ended June 30, 2018, in accordance with the format as set forth in the *2017-18 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College described in Note 1 to the Statement.

Basis of Accounting

We draw attention to Note 1 to the Statement, which describes the basis of accounting. As described in Note 1 to the Statement, the Statement prepared by the College was prepared in accordance with the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the College in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have issued our report dated December 03, 2018 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Report Restriction

This report is intended solely for the information and use of the Legislative Audit Committee, the College's Board of Trustees, and management of the College, the Colorado Department of Higher Education, and the Colorado Commission on Higher Education and is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 03, 2018

FORT LEWIS COLLEGE

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS

For the Fiscal Year Ended June 30, 2018

	Total State-Funded Student Assistance	Colorado Need-based Grant	Colorado Work Study	Colorado Merit Aid Program
Appropriations:				
Original	$ 1,625,441	$ 1,226,310	$ 330,166	$ 68,965
Supplementals	-	-	-	-
Totals	1,625,441	1,226,310	330,166	68,965
Expenditures	(1,625,441)	(1,226,310)	(330,166)	(68,965)
Reversions to State	$ -	$ -	$ -	$ -

FORT LEWIS COLLEGE
NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS
FOR THE YEAR ENDED JUNE 30, 2018

Basis of Accounting

Fort Lewis College's accounting system is structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in its revised publication *Financial Accounting and Reporting Manual*.

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as set forth in the *2017-2018 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Colorado Department of Higher Education (CDHE) and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the Board of Trustees of Fort Lewis College. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the College for the year ended June 30, 2018.

Because the Statement presents only a selected portion of the activities of the College, it is not intended to and does not present either the financial position or changes in financial position of the College in conformity with U.S. generally accepted accounting principles.

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS OF THE STATE OF COLORADO STATE-FUNDED STUDENT ASSISTANCE PROGRAMS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited, in accordance with the 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 statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs (the Statement) of Fort Lewis College (the College), an institution of higher education of the State of Colorado, for the years ended June 30, 2018 and 2017, and the related notes to the Statement, and have issued our report thereon dated December 03, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the Statement, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 College's Statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's Statement is free from 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 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 03, 2018