

FORT LEWIS COLLEGE

**FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2019 and 2018**



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Smith,
Bateman Inc.
Certified Public Accountants

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FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
Fiscal Years Ended June 30, 2019 and 2018

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 2019 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 2019.

The purposes and scope of the audit were to:

- Perform an audit of the basic financial statements of Fort Lewis College for the fiscal years ended June 30, 2019 and 2018 and to express an opinion on the financial statements. This included a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. This also included the identification of the College's key information technology systems, and performance of testing on those systems, in accordance with 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. Also, review all adjusting entries, posted or not, after the Colorado Operations Resource Engine's (CORE) final year-end closing.
- Submit attestation memos to the Office of the State Auditor on the results of audit work performed.
- Report on the College's internal control over financial reporting and compliance and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards*, for the year ended June 30, 2019.

Audit Results

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the year ended June 30, 2019 and 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 2019.

Summary of Progress in Implementing Prior Audit Findings

There were no reported findings or recommendations resulting from the audit work completed for fiscal year 2018.

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.

	<u>FY 2018-19</u>	<u>FY 2017-18</u>	<u>FY 2016-17</u>
Resident FTE	1,361	1,479	1,647
Non-Resident FTE	<u>1,518</u>	<u>1,459</u>	<u>1,514</u>
Total FTE Students	<u><u>2,879</u></u>	<u><u>2,938</u></u>	<u><u>3,161</u></u>

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.

	<u>FY 2018-19</u>	<u>FY 2017-18</u>	<u>FY 2016-17</u>
Faculty FTE	252	279	291
Staff FTE	<u>326</u>	<u>347</u>	<u>334</u>
Total FTE	<u><u>578</u></u>	<u><u>626</u></u>	<u><u>625</u></u>

FINDINGS AND RECOMMENDATIONS SECTION

FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2019

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

**FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
DISPOSITION OF PRIOR YEAR AUDIT RECOMMENDATIONS
Fiscal Year Ended June 30, 2019**

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, 2019 and 2018, 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, 2019 and 2018. 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.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 www.wsbcpa.com

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, 2019 and 2018, 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, 2019 and 2018, 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.

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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 2012, 2016, and 2019 Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Pledged Revenues and Expenses for Series 2012, 2016, and 2019 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 2012, 2016 and 2019 Revenue Bonds is fairly stated, in all material respects, in relation to the basic 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 02, 2019, 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 02, 2019

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FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

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, 2019 (FY 2019 or fiscal year 2019) and June 30, 2018 (FY 2018 or fiscal year 2018), with comparative information for the year ended June 30, 2017 (FY 2017 or fiscal year 2017). 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 36% 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, 2019 and 2018. 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, 2019 and 2018. 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, 2019 and 2018. 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.

FORT LEWIS COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

FINANCIAL HIGHLIGHTS

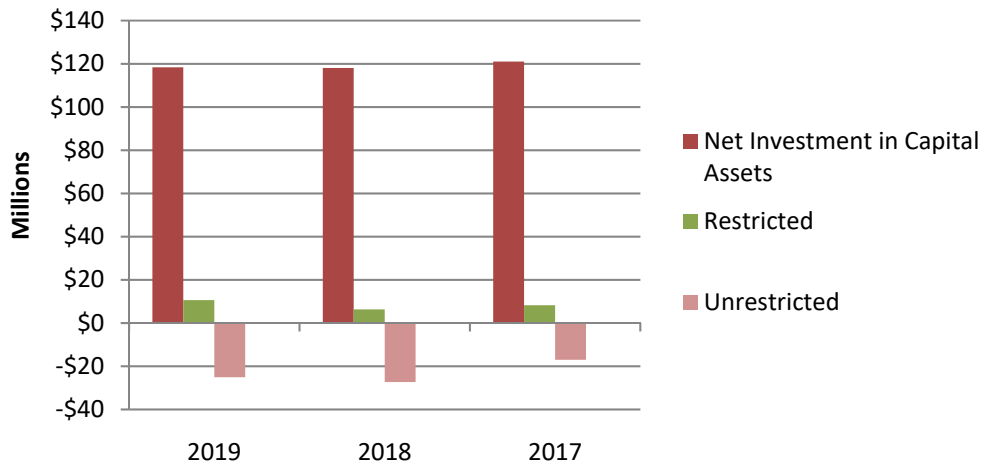
Year Ended June 30, 2019:

- **Net Position** – The College’s financial position increased during the year ended June 30, 2019 by \$6.9 million or 7%. This was due to a reduction in the impact of GASB 68 and 75 on the ending net position as well as an increase in the net position restricted for expendable purposes of \$4.5 million. Endowments were decreased by \$116,649 due to Colorado House Bill 18-1048 which allowed the College to spend from the Hesperus account, which comprises the proceeds of or income from the property formerly known as the “Fort Lewis School”. The unrestricted net position at June 30, 2019 was negative \$25 million, but did increase by \$2.2 million. The negative net position due to GASB 68 and GASB 75 was (\$43,479,166) at June 30, 2019. The effects on Net Position of these GASB statements are reflected in the tables below:

	Fiscal Year 2019	Fiscal Year 2018
Net Position (GAAP Basis)	\$ 103,795,343	\$ 96,925,681
Effects of GASB 68 - Pension	47,899,381	47,893,400
Effects of GASB 75 - OPEB	1,329,039	1,328,737
Net Position Excluding Pension and OPEB	<u>\$ 153,023,763</u>	<u>\$ 146,147,818</u>

	Fiscal Year 2019	Fiscal Year 2018
Unrestricted Net Position (GAAP Basis)	\$ (25,128,528)	\$ (27,374,886)
Effects of GASB 68 - Pension	47,899,381	47,893,400
Effects of GASB 75 - OPEB	1,329,039	1,328,737
Unrestricted Net Position Excluding Pension and OPEB Expense	<u>\$ 24,099,892</u>	<u>\$ 21,847,251</u>

Net Position at Year End

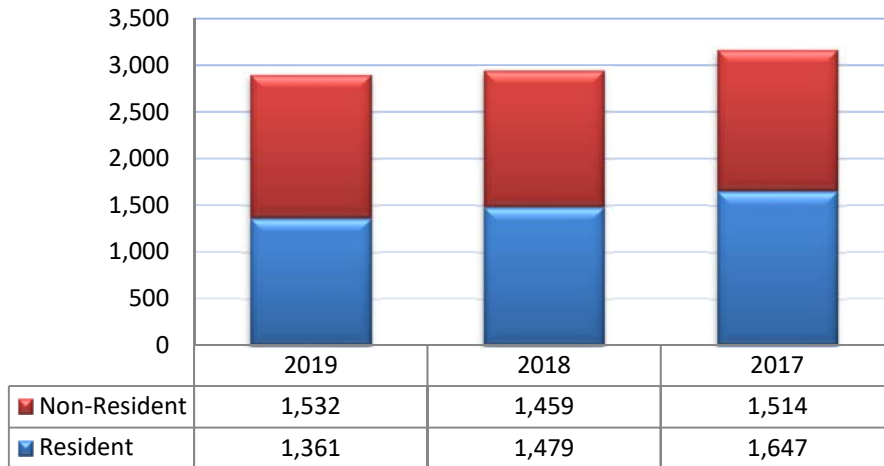


- **Enrollment** -- Undergraduate full-time equivalent (FTE) enrollment decreased by 2.0% (59 students) in FY 2019; in-state enrollment declined by 8.0% while out-of-state enrollment increased approximately 4.1%. Fall 2018 headcount, based on final fall census reports was 0.8% lower than the prior year, with resident headcount down by 6.3% and nonresident headcount up by approximately 4.8%. Native American Tuition

FORT LEWIS COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

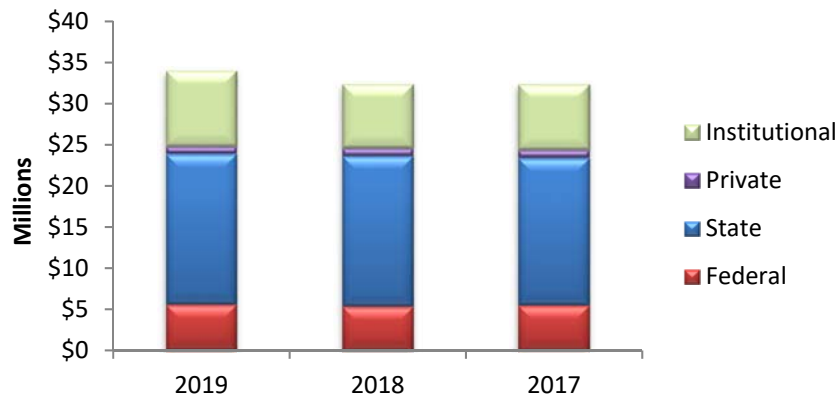
Waiver fall headcount enrollment based on original fall census reports, was 7.7% higher than the prior year, with resident headcount down approximately 9.3% and non-resident headcount up by approximately 10.6%.

FTE Enrollment



- **Scholarships** –The discount rate for 2019 (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, with institutional scholarships increasing by 18.6% in fiscal year 19. 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 2017 and FY 2019.

	FY 2019	FY 2018	FY 2017
Total State Funding	\$13,053,096	\$11,784,939	\$ 11,481,200
Change from Previous Year	10.8%	2.6%	

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

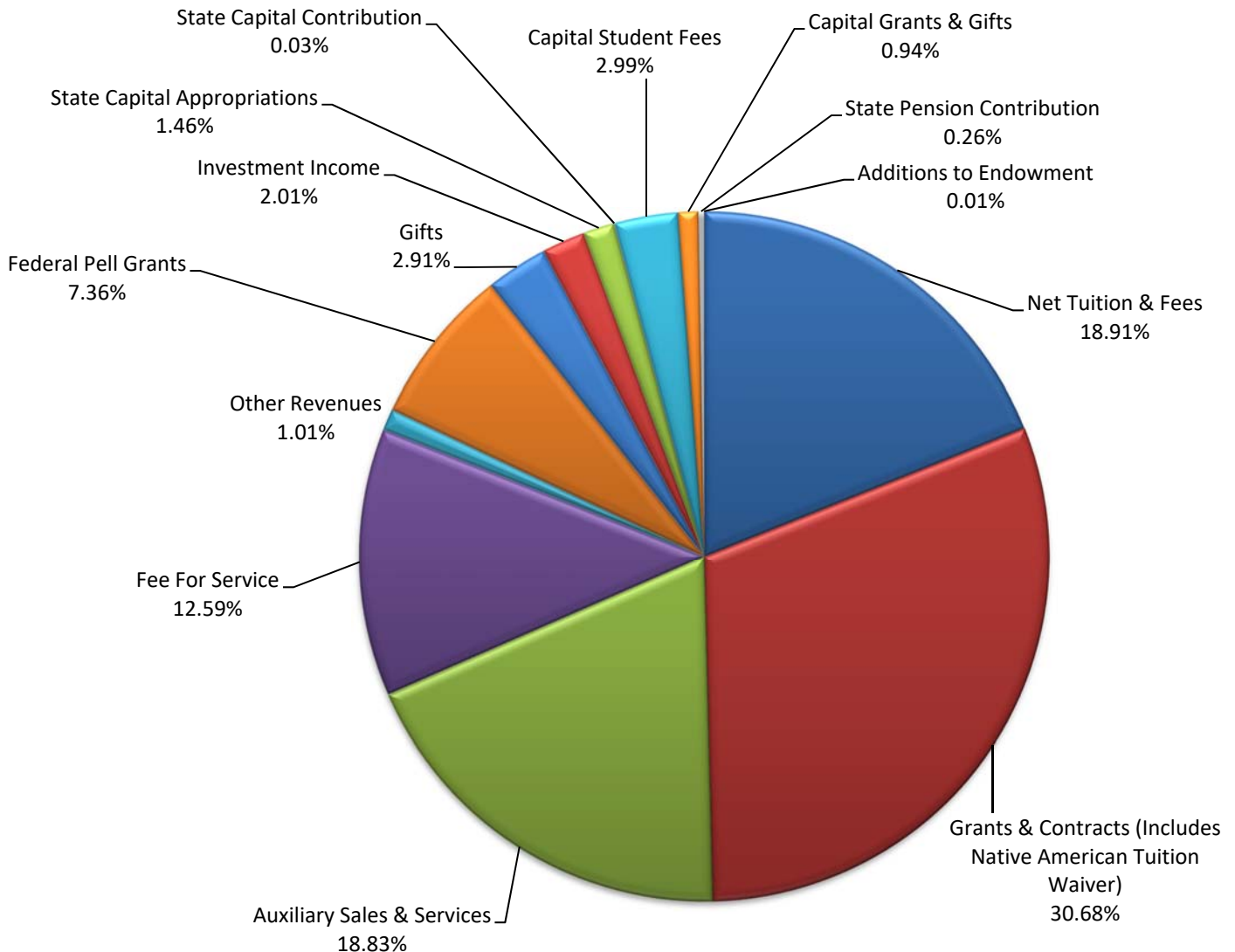
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

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 2017 and FY 2019.

	FY 2019	FY 2018	FY 2017
Native American Tuition Reimbursement	\$17,024,859	\$16,948,194	\$ 17,364,248
Change from Previous Year	0.5%	-2.4%	

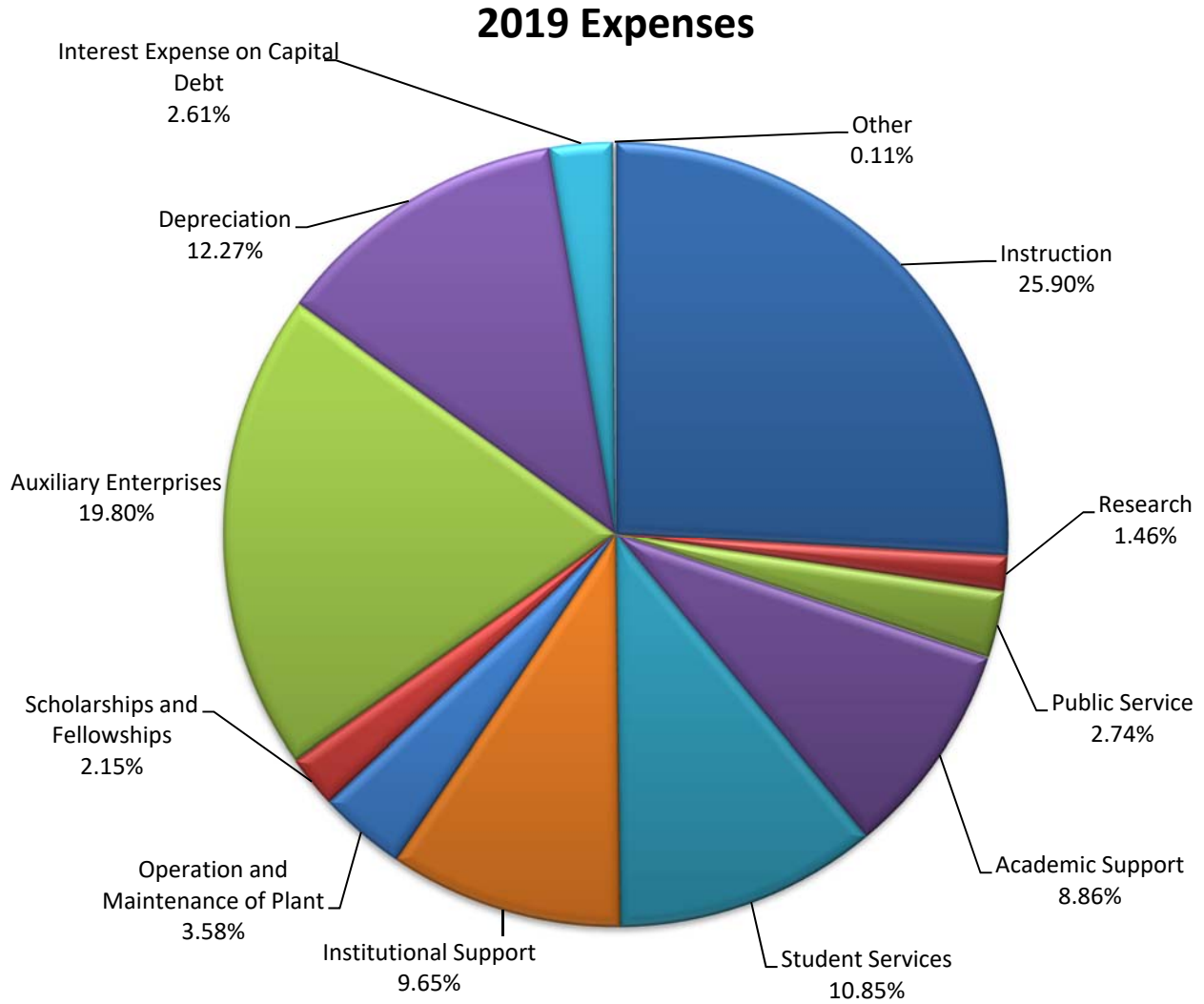
- **Total revenues** received in FY 2019 were \$77,664,593 and are depicted below without distinction as to whether they are classified as Operating or Nonoperating on the Statement of Revenues, Expenses and Changes in Net Position.

2019 Sources of Revenue



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MANAGEMENT'S DISCUSSION AND ANALYSIS
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- **Total expenses** for FY 2019 were \$70,794,931 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.



FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

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.
- **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.
- **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. State-funded financial aid includes the Native American Tuition Waiver.
- **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 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 degree 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 include: 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.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Restated June 30, 2017</u>
Current Assets	\$35,574,980	\$33,076,158	\$33,266,443
Noncurrent Assets	<u>168,456,582</u>	<u>171,508,348</u>	<u>177,809,386</u>
Total Assets	<u>204,031,562</u>	<u>204,584,506</u>	<u>211,075,829</u>
Deferred Outflows of Resources	<u>7,515,539</u>	<u>14,235,723</u>	<u>19,995,438</u>
Current Liabilities	8,429,255	8,886,113	6,495,694
Noncurrent Liabilities	<u>81,607,690</u>	<u>108,797,856</u>	<u>110,314,776</u>
Total Liabilities	<u>90,036,945</u>	<u>117,683,969</u>	<u>116,810,470</u>
Deferred Inflows of Resources	<u>17,714,813</u>	<u>4,210,579</u>	<u>2,065,821</u>
Net Position:			
Net Investment in Capital Assets	118,329,281	118,042,167	121,017,761
Restricted	10,594,590	6,258,400	8,213,885
Unrestricted	<u>(25,128,528)</u>	<u>(27,374,886)</u>	<u>(17,036,670)</u>
Total Net Position	<u>\$103,795,343</u>	<u>\$96,925,681</u>	<u>\$112,194,976</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

- **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, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
Operating Revenues			
Tuition and Fees, Net	\$ 14,686,685	\$ 14,894,776	\$ 15,286,911
Grants and Contracts	23,831,257	22,491,387	22,943,532
Auxiliary Enterprises, Net	14,626,401	15,020,967	14,739,355
Other	<u>10,558,208</u>	<u>9,480,940</u>	<u>8,889,626</u>
Total Operating Revenues	<u>63,702,551</u>	<u>61,888,070</u>	<u>61,859,424</u>
Operating Expenses	<u>68,868,776</u>	<u>84,273,381</u>	<u>80,981,630</u>
Net Operating Revenues (Expenses)	<u>(5,166,225)</u>	<u>(22,385,311)</u>	<u>(19,122,206)</u>
Non-operating Revenues (Expenses):			
Federal Pell Grants	5,716,261	5,163,301	5,349,069
Other Net Non-operating Revenues (Expenses)	<u>1,910,499</u>	<u>(1,830,580)</u>	<u>993,854</u>
Net Non-operating Revenues	<u>7,626,760</u>	<u>3,332,721</u>	<u>6,342,923</u>
Income (Loss) Before Other Revenues, Expenses, or Transfers	2,460,535	(19,052,590)	(12,779,283)
Gain (Loss) on Disposal of Assets	(10,631)	(54,616)	-
State Capital Appropriations	1,137,316	203,982	4,689,250
State Capital Contribution	19,864	-	-
Capital Student Fees, Net	2,321,852	2,387,113	2,494,751
Capital Grants and Gifts	726,763	1,215,520	297,094
State Pension Contribution	202,813	-	-
Additions to Endowments	<u>11,150</u>	<u>31,296</u>	<u>15,848</u>
Increase (Decrease) in Net Position	6,869,662	(15,269,295)	(5,282,340)
Net Position – Beginning of Year	<u>96,925,681</u>	<u>113,516,741</u>	<u>118,799,081</u>
Restatement, GASB 75		(1,321,765)	
Restated Net Position – Beginning of Year	<u>96,925,681</u>	<u>112,194,976</u>	<u>118,799,081</u>
Net Position – End of Year	<u>\$103,795,343</u>	<u>\$96,925,681</u>	<u>\$113,516,741</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

CAPITAL ASSETS

At June 30, 2019, the College had approximately \$166.3 million net investment in capital assets, net of accumulated depreciation of \$131.0 million. Depreciation expense was \$8.7 million for the year ended June 30, 2019. 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. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land	\$106,301	\$106,301	\$106,301
Construction in Progress	5,287,345	906,713	600,729
Collections	1,413,483	1,419,377	1,417,991
Land Improvements, Net	8,171,133	8,545,054	8,371,267
Buildings and Improvements, Net	146,848,845	152,842,768	158,553,087
Equipment, Net	4,032,792	3,743,287	3,459,292
Library Materials, Net	<u>438,342</u>	<u>473,831</u>	<u>519,954</u>
Total	<u>\$166,298,241</u>	<u>\$168,037,331</u>	<u>\$173,028,621</u>

Major capital additions completed in FY 2019 and the resources that funded their acquisition include:

Additional Capital Purchases on Berndt Hall – Geosciences, Physics, Engineering, final phase funded by the College	\$ 698,157
West Campus Water Main Replacement, funded by the College	406,650

The following significant capital projects were in progress at June 30, 2019:

Cooper Residence Hall Improvements, funded by the College	3,949,566
Whalen Gymnasium Expansion/Renovation, funded by the State	917,151

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

FORT LEWIS COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

DEBT

At June 30, 2019, 2018 and 2017, the College had approximately \$50.8 million, \$53.0 million, \$55.2 million in long-term debt outstanding, respectively. The table below summarizes debt over the past three fiscal years.

Outstanding Debt at Fiscal Year-End

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Auxiliary Revenue Bonds, Net	<u>\$50,807,847</u>	<u>\$53,019,518</u>	<u>\$55,220,682</u>

OTHER HIGHLIGHTS

- **Strategic Plan** – A new strategic plan was adopted by the Fort Lewis College Board of Trustees in February 2019. President Tom Stritikus presented the plan as a guide for future administrative decisions, focused on four major areas including Students at the Center, Community Responsiveness, Knowledge in Action, and Systems to Facilitate Success. The plan will allow the college to adapt within the areas of focus as faculty and staff chart a course to student success, fiscal sustainability and academic excellence. The plan was developed with the college and greater community’s input concentrating on the key factors that distinguish the College, including cultural and natural diversity of the region, the college’s faculty and degree options, commitment to access and affordability, experiential learning, and diversity in students and staff. The Strategic Plan set a goal of increasing enrollment to 3,700 students in three years.

- **New Provost** – During fiscal year 2019, the College conducted a national search to replace Dr. Barbara Morris who resigned the prior year to serve as the president of the State University of New York – Oneonta. In April 2019, President Tom Stritikus announced that Cheryl Nixon had been chosen to fill the Provost’s position. Dr. Nixon previously served as an Associate Provost and Professor of English at the University of Massachusetts, Boston, where she created new undergraduate research programs and high-impact teaching projects. Dr. Nixon earned her bachelor’s degree in English and political science from Tufts University and her master’s and doctorate in English from Harvard University.

- **SkyHawk Station** – The College conducted research on creating a ‘one-stop shop’ intended to co-locate and integrate various student services including financial aid, registration, advising, and student billing. The SkyHawk Station is located in the building previously called Miller Student Services and puts many services once scattered across campus in one location. As part of the Students at the Center initiative in the strategic plan, the intention is that by making the business of being a student easier to accomplish, enrollment and retention will increase. The SkyHawk Station opened on August 1, 2019.

- **New Programs** – During the past fiscal year, the College created two new programs: 1) Liberal Arts Core Concentrations and 2) First Year Launch. The Core Concentration program gives students the opportunity to group four of their nine general-education ”gtPathways” courses mandated by the State of Colorado – known as the “liberal arts core,” because it exposes students to a range of disciplines in the tradition of liberal arts education – into one of three themes targeted at developing skills in demand in the workplace. The three concentration themes are Analytical Thinking, Science Communication, and Diversity & Inclusion. The First Year Launch program features signature classes designed and taught by professors and staff. They include one-credit classes for first year students that introduces them to the business of being a college student and acquaints them with mentors, advocates and allies at Fort Lewis College. Topics range from leadership and urban sketching to financial literacy and journaling and it includes a capstone project that allows students to express their reactions to their first year at Fort Lewis College.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE

Enrollment

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.

The strategic plan adopted in 2019 focuses on recruitment and retention activities. Investments in recruiting capacity and systems have been coupled with marketing funding to ensure the maximum number of potential qualified students are aware of Fort Lewis College. To this end, the College has implemented a new branding strategy and recently rolled out a new website. Additionally, the campus visit program within the Admission department has been revamped.

To improve retention, the First Year Launch program was created, providing first time students with a small cohort, directed at learning the business of being a student. The Skyhawk Station was opened on August 1, 2019 to provide a “one stop shop” for many of the student business functions, i.e. student accounts, financial aid, registrar and advising. The Skyhawk Station gives students the opportunity to get many of their business questions answered in one place, helping make processes more efficient. Additionally, the Skyhawk Persistence Grant program was started in 2019, providing emergency, gap funding to students with demonstrated need.

Budget

During the FY 2018-19 budget cycle, the President’s Budget Committee assumed a large enrollment decline and recommended budget reductions of approximately 8%. Fall 2018 enrollment was below the previous year, however, it was much higher than budgeted, resulting in additional revenue in FY 2018-19. For the FY 2019-20 budget cycle, the Governor proposed, and the Legislature approved, a 12.9% increase to higher education funding, in exchange for not increasing resident tuition rates. This increase, coupled with Native American Tuition reimbursement increases, allowed the college to make the strategic investments noted above.

Capital Construction

Funding for the first phase of the Health Sciences Center (formerly Whalen Gymnasium Expansion for Exercise Science) 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 Health Sciences Center project will provide a state-of-the-art facility that will help with recruitment in these growing programs. The College is requesting the second phase of funding during the 2020 legislative cycle.

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.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2019 and 2018

Currently, the State of Colorado's fiscal environment remains fairly stable as it relates to higher education funding. As noted above, the State significantly increased funding to higher education in FY 2019-20 to offset the need for resident tuition increases. Efforts in the 2018 legislative cycle brought attention to the rural four-year institutions, including Fort Lewis College. Because the current formula used by Colorado Department of Higher Education (CDHE) is heavily dependent on enrollment for the allocation of State dollars and is somewhat opaque, CDHE has been working to update the formula to both simplify and make it more transparent.

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, 2019 and 2018

ASSETS	2019	2018
Current Assets:		
Cash and Cash Equivalents	24,805,027	22,571,787
Investments	7,485,282	7,016,698
Student Accounts Receivable, Net	486,005	510,339
Accounts Receivable - Fort Lewis College Foundation	391,504	285,098
Other Accounts Receivable	1,753,052	2,028,393
Inventories	60,485	57,584
Prepaid Expense	593,625	606,259
	<hr/>	<hr/>
Total Current Assets	35,574,980	33,076,158
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,158,341	3,471,017
Nondepreciable Capital Assets:		
Land and Improvements	106,301	106,301
Construction in Progress	5,287,345	906,713
Collections	1,413,483	1,419,377
	<hr/>	<hr/>
Total Nondepreciable Capital Assets	6,807,129	2,432,391
Depreciable Capital Assets:		
Land Improvements, Net	8,171,133	8,545,054
Buildings and Improvements, Net	146,848,845	152,842,768
Equipment, Net	4,032,792	3,743,287
Library Materials, Net	438,342	473,831
	<hr/>	<hr/>
Total Depreciable Capital Assets, Net	159,491,112	165,604,940
	<hr/>	<hr/>
Total Noncurrent Assets	168,456,582	171,508,348
	<hr/>	<hr/>
Total Assets	204,031,562	204,584,506
	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources	7,515,539	14,235,723
	<hr/>	<hr/>

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

FORT LEWIS COLLEGE
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

LIABILITIES	2019	2018
Current Liabilities:		
Accounts Payable	2,144,489	1,782,875
Accrued Liabilities	2,558,019	2,440,352
Unearned Revenue	1,664,666	1,693,489
Deposits Held for Others	273,164	583,958
Bonds Payable, Current Portion	1,464,652	2,097,958
Compensated Absence Liabilities	324,265	287,481
	<hr/>	<hr/>
Total Current Liabilities	8,429,255	8,886,113
	<hr/>	<hr/>
Noncurrent Liabilities:		
Bonds Payable, Net	49,343,195	50,921,560
Compensated Absence Liabilities	1,623,491	1,653,369
Pension Liability	29,402,246	54,936,471
Other Post Employment Benefits Liability	1,238,758	1,286,456
	<hr/>	<hr/>
Total Noncurrent Liabilities	81,607,690	108,797,856
	<hr/>	<hr/>
Total Liabilities	90,036,945	117,683,969
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	17,714,813	4,210,579
	<hr/>	<hr/>
NET POSITION		
Net Investment in Capital Assets	118,329,281	118,042,167
Restricted for Nonexpendable Purposes:		
Endowment	25,000	141,649
Restricted for Expendable Purposes:		
Endowment	659,666	1,401,011
Other	9,909,924	4,715,740
Unrestricted	(25,128,528)	(27,374,886)
	<hr/>	<hr/>
Total Net Position	<u>\$ 103,795,343</u>	<u>\$ 96,925,681</u>

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 115,555	\$ 477,661
Investments	21,986,044	19,480,778
Pledges Receivable	363,003	620,543
Beneficial Interest in Assets Held by Others	66,834	63,838
Tangible Assets, Net	7,635,623	7,692,324
TOTAL ASSETS	\$ 30,167,059	\$ 28,335,144
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 11,303	\$ 6,724
Due to Fort Lewis College	393,130	285,098
Gift Annuity Obligation Payable	2,576	3,136
Margin Loan	63,733	732,357
TOTAL LIABILITIES	470,742	1,027,315
NET ASSETS		
Net Assets without Donor Restrictions		
General Unrestricted	1,457,598	2,060,344
Board Designated Endowments	1,577,373	1,499,289
Other Board Designations	188,734	312,089
Gifts-in-Kind and Other Tangible Assets	907,850	1,151,600
Total Net Assets Without Donor Restrictions	4,131,555	5,023,322
Net Assets with Donor Restrictions		
Purpose and/or Time Restricted		
Scholarships, Awards, and Other	7,195,193	4,903,823
Endowment Funds	2,040,111	1,857,415
Gifts-in-Kind and Other Tangible Assets	3,933,228	3,746,179
Total Purpose and Time Restricted Net Assets	13,168,532	10,507,417
Restricted in Perpetuity		
Endowment Funds	9,601,685	8,982,545
Gifts-in-Kind and Other Tangible Assets	2,794,545	2,794,545
Total Restricted in Perpetuity	12,396,230	11,777,090
Total Net Assets with Donor Restrictions	25,564,762	22,284,507
TOTAL NET ASSETS	29,696,317	27,307,829
TOTAL LIABILITIES AND NET ASSETS	\$ 30,167,059	\$ 28,335,144

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, 2019 and 2018

REVENUES	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$3,989,642 - 2019 and \$3,724,269 - 2018, net of scholarship allowances of \$32,147,862 - 2019 and \$29,240,334 - 2018, and net of bad debt of \$157,556 - 2019 and \$54,221 - 2018)	\$ 14,686,685	\$ 14,894,776
Federal Grants and Contracts	3,866,182	2,900,007
State and Local Grants and Contracts	18,909,677	18,651,369
Non-Governmental Grants and Contracts (including pledged revenues of \$340,000 - 2019 and \$340,000 - 2018)	1,055,398	940,011
Auxiliary Enterprises (including pledged revenues of \$14,796,140 - 2019, and \$14,805,292 - 2018, net of scholarship allowances of \$1,881,094 - 2019 and \$1,713,110 - 2018, and net of bad debt of \$237,419 - 2019 and \$132,361 - 2018)	14,626,401	15,020,967
Fee For Service Contract Revenue	9,775,921	8,575,861
Other Operating Revenues (including pledged revenues of \$3,257 - 2019 and \$1,236 - 2018 and bad debt of \$20,035 - 2019 and \$5,644 - 2018)	782,287	905,079
	<u>63,702,551</u>	<u>61,888,070</u>
Total Operating Revenues		
EXPENSES		
Operating Expenses:		
Instruction	18,338,921	22,968,734
Research	1,035,015	968,078
Public Service	1,940,577	1,708,549
Academic Support	6,272,324	8,959,282
Student Services	7,680,764	8,508,043
Institutional Support	6,830,804	8,452,031
Operation and Maintenance of Plant	2,537,109	6,632,746
Scholarships and Fellowships	1,523,653	1,140,344
Auxiliary Enterprises	14,019,841	16,062,362
Depreciation	8,689,768	8,873,212
	<u>68,868,776</u>	<u>84,273,381</u>
Total Operating Expenses		
Operating Income (Loss)	<u>(5,166,225)</u>	<u>(22,385,311)</u>

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, 2019 and 2018

NONOPERATING REVENUES (EXPENSES)	2019	2018
Federal Pell Grants	5,716,261	5,163,301
Gifts (including pledged revenues of \$110,390 - 2019 and \$64,753 - 2018)	2,261,823	2,063,770
Investment Income (including pledged revenues of \$214,254 - 2019 and \$173,249 - 2018)	1,564,200	637,992
Interest Expense on Capital Debt	(1,850,783)	(1,928,809)
Other Nonoperating Expense	(64,741)	(2,603,533)
	<hr/>	<hr/>
Net Nonoperating Revenues	7,626,760	3,332,721
	<hr/>	<hr/>
Income (loss) before other revenues, expenses, or transfers	2,460,535	(19,052,590)
	<hr/>	<hr/>
OTHER REVENUES, (EXPENSES), OR TRANSFERS		
Gain or (Loss) on Disposal of Assets	(10,631)	(54,616)
State Capital Appropriations	1,137,316	203,982
State Capital Contribution	19,864	-
Capital Student Fees (all pledged, net of bad debt of \$27,592 - 2019 and \$8,687 -2018)	2,321,852	2,387,113
Capital Grants & Gifts	726,763	1,215,520
State Pension Contribution	202,813	-
Additions to Endowments	11,150	31,296
	<hr/>	<hr/>
Increase (Decrease) in Net Position	6,869,662	(15,269,295)
	<hr/>	<hr/>
NET POSITION		
Net Position - Beginning of Year	96,925,681	113,516,741
Restatement - GASB 75		(1,321,765)
		<hr/>
Net Position - Beginning of Year, Restated		112,194,976
		<hr/>
Restated Net Position - End of Year	<u>\$ 103,795,343</u>	<u>\$ 96,925,681</u>

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose or time	Perpetuity	
NET ASSETS AT BEGINNING OF YEAR	\$ 5,023,322	\$ 10,507,417	\$ 11,777,090	\$ 27,307,829
SUPPORT, REVENUE, AND GAINS				
Donations - Cash	209,357	2,865,109	496,985	3,571,451
Donations - Marketable Securities	-	643,938	-	643,938
Donations - Gifts-in-Kind and Other Non-Cash	-	270,715	-	270,715
Other Income	55,555	273,539	-	329,094
Subtotal of Donations and Other Income	264,912	4,053,301	496,985	4,815,198
Investment Income (Loss), Net	140,049	973,106	-	1,113,155
Total Before Reclassifications	404,961	5,026,407	496,985	5,928,353
Reclassification of Net Assets Released from Restrictions	3,084,779	(3,084,779)	-	-
Total Support, Revenue, and Gains	3,489,740	1,941,628	496,985	5,928,353
EXPENSES AND LOSSES				
Program	2,892,341	-	-	2,892,341
Management and General	242,517	-	-	242,517
Fundraising	180,007	-	-	180,007
Total Expenses and Losses	3,314,865	-	-	3,314,865
Loss in Value of Donated Property	(225,000)	-	-	(225,000)
Changes in Donor Restrictions, Net	(841,642)	719,487	122,155	-
Change in Net Assets for the Year	(891,767)	2,661,115	619,140	2,388,488
NET ASSETS AT END OF YEAR	\$ 4,131,555	\$ 13,168,532	\$ 12,396,230	\$ 29,696,317

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			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose or time	Perpetuity	
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 and Other Non-Cash	-	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	2,827,360	-	-	2,827,360
Management and General	205,656	-	-	205,656
Fundraising	173,659	-	-	173,659
Total Expenses and Losses	3,206,675	-	-	3,206,675
Changes in Donor Restrictions, Net	(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	<u>\$ 5,023,322</u>	<u>\$ 10,507,417</u>	<u>\$ 11,777,090</u>	<u>\$ 27,307,829</u>

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

FORT LEWIS COLLEGE
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and Fees	\$ 14,489,744	\$ 15,013,698
Sales of Products	597,593	608,255
Sales of Services	24,535,248	22,235,553
Grants and Contracts	23,428,844	23,189,061
Student Loans Collected	3,662	285,641
Other Operating Receipts	777,240	781,395
Cash Payments:		
Scholarships Disbursed	(1,552,307)	(1,425,800)
Student Loans Disbursed	(3,231)	(282,708)
Payments to Suppliers	(20,209,895)	(19,817,940)
Payments to Employees	(43,540,429)	(44,785,435)
Net Cash Provided (Used) by Operating Activities	(1,473,530)	(4,198,280)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Pell Grants	5,716,261	5,163,301
Gifts for Other than Capital Purposes	2,155,416	1,978,832
Agency Receipts	17,316,042	18,699,250
Agency Payments	(17,633,594)	(18,703,700)
Additions to Endowment	11,150	31,296
Net Cash Provided by Noncapital Financing Activities	7,565,275	7,168,979
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Student Fees	2,327,252	2,391,666
State Capital Contributions	1,034,630	230,717
Capital Gifts and Grants	726,763	1,215,521
Proceeds from Sale of Capital Assets	2,500	-
Bond Issuance Costs Paid	(64,741)	-
Net Proceeds from Bonds Issued/ Proceeds from Capital Debt	75,000	-
Acquisition and Construction of Capital Assets	(6,385,825)	(3,805,633)
Principal Paid on Capital Debt	(2,097,958)	(2,012,435)
Interest on Capital Debt	(1,884,422)	(1,953,645)
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,266,801)	(3,933,808)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	1,691,714	3,128,167
Purchase of Investments	(1,869,247)	(3,272,566)
Investment Earnings	1,273,149	459,293
Net Cash Provided by Investing Activities	1,095,616	314,894

The accompanying notes are an integral part of this financial statement

FORT LEWIS COLLEGE
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
Net Increase (Decrease) in Cash	920,561	(648,216)
Cash - Beginning of Year	26,042,804	26,691,020
Cash - End of Year	\$ 26,963,364	\$ 26,042,804
Reconciliation of Net Operating Revenues (Expenses) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (5,166,225)	\$ (22,385,311)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	8,689,769	8,873,212
Pension Expense	(5,536,905)	8,931,133
Noncash Operating Transactions	105,465	12,560
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	296,850	(796,447)
Prepaid Expense	12,634	(233,036)
Accounts Payable	121,964	(417,124)
Accrued Liabilities	27,151	1,616,060
Unearned Revenue	(31,139)	594,596
Compensated Absence Liability	6,906	(393,923)
Net Cash Provided (Used) by Operating Activities	\$ (1,473,530)	\$ (4,198,281)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State-funded Acquisitions of Capital Assets	\$ 70,618	\$ -
Non-cash Acquisitions of Capital Assets	127,118	-
Gain (Loss) on Capital Asset Deletions	(10,631)	(54,616)
Amortization of deferred loss	(185,467)	(185,467)
Change in unrealized gains on investments	468,583	323,098
Amortization of bond premium	188,713	188,729

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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, 2019 for the purposes stated above was \$2,925,627 which included \$876,462 for scholarships and \$442,673 for grant pass-through transactions. The total transfer for the 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. 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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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:

<u>Asset Class</u>	<u>Years</u>
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:		
<u>Years of Service</u>	<u>Hours Earned Per Month</u>	<u>Maximum Accrual</u>
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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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

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*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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.
- Expands eligibility to participate in the PERA DC Plan to certain new members of the State Division hired on or after January 1, 2019, who are classified State College and University employees. 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.

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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

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.

RECLASSIFICATIONS

Certain amounts from fiscal year 2018 have been reclassified to conform to the fiscal year 2019 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 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, 2019, Fort Lewis College had cash on deposit with the State Treasurer of \$20,357,595, which represented 0.22% percent of the total \$9,096.5 million fair value of investments in the State Treasurer's Pool (Pool).

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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

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 \$95,235 and (\$278,893) at June 30, 2019 and 2018, 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, 2019.

As of June 30, 2019, the carrying amount of the College's cash held locally was \$6,510,538. The cash included petty cash and change funds of \$5,637 and bank deposits of \$6,504,901. The bank balance of the deposits was \$6,428,222. 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, 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.

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.

The following summarizes the College's investments by type at June 30, 2019:

	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents - Money Market	\$ 15,967	\$ 15,967
Mutual Funds - Equity	3,027,606	2,471,900
Mutual Funds - Fixed Income	4,441,709	4,314,080
Total investments	<u>\$ 7,485,282</u>	<u>\$ 6,801,947</u>

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 \$35,163)	\$ 176,804
Net realized and unrealized gains (unrealized \$225,399 realized \$66,380)	<u>291,779</u>
Total	<u>\$ 468,583</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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

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

	<u>Fair Value</u>	<u>Cost</u>
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	<u>\$ 7,016,698</u>	<u>\$ 6,558,762</u>

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	<u>\$ 323,098</u>

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, 2019, the College held Equity Mutual Funds rated by Morningstar as follows: 3 Stars total fair value of \$512,489, 4 Stars total fair value of \$2,292,233 and 5 Stars total fair value of \$222,884. At June 30, 2019, the College held Fixed Income Mutual Funds rated by Morningstar as follows: 3 Stars total fair value of \$537,087, 4 Stars total fair value of \$2,848,923 and 5 Stars total fair value of \$1,055,699. At June 30, 2018, the College held Equity Mutual Funds rated by Morningstar as follows: 3 Stars total fair value of \$596,349, 4 Stars total fair value of \$2,050,341 and 5 Stars total fair value of \$323,310. 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.

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, 2019.

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, 2019:

- Equity Mutual Funds of \$3,027,606 are valued using quoted market prices (Level 1 inputs)
- Fixed Income Mutual Funds of \$4,441,709 are valued using quoted market prices (Level 1 inputs)

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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

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)

NOTE 3: FORT LEWIS COLLEGE FOUNDATION FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The carrying amounts reported on the statement of financial position for cash and cash equivalents, accounts payable and accrued expenses, and certain other liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. The following methods and assumptions were considered by the Foundation in estimating the fair value of its other financial instruments. Any variance in resulting fair value from recorded values was insignificant.

Pledges

The fair value of pledges is determined by discounting multi-year pledges to net present value using a discount rate commensurate with the payment terms of the pledge.

Beneficial Interest in Long-Term Trusts Held by Others

The fair value of the beneficial interest in long-term trusts held by others is determined by the fair value of the underlying investments held by the third-party trustees.

Obligations under Gift Annuity Agreements

The fair value of obligations under gift annuity agreements is based upon the payments to be made over the estimated remaining lives of the income beneficiaries and is discounted to present value using applicable discount rate.

Investments

The Foundation values its investments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted in active markets but are corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest level priority to Level 3 inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 3: FORT LEWIS COLLEGE FOUNDATION FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (cont.)

The following is a description of valuation methodologies used for assets measured at fair value:

Equity securities and mutual funds (cash, equities, fixed income, commodities) - Valued at the closing price as reported on the active market on which the individual securities or funds are traded.

Fixed income (bond funds or individual bonds) - Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings (other than investments in certain entities that calculate net asset value ("NAV") per share).

Alternative investments - Valued at the NAV as provided by the investment managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2019 and 2018, the Foundation had no plans to sell investments at amounts different from NAV. Funds measured at NAV as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

No changes were made to the valuation methodologies during the years ended June 30, 2019 and 2018. The following tables set forth, by level within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis, as of June 30, 2019 and 2018:

Description	June 30, 2019			Total
	Level 1	Level 2	Level 3	
Cash and Cash Equivalents	\$ 115,555	\$ -	\$ -	\$ 115,555
Investments at Fair Value				
Equities				
Domestic	5,968,395	-	-	5,968,395
International	4,477,077	-	-	4,477,077
Emerging Markets	1,700,487	-	-	1,700,487
Fixed Income				
Domestic	7,194,687	-	-	7,194,687
International	1,034,299	-	-	1,034,299
Emerging Markets	1,301,370	-	-	1,301,370
Alternative Investments				
Private Equity - Measured at NAV	-	-	-	159,456
Master Limited Partnerships	150,273	-	-	150,273
Total Investments at Fair Value	21,826,588	-	-	21,986,044
Beneficial Interest in Assets Held by Others	66,834	-	-	66,834
Total	\$ 22,008,977	\$ -	\$ -	\$ 22,168,433

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 3: FORT LEWIS COLLEGE FOUNDATION FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (cont.)

Description	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 477,661	\$ -	\$ -	\$ 477,661
Investments at Fair Value				
Equities				
Domestic	5,194,080	-	-	5,194,080
International	3,296,540	-	-	3,296,540
Emerging Markets	1,126,798	-	-	1,126,798
Fixed Income				
Domestic	8,835,749	-	-	8,835,749
International	625,756	-	-	625,756
Emerging Markets	281,545	-	-	281,545
Alternative Investments				
Master Limited Partnerships	120,310	-	-	120,310
Total Investments at Fair Value	19,480,778	-	-	19,480,778
Beneficial Interest in Assets Held by Others	63,838	-	-	63,838
Total	<u>\$ 20,022,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,022,277</u>

Return on investments is summarized as follows for the respective years ended June 30, 2019 and 2018:

	2019	2018
Interest	\$ 173,789	\$ 187,542
Dividends	520,910	441,701
Total Interest and Dividends	694,699	629,243
Net Realized Gain (Loss)	(64,550)	1,156,790
Total Realized Investment Income	630,149	1,786,033
Net Unrealized Gain (Loss)	603,266	(1,069,199)
Total Return on Investments Before Expenses	1,233,415	716,834
Brokerage and Custodial Fees	(102,831)	(94,762)
Interest Expense	(17,429)	(24,197)
Return on Investments, Net of Expenses	<u>\$ 1,113,155</u>	<u>\$ 597,875</u>

Investments in certain entities that calculate NAV per share are as follows:

Description	June 30, 2019	June 30, 2019	Redemption Frequency
	NAV	Unfunded Commitments	
Private Equity	<u>\$ 159,456</u>	<u>\$ 594,000</u>	Upon fund termination

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 3: FORT LEWIS COLLEGE FOUNDATION FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (cont.)

Private equity funds focus on buyout, growth equity, and/or distressed debt. These investments are not readily redeemable, but a secondary market does exist. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The terms of these investments range from 1 to 12 years.

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, 2019 and 2018, the Accounts Receivable balances are comprised of:

	<u>2019</u>	<u>2018</u>
Student Accounts Receivable	\$ 1,516,154	\$ 1,308,211
Less: Allowance for Doubtful Accounts	<u>(1,030,149)</u>	<u>(797,872)</u>
Student Accounts Receivable, Net	<u>486,005</u>	<u>510,339</u>
 Accounts Receivable - Fort Lewis College Foundation	 <u>391,504</u>	 <u>285,098</u>
 Other Accounts Receivable		
Sponsored Programs	522,266	316,172
Conferences & Summer Programs	245,870	177,005
Other*	<u>984,916</u>	<u>1,535,216</u>
Other Accounts Receivable	<u>1,753,052</u>	<u>2,028,393</u>
 Total Receivables, Net	 <u>\$ 2,630,561</u>	 <u>\$ 2,823,830</u>

*Other accounts receivable include \$579,615 and \$1,374,338 for State of Colorado Fee for Service payments at June 30, 2019 and 2018, respectively.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 5: CAPITAL ASSETS

The College's capital asset activity for the year ended June 30, 2019, was as follows:

	Balance <u>6/30/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>6/30/2019</u>
Land	\$ 106,301	\$ -	\$ -	\$ -	\$ 106,301
Land Improvements	22,277,539	70,618	-	406,650	22,754,807
Buildings and Improvements	251,882,643	777,361	-	50,264	252,710,268
Construction in Progress	906,713	4,883,065	45,519	(456,914)	5,287,345
Equipment	10,370,031	1,241,067	106,231	-	11,504,867
Software	1,267,811	-	-	-	1,267,811
Library Materials	2,457,975	42,579	277,692	-	2,222,862
Capitalized Collections	1,419,377	-	5,894	-	1,413,483
Total	<u>290,688,390</u>	<u>7,014,690</u>	<u>435,336</u>	<u>-</u>	<u>297,267,744</u>
Less Accumulated Depreciation:					
Land Improvements	13,732,485	851,189	-	-	14,583,674
Buildings and Improvements	99,039,875	6,821,548	-	-	105,861,423
Equipment	6,670,030	900,530	93,632	-	7,476,928
Software	1,224,525	38,433	-	-	1,262,958
Library Materials	1,984,144	78,068	277,692	-	1,784,520
Total Accumulated Depreciation	<u>122,651,059</u>	<u>8,689,768</u>	<u>371,324</u>	<u>-</u>	<u>130,969,503</u>
Capital Assets, Net	<u>\$ 168,037,331</u>	<u>\$ (1,675,078)</u>	<u>\$ 64,012</u>	<u>\$ -</u>	<u>\$ 166,298,241</u>

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

	Balance <u>6/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>6/30/2018</u>
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	<u>288,049,767</u>	<u>3,942,539</u>	<u>1,303,916</u>	<u>-</u>	<u>290,688,390</u>
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	<u>115,021,146</u>	<u>8,873,212</u>	<u>1,243,299</u>	<u>-</u>	<u>122,651,059</u>
Capital Assets, Net	<u>\$ 173,028,621</u>	<u>\$ (4,930,673)</u>	<u>\$ 60,617</u>	<u>\$ -</u>	<u>\$ 168,037,331</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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, 2019 and 2018 was \$35,787. Subsequent to year end, the Foundation sold one of the condominiums.

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, 2019, tangible assets are comprised of the following:

	2019			Total
	Without Donor Restrictions	With Donor Restrictions		
		Purpose or time	Perpetuity	
Gifts-in-kind				
Land and buildings	\$ 1,025,000 (a)	\$ 12,000	\$ -	\$ 1,037,000
Accumulated Depreciation	(168,750)	-	-	(168,750)
Collection Items	51,600	3,015,263	2,641,550	5,708,413
Total Gifts-in-kind	<u>907,850</u>	<u>3,027,263</u>	<u>2,641,550</u>	<u>6,576,663</u>
Purchased Assets				
Land and buildings	-	994,400	-	994,400
Accumulated Depreciation	-	(254,670)	-	(254,670)
Collection Items	-	92,335	152,995	245,330
Concert Pianos	-	73,900	-	73,900
Total Purchased Assets	<u>-</u>	<u>905,965</u>	<u>152,995</u>	<u>1,058,960</u>
Total Tangible Assets	<u>\$ 907,850</u>	<u>\$ 3,933,228</u>	<u>\$ 2,794,545</u>	<u>\$ 7,635,623</u>

(a) The Foundation recognized a determinable market value loss of \$225,000 on land donated in a prior year.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 6: FORT LEWIS COLLEGE FOUNDATION TANGIBLE ASSETS (cont.)

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

	2018			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose or time	Perpetuity	
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

NOTE 7: ACCRUED LIABILITIES

At June 30, 2019 and 2018, the types and amounts of accrued liabilities, as presented on the Statements of Net Position, are comprised of:

	2019	2018
Accrued Payroll & Benefits	\$ 1,916,404	\$ 1,897,844
Accrued Interest Payable	438,746	469,140
Contractor Retainage	166,691	40,593
Other Liabilities	36,178	32,775
Total	\$ 2,558,019	\$ 2,440,352

NOTE 8: UNEARNED REVENUE

At June 30, 2019 and 2018, the types and amounts of unearned revenue, as presented on the Statements of Net Position, are comprised of:

	2019	2018
Tuition and Fees	\$ 475,327	\$ 413,155
Auxiliary Enterprises	127,680	89,035
Grants and Contracts	864,583	966,883
Miscellaneous	197,076	224,416
Total	\$ 1,664,666	\$ 1,693,489

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 9: LONG-TERM LIABILITIES

The College's long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019	Current Portion
Bonds Payable:					
Revenue Bonds	\$ 49,711,479	\$ 4,520,000	\$ (6,542,958)	\$ 47,688,521	\$ 1,464,652
Bond Premium/(Discount)	3,308,039		(188,713)	3,119,326	-
Total Bonds Payable	53,019,518	4,520,000	(6,731,671)	50,807,847	1,464,652
Other Liabilities:					
Compensated Absences	1,940,850	325,047	(318,141)	1,947,756	324,265
Total Other Liabilities	1,940,850	325,047	(318,141)	1,947,756	324,265
Total Long-Term Liabilities	\$ 54,960,368	\$ 4,845,047	\$ (7,049,812)	\$ 52,755,603	\$ 1,788,917

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 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%. As of June 30, 2019, all the 2007 bonds have been refunded.

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 values of the debt service cash flow are \$12,412,631 for the old debt versus \$11,187,439 for 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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 10: BONDS PAYABLE (cont.)

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 values of the debt service cash flow are \$32,790,232 for the old debt versus \$29,329,405 for 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.

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.

On April 11, 2019, the College issued the Series 2019 A Enterprise Revenue Refunding Bonds to refund the Series 2007A Unrefunded Revenue Bonds as a defeasance. The face value of the old debt was \$1,195,000 and the face value of the new debt was \$1,197,178. The par amount of the new debt was \$1,215,000. The interest rate of the old debt ranged from 4.25% to 5.00% and the interest rate of the new debt is 3.41%. The sum of the debt service of the old debt was \$1,637,638 and the debt service of the new debt is \$1,527,825, with a savings of \$109,813 in cash flows. Present values of the debt service cash flow are \$1,280,585 for the old debt versus \$1,195,534 for the new debt, resulting in an economic gain of \$85,051. The term of the new debt is the same as that of the remaining term of the old debt (14 years). Underwriting and other issuance costs were \$17,821.

On April 11, 2019, the College issued the Series 2019 B Enterprise Revenue Refunding Bonds to refund the Series 2007B Unrefunded Revenue Bonds as a defeasance. The face value of the old debt was \$3,250,000 and the face value of the new debt was \$3,305,000. The interest rate of the old debt ranged from 4.25% to 5.00% and the interest rate of the new debt is 3.73%. The sum of the debt service of the old debt was \$4,986,366 and the debt service of the new debt is \$4,691,280, with a savings of \$295,086 in cash flows. Present values of the debt service cash flow are \$3,594,940 for the old debt versus \$3,324,466 for the new debt, resulting in an economic gain of \$270,474. The term of the new debt is the same as that of the remaining term of the old debt (19 years). Underwriting and other issuance costs were \$48,941.

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

Issue	Date Issued	Amount Issued	2019	2018
2007A Revenue Bonds	12/4/2007	\$ 13,125,000	\$ -	\$ 1,255,000
2007B1 Revenue Bonds	12/4/2007	29,380,000	-	3,355,000
2007C Revenue Bonds	12/4/2007	5,355,000	-	595,000
2012 Revenue Bonds	2/28/2012	6,520,000	5,383,521	5,606,480
2016A Revenue Bonds	3/2/2016	10,555,000	9,030,000	9,550,000
2016B Revenue Bonds	3/2/2016	25,400,000	24,920,000	25,400,000
2016C Revenue Bonds	3/29/2016	4,060,000	3,835,000	3,950,000
2019A Revenue Bonds	4/11/2019	1,215,000	1,215,000	-
2019B Revenue Bonds	4/11/2019	3,305,000	3,305,000	-
Unamortized Premium/Discount		-	3,119,326	3,308,039
Total		<u>\$ 98,915,000</u>	<u>\$ 50,807,847</u>	<u>\$ 53,019,518</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 10: BONDS PAYABLE (cont.)

Principal and interest requirements on all outstanding bonds at June 30, 2019 are summarized in the table below.

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,464,652	\$ 1,770,763	\$ 3,235,415
2021	1,552,572	1,730,716	3,283,288
2022	2,166,778	1,670,100	3,836,878
2023	2,242,300	1,606,261	3,848,561
2024	2,329,293	1,534,257	3,863,550
2025-2029	13,470,163	6,098,965	19,569,128
2030-2034	14,672,733	3,058,686	17,731,419
2035-2037	9,790,000	752,505	10,542,505
Total	<u>\$ 47,688,491</u>	<u>\$ 18,222,253</u>	<u>\$ 65,910,744</u>

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 2012, Series 2016, and Series 2019 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, 2019:

June 30,	
2020	\$ 19,517
2021	9,329
2022	-
2023	-
2023	-
Total	<u>\$ 28,846</u>

NOTE 12: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2019 and 2018 are:

	2019	2018
Education and General	\$ 480,179	\$ 355,729
Auxiliary Enterprises	478,896	219,434
Restricted Funds	338,699	88,571
Plant Funds	5,693,009	5,776,044
Total	<u>\$ 6,990,783</u>	<u>\$ 6,439,778</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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 \$5,693,009 and \$5,776,044 as of June 30, 2019 and 2018, 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, 2019 and 2018, was as follows:

	Tuition and Fees	Auxiliary Revenue	6/30/2019 Total	6/30/2018 Total
Gross Revenue	\$ 46,834,547	\$ 16,507,495	\$ 63,342,042	\$ 60,869,187
Scholarship Allowances:				
Federal	(4,991,860)	(620,919)	(5,612,779)	(4,890,745)
State (Includes Native American Tuition Waivers)	(18,172,775)	(142,785)	(18,315,560)	(18,149,201)
Private	(764,080)	(95,041)	(859,121)	(843,640)
Institutional	(8,219,147)	(1,022,349)	(9,241,496)	(7,069,858)
Total Scholarship Allowances	<u>(32,147,862)</u>	<u>(1,881,094)</u>	<u>(34,028,956)</u>	<u>(30,953,444)</u>
Net Revenue	<u>\$ 14,686,685</u>	<u>\$ 14,626,401</u>	<u>\$ 29,313,086</u>	<u>\$ 29,915,743</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 15: DEFERRED OUTFLOWS AND INFLOWS

The College's Deferred Outflows and Inflows as of June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Deferred Outflows		
Accounting Loss on Bond Refunding	\$ 2,838,887	\$ 3,024,354
Pension Experience Gains and Losses	840,806	856,588
Pension Contributions Subsequent to Measurement Date	743,049	769,393
Pension Projected vs. Actual Investment Earnings	1,485,147	-
Pension Changes in Assumptions or Other Inputs	1,548,178	9,539,066
OPEB Projected vs. Actual Investment Earnings	7,124	-
OPEB Contributions Subsequent to Measurement Date	39,163	40,238
OPEB Expected vs. Actual Experience	4,496	6,084
OPEB Changes in Assumptions or Other Inputs	8,690	-
Total Deferred Outflows	<u>\$ 7,515,540</u>	<u>\$ 14,235,723</u>
Deferred Inflows		
Pension Expected vs. Actual Experience	\$ -	\$ 2,069,102
Pension Change in Employer Proportion	2,381,941	2,052,874
Pension Changes in Assumptions or Other Inputs	15,182,866	-
Pension Employer Contributions vs. Employer Proportionate Share	6,621	-
OPEB Projected vs. Actual Investment Earnings	-	21,522
OPEB Expected vs. Actual Experience	1,886	-
OPEB Change in Employer Proportion	141,036	-
OPEB Employer Contributions vs. Employer Proportionate Share	463	67,081
Total Deferred Inflows	<u>\$ 17,714,813</u>	<u>\$ 4,210,579</u>

Additional information on Long Term Liabilities and Bonds Payable can be found in Footnotes 9 and 10. Additional information on the Pension and OPEB Deferred Inflows and Outflows can be found in Footnotes 17 and 18.

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 16: SPENDING LIMITATIONS (cont.)

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 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, 2019 and 2018.

State Support Calculation for TABOR Purposes:

	2019	2018
State Support:		
Capital Appropriations/Contributions	\$ 1,157,180	\$ 203,982
State/Local Grants (non-financial aid)	143,586	66,234
Institutional Share of COP Debt Payments	280,912	155,825
Institutional Share of PERA Direct Distribution	202,813	-
Total State Support	\$ 1,784,491	\$ 426,041
Total Revenues (gross operating, nonoperating, and other revenues)	\$ 77,934,881	\$ 73,692,253
Ratio of State Support to Total Revenues	2.29%	0.58%

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, 2019 and 2018, appropriated expenses were within the authorized spending authority. For the year ended June 30, 2019, the College had a total long bill appropriation of \$13,053,096. For the year ended June 30, 2018, the College had a total long bill appropriation of \$11,784,939. 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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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 other defined contribution plans.

The College's total payroll for the fiscal years ended June 30, 2019 and 2018 was \$33,862,460 and \$36,363,233, respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$7,701,933, \$22,392,298, and \$376,550, respectively for June 30, 2019, and \$7,956,811, \$23,671,715 and \$313,826, respectively for June 30, 2018. 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 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, 2018. 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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 17: EMPLOYMENT BENEFITS (cont.)

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 will receive the lesser of an annual increase of 1.5 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. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified in C.R.S. § 24-51-413.

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.

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, 2019. Eligible employees and Fort Lewis College are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413.

Contribution rates for the period of July 2018 through June 2019 are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020
Employee Contribution Rate	8.00%	8.00%	8.75%
Employer Contribution Rate	10.15%	10.15%	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%
Amount apportioned to the SDTF ¹	9.13%	9.13%	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%
Total employer contribution rate to the SDTF	19.13%	19.13%	19.38%

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. For Fiscal Year 2019, the portion of the direct distribution allocated to the College was \$202,813.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 17: EMPLOYMENT BENEFITS (cont.)

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 \$1,676,192 and \$1,522,138 for the years ended June 30, 2019 and 2018, respectively.

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

At June 30, 2019, Fort Lewis College reported a liability of \$29,402,246 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The College's proportion of the net pension liability was based on the College's contributions to the SDTF for the calendar year 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity. At December 31, 2018, Fort Lewis College's proportion was 0.2583978495 percent, which was a decrease of 0.0160377606 percent from its proportion measured as of December 31, 2017.

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.

For the year ended June 30, 2019 and 2018, Fort Lewis College recognized pension expense of (\$5,536,905) and \$8,931,133, respectively. At June 30, 2019 and 2018, Fort Lewis College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2019		Fiscal Year 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 840,806	-	\$ 856,588	-
Changes of assumptions or other inputs	1,548,178	15,182,866	9,539,066	-
Net difference between projected and actual earnings on pension plan investments	1,485,147	-	-	2,069,102
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	2,388,562	-	2,052,874
Contributions subsequent to the measurement date	743,049	-	769,393	-
Total	\$ 4,617,180	\$ 17,571,428	\$ 11,165,047	\$ 4,121,976

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 17: EMPLOYMENT BENEFITS (cont.)

The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of \$743,049 and \$769,393 for fiscal year 2019 and 2018, 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 June 30,	
2020	\$ (6,898,373)
2021	(7,685,188)
2022	72,959
2023	813,305
2024	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2017 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 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.72 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 17: EMPLOYMENT BENEFITS (cont.)

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.

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 17: EMPLOYMENT 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%.

Discount rate. The discount rate used to measure the total pension 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:

- 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 member contribution rates in effect for each year, including scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include 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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 17: EMPLOYMENT BENEFITS (cont.)

- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- 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. 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 middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 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 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.72 percent, 2.53 percent lower compared to the current measurement date.

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 7.25 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 (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 pension liability	\$ 36,552,053	\$ 29,402,246	\$ 23,352,858

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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.

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 \$2,552,722 for the fiscal year ended June 30, 2019 and \$2,698,575 for the fiscal year ended June 30, 2018. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,791,384 for the fiscal year ended June 30, 2019 and \$1,893,737 for the fiscal year ended June 30, 2018.

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, 2019 and 2018 were \$28,241 and \$23,537, 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, 2019 and 2018 were \$4,621,322 and \$4,567,234, 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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS (cont.)

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.

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 \$77,472 for the fiscal year ended June 30, 2019 and \$80,293 for the fiscal year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2019, the College reported a liability of \$1,238,758 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The College's proportion of the net OPEB liability was based on the College's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the total contributions of participating employers to the HCTF.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18: OTHER POSTEMPLOYMENT BENEFITS (cont.)

At December 31, 2018, the College's proportion was 0.0910488941 percent, which was a decrease of 0.0079396983 from its proportion measured as of December 31, 2017.

For the years ended June 30, 2019 and June 30, 2018, the College recognized OPEB expense of (\$6,066) and \$6,972. At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year 2019		Fiscal Year 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,496	1,886	\$ 6,084	-
Changes of assumptions or other inputs	8,690	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	7,124	-	-	21,522
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	141,499	-	67,081
Contributions subsequent to the measurement date	39,163	N/A	40,238	N/A
Total	\$ 59,473	\$ 143,385	\$ 46,322	\$ 88,604

\$39,163 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.

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 June 30,	
2020	\$ (27,577)
2021	(27,577)
2022	(27,575)
2023	(22,629)
2024	(17,077)
Thereafter	(640)

Actuarial assumptions. The total OPEB liability in the December 31, 2017 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	

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18: OTHER POSTEMPLOYMENT BENEFITS (cont.)

PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

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.

The actuarial assumptions used in the December 31, 2017, 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS (cont.)

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, 2017, 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.

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
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS (cont.)

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- 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 2018 plan year.
- 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 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.

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%.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS (cont.)

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	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$1,204,551	\$1,238,758	\$1,278,102

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, 2018, 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.
- 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 middle of the year.

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	\$ 1,386,063	\$ 1,238,758	\$ 1,112,827

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS (cont.)

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:

<u>Coverage</u>	<u>Company</u>	<u>Limit (\$)</u>	<u>Deductible (\$)</u>
Property - Buildings (includes Computers and Equipment)	Hanover Group	510,251,455	10,000
Inland Marine	Hanover Group	1,224,888	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
Cyber Security	Travelers	1,000,000	10,000
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 2019 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,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability	0.2583978495%	0.27443561%	0.29202833%	0.31475950%	0.33276131%	0.34067181%
College's proportionate share of the net pension liability	\$ 29,402,246	\$ 54,936,471	\$ 53,640,145	\$ 33,147,427	\$ 31,301,239	\$ 30,346,946
College's covered payroll	\$ 7,839,644	\$ 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	375%	682%	642%	395%	376%	346%
Plan fiduciary net position as a percentage of the total pension liability	55.1%	43.2%	42.6%	56.1%	59.8%	61.1%
PERA State Division Fiduciary Net Position (thousands)	\$ 13,966,421	\$ 15,233,702	\$ 13,626,180	\$ 13,460,536	\$ 14,013,947	\$ 13,980,460
PERA State Division Total Pension Liability (thousands)	\$ 25,345,094	\$ 20,017,982	\$ 31,994,311	\$ 23,991,569	\$ 23,420,461	\$ 22,888,431

Notes to the Required Supplementary Information:

*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 Required Supplementary Information (Net Pension Liability) – Fiscal Year 2019 Changes in benefit terms and actuarial assumptions:

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follow:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 1,676,192	\$ 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
Contributions in relation to the contractually required contribution	<u>1,676,192</u>	<u>1,522,138</u>	<u>1,540,109</u>	<u>1,490,576</u>	<u>1,491,417</u>	<u>1,382,743</u>	<u>1,347,586</u>	<u>1,062,738</u>	<u>1,022,139</u>	<u>1,369,348</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 7,701,933	\$ 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
Contributions as a percentage of covered payroll	21.76%	19.13%	18.38%	17.78%	17.91%	15.78%	14.91%	12.55%	10.90%	13.43%

Notes to the Required Supplementary Information:

See Notes on page 67.

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,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
College's proportion of the net OPEB liability	0.0910488941%	0.0989885924%	0.1051789869%
College's proportionate share of the net OPEB liability	\$ 1,238,758	\$ 1,286,456	\$ 1,363,681
College's covered payroll	\$ 7,700,623	\$ 8,036,356	\$ 8,304,929
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	17.00%
Health Care Trust Fund Fiduciary Net Position (thousands)	\$ 279,192	\$ 276,222	\$ 260,228
PERA Health Care Trust Fund Total OPEB Liability (thousands)	\$ 1,639,734	\$ 1,299,600	\$ 1,296,534

Notes to the Required Supplementary Information:

*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 Required Supplementary Information (Other Post-Employment Benefits) – Fiscal Year 2019 Changes in benefit terms and actuarial assumptions:

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 77,472	\$ 80,293	\$ 86,399	\$ 85,609	\$ 92,448	\$ 109,417	\$ 108,927	\$ 96,444	\$ 86,664	\$ 104,025
Contributions in relation to the contractually required contribution	<u>77,472</u>	<u>80,293</u>	<u>86,399</u>	<u>85,609</u>	<u>92,448</u>	<u>109,417</u>	<u>108,927</u>	<u>96,444</u>	<u>86,664</u>	<u>104,025</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 7,595,246	\$ 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
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:

See Notes on page 69.

SUPPLEMENTARY INFORMATION

FORT LEWIS COLLEGE
SCHEDULE OF PLEDGED REVENUES AND EXPENSES
FOR SERIES 2012, 2016, AND 2019 REVENUE BONDS
For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Residence Halls and Apartments	\$ 8,296,334	\$ 8,180,110
Campus Food Service	4,392,511	4,378,398
Bookstore	200,000	200,000
Student Union	1,796,226	1,858,271
Campus Parking	395,333	409,070
Child Development Center	405,048	424,190
Central Services	291,957	353,101
Recreation Center	1,720,603	1,640,700
Student Activities	742,440	734,649
Conferences & Summer Programs	785,207	706,202
Health and Counseling Center	752,935	601,772
10% Student Tuition	1,996,940	2,009,450
Indirect Cost Recovery	322,424	249,623
Total Revenues	22,097,959	21,745,535
OPERATING EXPENDITURES		
Residence Halls and Apartments	4,555,911	4,563,348
Campus Food Service	2,926,613	2,871,692
Bookstore	4,326	5,090
Student Union	1,125,797	1,169,341
Campus Parking	117,219	124,186
Child Development Center	426,803	453,352
Central Services	1,183,020	1,300,573
Recreation Center	1,574,105	1,480,076
Student Activities	683,929	691,627
Conferences & Summer Programs	501,438	511,523
Health and Counseling Center	768,189	767,599
Total Operating Expenditures	13,867,349	13,938,409
Net Revenue before Transfers	8,230,610	7,807,126
TRANSFERS		
Mandatory transfers	3,726,815	3,725,957
Net Non-mandatory Transfers	1,830,133	2,032,688
Total Transfers	5,556,948	5,758,645
Increase (Decrease) in fund balance	\$ 2,673,662	\$ 2,048,481
Net operating revenue	\$ 8,230,610	\$ 7,807,126
Bond Principal and Interest	3,974,262	3,966,080
Excess of net operating revenues over debt service	\$ 4,256,348	\$ 3,841,046
Debt service coverage ratio	207%	197%

**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**



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 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, 2019 and 2018, 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 02, 2019. 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, 2019, and 2018. 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

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 02, 2019



Wall,
Smith,
Bateman Inc.

December 02, 2019

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, 2019. 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 June 11, 2019. 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. No new accounting policies were adopted and the application of existing policies was not changed during Fiscal Year 2019. 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, 2019 and total expense recognized during FY2019 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, 2018 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, 2018 and the College's fiscal year end of June 30, 2019.

Management's estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2019. 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.

Certified Public Accountants

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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 02, 2019.

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