

FORT LEWIS COLLEGE

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2013 and 2012



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

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**FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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 2013 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 June through October 2013.

The purposes and scope of the audit were to:

- § Perform a financial and compliance audit of Fort Lewis College for the year ended June 30, 2013 and to express an opinion on the financial statements. This included a review of internal controls as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- § Evaluate the College's compliance with appropriate state and federal laws and regulations, and bond covenants that could have a material effect on the University's financial statements.
- § Report on the College's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.

The Schedule of Expenditures of Federal Awards for Fort Lewis College and applicable audit opinions are included in the June 30, 2013 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

Audit Results

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the year ended June 30, 2013.

Required Auditor Communications to the Legislative Audit Committee

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

Summary of Findings and Recommendations

There were no reported findings or recommendations resulting from the audit work completed for fiscal year 2013.

Summary of Progress in Implementing Prior Audit Findings

There were no reported findings or recommendations in the prior year audit.

MISSION, HISTORY, 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 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.

VISION, MISSION AND CORE VALUES

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

Vision

We strive to be the finest public liberal arts college in the western United States.

Mission

Fort Lewis College offers accessible, high quality, baccalaureate liberal arts education to a diverse student population, preparing citizens for the common good in an increasingly complex world.

Core Values

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

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

- § Diversity is a source of renewal and vitality. The College is committed to developing capacities for living together in a democracy, the hallmark of which is individual, social, and cultural diversity. The College fosters a climate and models a condition of openness in which students, faculty, and staff engage with respect, tolerance and equity. The College is further dedicated to our historical mission to educate the nation’s Native Americans within the liberal arts framework.
- § Informed and engaged citizens are essential to the creation of a civil and sustainable society. The College values the development of the responsible citizen, grounded in honesty, courage, and compassion, and is committed to advancing democratic ideals. Through community-based learning, the College engages students in community involvement and formal reflection on the value of these experiences.
- § Service to Southwest Colorado and the Four Corners area, including access to the College, is a public trust. The College is committed to forging partnerships and being responsive to the Four Corners region. It strives to make available its knowledge resources, services, and educational offerings at times, places, in forms, and by methods that will meet the needs of its constituents.
- § Connected knowing, independent learning, and collaborative learning are basic to being well educated. The College structures interdisciplinary learning experiences throughout the curriculum to have students develop the ability to think in terms of whole systems and to understand the interrelatedness of knowledge across disciplines. Emphasis is placed on the development of teamwork skills through collaborative opportunities.
- § Evaluation of all functions is necessary for improvement and continual renewal. The College is committed to studying and documenting its effectiveness through assessment.

ENROLLMENT

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

	FY <u>2012-13</u>	FY <u>2011-12</u>	FY <u>2010-11</u>
Resident FTE	2,227.07	2,288.97	2,397.73
Non-Resident FTE	<u>1,375.11</u>	<u>1,255.64</u>	<u>1,179.53</u>
Total FTE Students	<u>3,602.18</u>	<u>3,544.61</u>	<u>3,577.26</u>

STAFFING

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

	FY <u>2012-13</u>	FY <u>2011-12</u>	FY <u>2010-11</u>
Faculty FTE	181.6	191.6	187.0
Staff FTE	<u>301.5</u>	<u>300.3</u>	<u>296.7</u>
Total FTE	<u>483.1</u>	<u>491.9</u>	<u>483.7</u>

FINDINGS AND RECOMMENDATIONS SECTION

**FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2013**

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

**FORT LEWIS COLLEGE
DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2013**

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2012 did not include any recommendations or findings.

FINANCIAL STATEMENTS SECTION



Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic 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 the 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 units as of June 30, 2013 and 2012. 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 the Fort Lewis College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the 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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund and the discretely presented component unit of Fort Lewis College, an Institution of Higher Education, State of Colorado, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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

Emphasis of a Matter

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, that is 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, 2013 and 2012, 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 on pages 10-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013, 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 College's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

October 21, 2013

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

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, 2013 and 2012 (FY 2013 and 2012 or fiscal years 2013 and 2012, respectively), with comparative information for fiscal year 2011. College management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

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

Fort Lewis College was established under an agreement with the federal government whereby any qualified Native American students would be admitted tuition free and on terms of equality with other students. Fort Lewis College is one of two public, non-tribal schools in this category in the country. The Native American Tuition Funding, included in State Grants and Contracts on the financial statements, represents reimbursement for tuition waived in the previous fiscal year. Tuition from Native American students accounts for approximately 30% of the general fund 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, 2013 and 2012. 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, 2013 and 2012. 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, 2013 and 2012. 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.

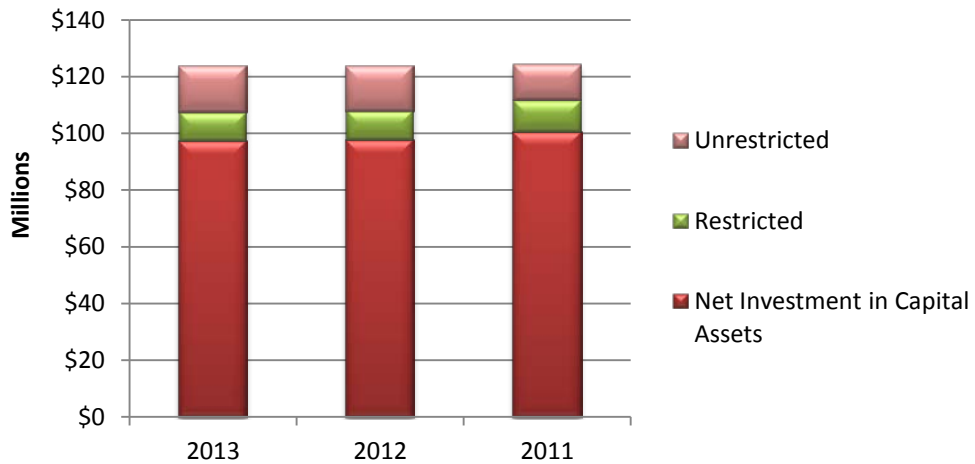
FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2013:

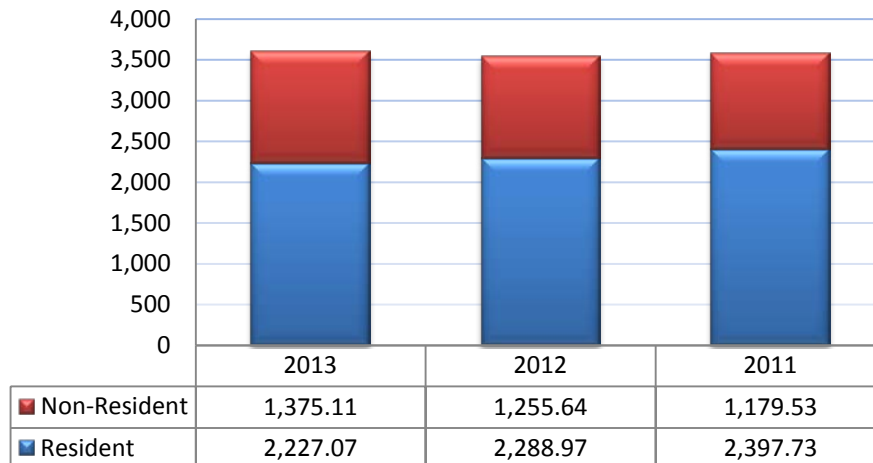
- **Net Position** -- The College's financial position, as a whole, remained the same during the year ended June 30, 2013. The combined net assets rose slightly by \$84,696 from \$123,476,978 to \$123,561,674.

Net Position at Year End



- **Enrollment** -- Overall full-time equivalent (FTE) enrollment increased by 1.6% in FY 2013; In-state enrollment declined by 2.7% while out-of-state enrollment grew approximately 9.5%. Native American Tuition Waiver fall headcount enrollment increased by 9.4% from FY 2012 to FY 2013. As a result of the increased admission standards implemented in 2008, the College has seen an increase in retention rates from 56% for the fall 2006 class to 61% for the fall 2011 class.

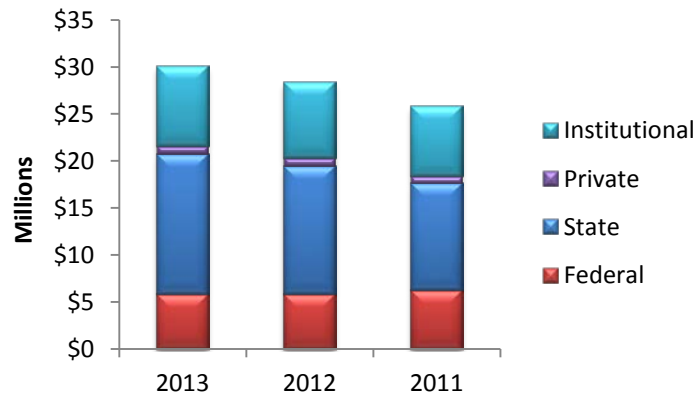
FTE Enrollment



FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

- Scholarships** – The College increased total institutional scholarships by \$410,664 in FY 2013, an increase of 5.1%. The discount rate for 2013 (adjusted for the effect of the Native American Tuition Waiver) was 31.8%. Scholarship awards were increased as part of the overall enrollment management strategy; the College believes that its enrollment management initiatives are beginning to produce positive results. More importantly, the retention rate for returning students is also improving. 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. During fiscal years 2009, 2010 and 2011, the State of Colorado experienced significant declines in State revenue that led to reductions in funding to Higher Education and Fort Lewis College. During this time period, the State received American Recovery and Reinvestment Act (ARRA) funds and used these funds to help reduce the immediate reductions to higher education. ARRA funds were awarded to institutions of higher education as State Fiscal Stabilization Funds (SFSF) during FY 2011, the SFSF was discontinued which contributed to the large decline in funding in FY 2012. The following table provides the combined COF, FFS and SFSF received by the College between FY 2011 and FY 2013.

	FY 2013	FY 2012	FY 2011
Total State Funding	\$ 9,186,240	\$ 9,323,117	\$ 11,503,271
Change from Previous Year	-1.5%	-18.9%	

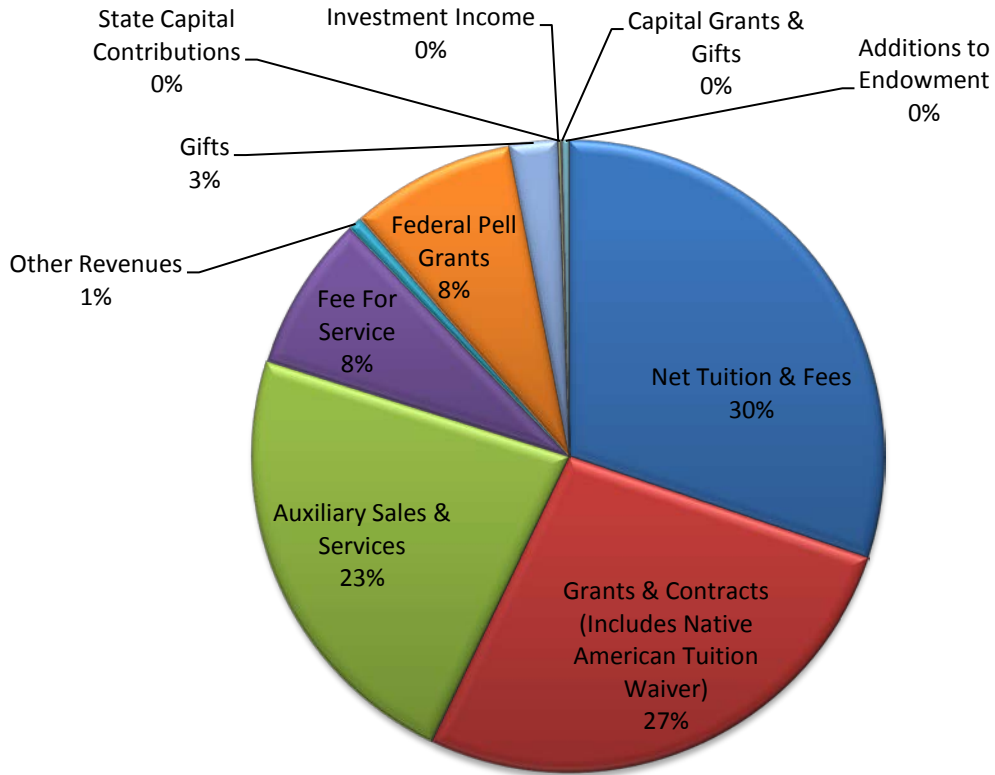
In addition to regular State funding, Fort Lewis College also receives reimbursement from the State for tuition waived to qualified Native American students, as a result of a 1911 Federal mandate. The reimbursement is funded one year in arrears; the tuition waived is paid in the following year. The funding received for Native American Tuition waivers is considered financial aid, as the waiver directly benefits the students. The following table represents the Native American tuition reimbursement received between FY 2011 and FY 2013.

	FY 2013	FY 2012	FY 2011
Native American Tuition Reimbursement	\$ 14,038,315	\$ 11,785,002	\$ 10,430,371
Change from Previous Year	19.1%	13.0%	

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

- **Total revenues** received in FY 2013 were \$66,877,100 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.

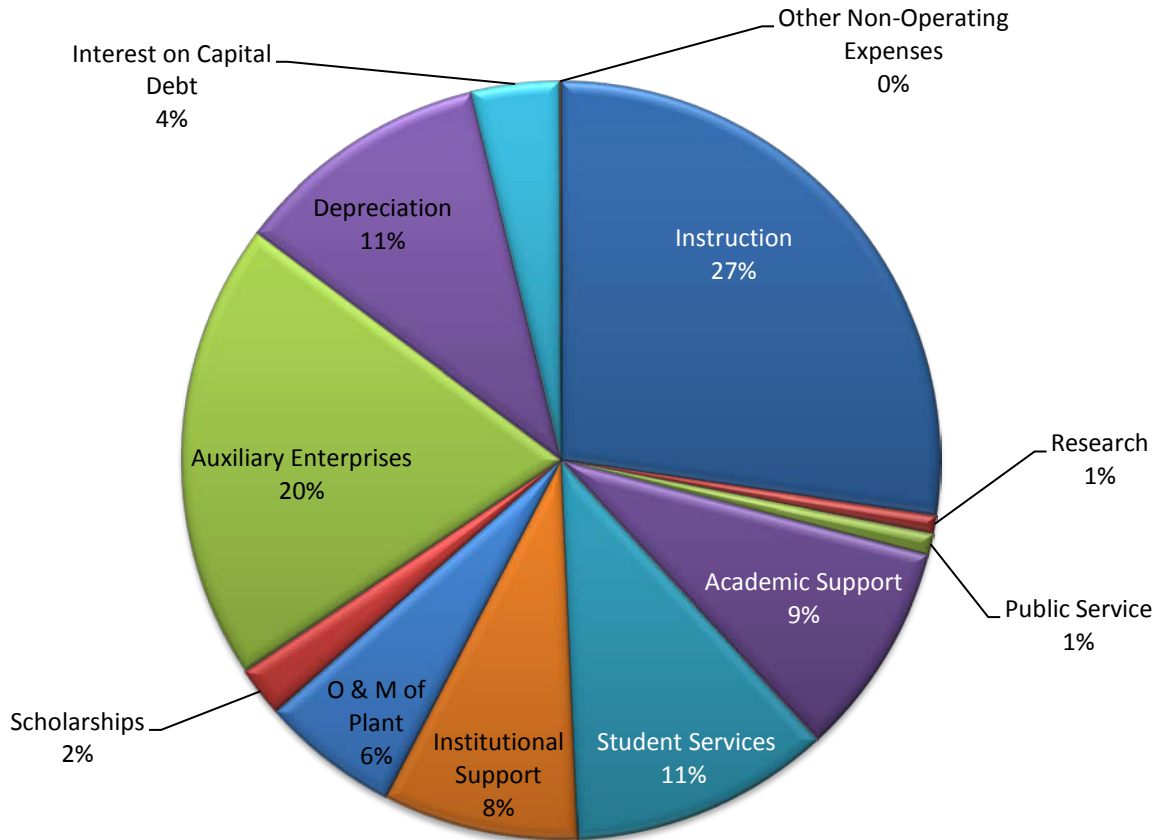
2013 Sources of Revenue



FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

- **Total expenses** for FY 2013 were \$66,792,404 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.

2013 Expenses



FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

Year Ended June 30, 2012:

- **Net Position** -- The College's financial position, as a whole, remained the same during the year ended June 30, 2012. The combined net position decreased slightly by \$786,376 or approximately 0.6% from the prior year. The portion of net position which is the net investment in capital assets, declined due to the increase of debt from a bond issue that was funded in March 2012.
- **Enrollment** -- Overall full-time equivalent (FTE) enrollment decreased by 0.9% in FY 2012; In-state enrollment declined by 4.5% while out-of-state enrollment grew approximately 6.5%. Native American Tuition Waiver fall headcount enrollment increased by 6.6% from FY 2011 to FY 2012. Because enrollment is a top priority for the College, significant resources have been dedicated to enrollment management functions, including marketing and financial aid leveraging in order to recover the enrollment loss attributed to increasing admission standards fully implemented in Fall 2008
- **Scholarships** -- The College increased total institutional scholarships by \$587,132 in FY 2012, an increase of 7.9%. The discount rate for 2012 (adjusted for the effect of the Native American Tuition Waiver) was 34.4%. Scholarship awards were increased as part of the overall enrollment management strategy; the College believes that its enrollment management initiatives are beginning to produce positive results. More importantly, the retention rate for returning students is also improving. State-funded financial aid includes the Native American Tuition Waiver.
- **City Partnership** - During FY 2011, the College entered into a partnership with the City of Durango to build recreational fields on the Fort Lewis College campus near the northeast entrance to campus. Construction was completed in FY 2012. The College offered the City a multi-year lease and the City funded the construction of the fields, which will be used by City residents through the Parks department, and by Fort Lewis College club sports and intramurals. Another cooperative project between the City and the College was the renovation of the downtown Durango Welcome Center. The project was funded by the College, the City and Durango Business Improvement District and provides marketing for the College, as well as information on area attractions for visitors.
- **Strategic Plan** -- The College president, Dr. Dene Kay Thomas, spearheaded a rewrite of the College's strategic plan, with the goals of increasing student success, developing selected programs with significant market demand, implementing pedagogically-appropriate technologies for the curriculum, enhancing the comprehensive undergraduate enrollment management plan, and continually assessing the efficiency and effectiveness of all programs and services.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

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 assets (the difference between assets and liabilities.) A condensed Statement of Net Position is shown below.

Condensed Statements of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current Assets	\$33,247,965	\$31,450,751	\$29,095,834
Noncurrent Assets	<u>156,646,782</u>	<u>160,871,918</u>	<u>158,530,950</u>
Total Assets	<u>189,894,747</u>	<u>192,322,669</u>	<u>187,626,784</u>
Deferred Outflows of Resources	<u>112,648</u>	<u>130,170</u>	<u>147,693</u>
Current Liabilities	11,309,143	12,084,289	11,558,997
Noncurrent Liabilities	<u>55,136,578</u>	<u>56,891,572</u>	<u>51,952,126</u>
Total Liabilities	<u>66,445,721</u>	<u>68,975,861</u>	<u>63,511,123</u>
Net Position:			
Net Investment in Capital Assets	97,211,225	97,653,455	100,368,716
Restricted	10,195,759	10,339,956	11,245,529
Unrestricted	<u>16,154,690</u>	<u>15,483,567</u>	<u>12,649,109</u>
Total Net Position	<u>\$123,561,674</u>	<u>\$123,476,978</u>	<u>\$124,263,354</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

- **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 assets at the end of the year.

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

	Year Ended <u>June 30, 2013</u>	Year Ended <u>June 30, 2012</u>	Year Ended <u>June 30, 2011</u>
Operating Revenues			
Tuition and Fees, Net	\$20,210,300	\$18,331,169	\$17,924,953
Grants and Contracts	18,005,626	17,338,331	16,287,482
Auxiliary Services, Net	15,487,112	14,246,078	13,637,474
Other	<u>5,514,236</u>	<u>5,479,686</u>	<u>6,750,058</u>
Total Operating Revenues	<u>59,217,274</u>	<u>55,395,264</u>	<u>54,599,967</u>
Operating Expenses	<u>64,252,597</u>	<u>62,435,906</u>	<u>59,678,504</u>
Net Operating Revenues (Expenses)	<u>(5,035,323)</u>	<u>(7,040,642)</u>	<u>(5,078,537)</u>
Non-operating Revenues (Expenses):			
State Fiscal Stability Revenue	0	0	897,793
Federal Pell Grants	5,642,678	5,650,742	5,697,475
Other Net Non-operating Revenues (Expenses)	<u>(873,060)</u>	<u>(252,066)</u>	<u>650,099</u>
Net Non-operating Revenues	<u>4,769,618</u>	<u>5,398,676</u>	<u>7,245,367</u>
Income (Loss) Before Other Revenues, Expenses, or Transfers	(265,705)	(1,641,966)	2,166,830
Gain (Loss) on Disposal of Assets	(371)	(21,955)	1,455,930
State Capital Contributions	95,928	66,412	1,352,303
Capital Grants and Gifts	34,789	590,441	4,211,861
Additions to Endowments	<u>220,055</u>	<u>220,692</u>	<u>93,450</u>
Increase (Decrease) in Net Position	84,696	(786,376)	9,280,374
Net Position – Beginning of Year	<u>123,476,978</u>	<u>124,263,354</u>	<u>114,982,980</u>
Net Position – End of Year	<u>\$123,561,674</u>	<u>\$123,476,978</u>	<u>\$124,263,354</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

CAPITAL ASSETS

At June 30, 2013, the College had approximately \$151.7 million invested in capital assets, net of accumulated depreciation of \$86.0 million. Depreciation charges were \$7.3 million for the year ended June 30, 2013. At June 30, 2012, the College had approximately \$153.6 million invested in capital assets, net of accumulated depreciation of \$78.8 million. Depreciation charges were \$6.9 million for the year ended June 30, 2012. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Land	\$106,301	\$106,301	\$106,301
Construction in Progress	415,848	7,665,262	1,217,005
Collections	1,280,766	1,258,682	1,248,107
Land Improvements, Net	10,716,248	10,424,792	11,176,958
Buildings and Improvements, Net	135,738,942	131,216,205	134,429,655
Equipment, Net	2,863,793	2,290,086	2,317,729
Library Materials, Net	612,701	644,182	664,112
Total	<u>\$151,734,599</u>	<u>\$153,605,510</u>	<u>\$151,159,867</u>

Major capital additions completed in FY 2013 and the resources that funded their acquisition include:

Energy Savings Performance Contract, funded by the College through a bond issue	\$ 9,748,645
Blackboard Analytics, funded by the College	192,000
Student Life Center Improvements, funded by the College	183,646

The following significant capital projects were in progress at June 30, 2013:

Bader/Snyder Residence Hall Improvements, funded by the College	158,022
Engineering Department Improvements, funded by the College	121,528

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

Major capital additions completed in FY 2012 and the resources that funded their acquisition include:

Residence Hall Roof Replacement, funded by the College	\$ 736,027
Residence Hall One Card Door Access, funded by the College	437,818
Berndt Hall Reconstructions, funded by the State	331,551
Equipment Storage Building, funded by the College	328,082

The following significant capital projects were in progress at June 30, 2012:

Energy Savings Performance Contract, funded by the College through a bond issue	\$ 6,046,409
Repave Parking Lot P, funded by the College	624,872
City of Durango/FLC Field Lighting, funded by the College	437,431

DEBT

At June 30, 2013, 2012 and 2011, the College had approximately \$55.2 million, \$56.7 million, and \$51.4 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, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Auxiliary Revenue Bonds, Net	<u>\$55,232,987</u>	<u>\$56,728,093</u>	<u>\$51,410,484</u>
Total	<u>\$55,232,987</u>	<u>\$56,728,093</u>	<u>\$51,410,484</u>

OTHER HIGHLIGHTS

- Before the 2012-2013 school year, the College kicked off a Finish in Four! Initiative, which is an agreement that first-time freshmen can make with the College that guarantees students access to the classes needed to graduate in four years in exchange for deadline commitments. Participating students work with Finish in Four! advisors to develop academic plans that identify critical course sequencing to assure a timely graduation, and students agree to enroll in those courses.
- This past year, the final hurdle was cleared for the College's first graduate program in the school's 102-year history as a public educational institution. On January 16, 2013 the Higher Learning Commission informed the College that its Master of Arts in Education, Teacher Leadership Option had been approved. The College will begin offering the program beginning in the Fall 2013.
- On March 1, 2013, Fort Lewis College President Dene Thomas signed the U.S. Department of Defense's Voluntary Education Partnership Memorandum of Understanding (MOU). The MOU signals Fort Lewis College's commitment to participate in the Department of Defense's tuition assistance program for military service members. Fort Lewis College was also designated a "military friendly school" by militaryfriendlyschoools.com. The site is a service of G.I. Jobs, a non-governmental clearinghouse of employment and education resources that help veterans transition from military to civilian life.
- On August 20, 2012 Durango hosted the Overall Start of the largest cycling events in U.S. history, the 2012 USA Pro Cycling Challenge. Fort Lewis College was proud to be a Local Stage Host Partner of the 2012

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

USA Pro Cycling Challenge. The 2011 USA Pro Cycling Challenge attracted more than a million spectators and was broadcast in 161 countries and territories. Last year's event featured the best of the best in professional cycling, competing on a challenging course for seven days through the state of Colorado.

- In 2012, Fort Lewis College was a regional focus of this past year's battle for the White House. First Lady Michele Obama, Republican Vice Presidential candidate Paul Ryan, and Libertarian Party Vice Presidential candidate Jim Gray all stopped by to stump on campus in the tense last month of the campaign.

ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE

Enrollment

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

Capital Construction

In fiscal year 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 with the goal of reducing energy consumption and upgrading equipment that was at or past its service life. The revenue bonds bear interest at 3.8%. Projects that were funded with the proceeds of the bonds include:

- Centralize a redundant boiler system for four residence halls.
- Replace boilers in several buildings and residence halls.
- Insulate pipes to reduce heat gain/loss.
- Interconnect chiller plants at Reed Library to utilize more efficient chillers whenever possible.
- Add return ductwork to the pool area to reduce the outside air needed to be reheated.
- Upgrade lighting systems throughout the campus to include efficient lighting and occupancy sensors.
- Replace toilets and urinals with low flow fixtures.
- Install thermostat setbacks in residence halls over the winter break.
- Install insulation on exterior of residence halls.

The work performed as part of the energy conservation improvement project was completed in Fiscal Year 13.

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.

Since FY 2010, funding from the State for Fort Lewis College has decreased 27.9%. Based upon a number of studies conducted regarding the state of the Colorado budget, the College anticipates further reductions to higher education in the coming years. As part of the FY 2014 budget process, the College took a five-year view of

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012

projected State revenues, enrollment and tuition rate increases, anticipating cuts in each of the next five years in State revenues, and flat enrollment with anticipated tuition rate increases.

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
STATEMENT OF NET POSITION
June 30, 2013 and 2012

ASSETS	2013	2012 Restated
Current Assets:		
Cash and Cash Equivalents	\$30,782,223	\$29,126,431
Student Accounts Receivable, Net	514,454	462,819
Accounts Receivable - Fort Lewis College Foundation	85,118	110,355
Other Accounts Receivable	1,332,637	1,213,074
Student Loans Receivable, Net	222,345	249,825
Inventories	30,763	26,601
Prepaid Expense	280,425	261,646
Total Current Assets	33,247,965	31,450,751
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,775,931	5,155,453
Student Loans Receivable, Net	1,539,287	1,466,186
Other Non-current Assets	596,965	644,769
Nondepreciable Capital Assets:		
Land and Improvements	126,985	126,985
Construction in Progress	415,848	7,665,262
Collections	1,280,766	1,258,682
Total Nondepreciable Capital Assets	1,823,599	9,050,929
Depreciable Capital Assets:		
Land Improvements, Net	10,695,564	10,404,108
Buildings and Improvements, Net	135,738,942	131,216,205
Equipment, Net	2,863,793	2,290,086
Library Materials, Net	612,701	644,182
Total Depreciable Capital Assets, Net	149,911,000	144,554,581
Total Noncurrent Assets	156,646,782	160,871,918
Total Assets	189,894,747	192,322,669
Deferred Outflows of Resources		
Loss on Bond Refundings	112,648	130,170
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,361,741	3,114,870
Accrued Liabilities	5,723,035	5,843,903
Unearned Revenue	941,620	1,094,616
Deposits Held for Others	352,097	322,641
Bonds Payable, Current Portion	1,725,995	1,508,030
Compensated Absence Liabilities	204,655	200,229
Total Current Liabilities	11,309,143	12,084,289
Noncurrent Liabilities:		
Bonds Payable, Net	53,506,992	55,220,063
Compensated Absence Liabilities	1,629,586	1,671,509
Total Noncurrent Liabilities	55,136,578	56,891,572
Total Liabilities	66,445,721	68,975,861
NET POSITION		
Net Investment in Capital Assets	97,211,225	97,653,455
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Capital Projects	-	23,588
Endowment	1,202,068	983,732
Other	8,852,042	9,190,987
Unrestricted	16,154,690	15,483,567
Total Net Position	\$123,561,674	\$123,476,978

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

ASSETS	2013	2012
Pooled Cash	\$ 1,092,619	\$ 513,657
Pooled Investments	14,404,265	13,246,513
Pledges Receivable	40,149	51,346
Segregated Cash	8,677	8,660
Segregated Investments	71,678	72,913
Accounts Receivable	352	100
Tangible Assets, Net	7,927,778	7,825,085
TOTAL ASSETS	\$ 23,545,518	\$ 21,718,274
 LIABILITIES		
Accounts Payable and Accrued Expenses	195	1,223
Accounts Payable - Fort Lewis College	85,118	110,355
Gift Annuity Obligation Payable	5,248	12,208
Line of Credit Payable	1,256,860	382,792
TOTAL LIABILITIES	1,347,421	506,578
 NET ASSETS		
Unrestricted		
Board Designated	1,608	2,375
Board Designated Endowment	1,227,208	1,176,670
Gifts-in-Kind	290,104	291,854
General Unrestricted	1,021,046	1,107,785
Total Unrestricted Net Assets	2,539,966	2,578,684
 Temporarily Restricted		
Scholarships, Awards, and Other	7,154,703	6,293,216
Gifts-in-Kind and Tangible Assets	4,843,129	4,748,681
Total Temporarily Restricted Net Assets	11,997,832	11,041,897
 Permanently Restricted		
True Endowments	4,865,754	4,806,565
Gifts-in-Kind	2,794,545	2,784,550
Total Permanently Restricted Net Assets	7,660,299	7,591,115
TOTAL NET ASSETS	22,198,097	21,211,696
 TOTAL LIABILITIES AND NET ASSETS	 \$ 23,545,518	 \$ 21,718,274

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, 2013 and 2012

REVENUES	<u>2013</u>	<u>2012</u> Restated
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$4,406,645 - 2013 and \$4,212,654 2012, net of scholarship allowances of \$26,104,264 - 2013 and \$24,338,993 - 2012 and net of bad debt of \$66,446 - 2013 and \$66,016 - 2012)	\$20,210,300	\$18,331,169
Federal Grants and Contracts	2,895,214	3,179,772
State and Local Grants and Contracts	14,009,072	13,050,466
Non-Governmental Grants and Contracts	1,101,340	1,108,093
Sales and Services of Educational Activities (net of bad debt of \$3,126 - 2013 and \$2,776 - 2012)	277,057	216,675
Auxiliary Enterprises (including pledged revenues of \$13,395,563 - 2013 and \$12,123,586 - 2012 and net of scholarship allowances of \$1,257,337 - 2013 and \$1,279,698 - 2012 and net of bad debt of \$105,583 - 2013 and \$55,749 - 2012)	15,210,055	14,029,403
Fee For Service Contract Revenue	5,314,557	5,347,491
Other Operating Revenues	199,679	132,195
Total Operating Revenues	<u>59,217,274</u>	<u>55,395,264</u>
EXPENSES		
Operating Expenses:		
Instruction	18,236,955	17,504,751
Research	517,847	494,676
Public Service	633,612	891,463
Academic Support	6,106,330	6,224,735
Student Services	7,440,473	6,901,627
Institutional Support	5,556,786	5,369,326
Operation and Maintenance of Plant	3,926,148	3,234,003
Scholarships and Fellowships	1,420,712	1,794,974
Auxiliary Enterprises	13,098,273	13,080,719
Depreciation	7,315,461	6,939,632
Total Operating Expenses	<u>64,252,597</u>	<u>62,435,906</u>
Operating Income (Loss)	<u>(5,035,323)</u>	<u>(7,040,642)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal Pell Grants	5,642,678	5,650,742
Gifts (including pledged revenues of \$50,641 - 2013 and \$55,621 - 2012)	1,644,639	1,546,209
Investment Income (including pledged revenues of \$0 - 2013 and \$136,546 - 2012)	21,737	500,535
Interest Expense on Capital Debt	(2,499,382)	(2,424,163)
Other Nonoperating Revenues	-	169,917
Other Nonoperating Expenses	(40,054)	(44,564)
Net Nonoperating Revenues	<u>4,769,618</u>	<u>5,398,676</u>
Income (loss) before other revenues, expenses, or transfers	<u>(265,705)</u>	<u>(1,641,966)</u>
OTHER REVENUES, (EXPENSES), OR TRANSFERS		
Gain or (Loss) on Disposal of Assets	(371)	(21,955)
State Capital Contributions	95,928	66,412
Capital Grants & Gifts (including pledged revenues of \$13,560 - 2013 and \$551,000 - 2012)	34,789	590,441
Additions to Endowments	220,055	220,692
Increase (Decrease) in Net Position	<u>84,696</u>	<u>(786,376)</u>
NET POSITION		
Net Position - Beginning of Year	123,476,978	124,263,354
Net Position - End of Year	<u>\$123,561,674</u>	<u>123,476,978</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, 2013

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
NET ASSETS, BEGINNING OF YEAR	\$ 2,578,684	\$ 11,041,897	\$ 7,591,115	\$ 21,211,696
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	129,490	1,974,204	53,492	2,157,186
Donations - Gifts in Kind	-	166,181	-	166,181
Investment Income	346,993	579,519	-	926,512
Other Income	2,575	254,139	458	257,172
Subtotal	479,058	2,974,043	53,950	3,507,051
Net Assets Released from Restriction	2,002,874	(2,002,874)	-	-
Total from Revenues, Gains, and Other Support	2,481,932	971,169	53,950	3,507,051
EXPENSES AND LOSSES				
Scholarships and Awards	841,182	-	-	841,182
Program Expense	1,299,292	-	-	1,299,292
Fund Raising	218,117	-	-	218,117
Management and General	162,059	-	-	162,059
Total Expenses and Losses	2,520,650	-	-	2,520,650
Changes in Donor Restrictions	-	(15,234)	15,234	-
Change in Net Assets for the Year	(38,718)	955,935	69,184	986,401
NET ASSETS AT END OF YEAR	<u>\$ 2,539,966</u>	<u>\$ 11,997,832</u>	<u>\$ 7,660,299</u>	<u>\$ 22,198,097</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, 2012

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
NET ASSETS, BEGINNING OF YEAR	\$ 2,508,939	\$ 12,102,255	\$ 7,391,425	\$ 22,002,619
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	112,490	1,862,881	198,851	2,174,222
Donations - Gifts in Kind	-	170,646	-	170,646
Investment Income	279,085	187,763	-	466,848
Realized and Unrealized Gain in Investments	-	(643,124)	-	(643,124)
Fund Raising Income	250	34,097	-	34,347
Gain on Sale of Gifts-In-Kind	-	113,004	-	113,004
Other Income	17,694	224,052	-	241,746
Subtotal	409,519	1,949,319	198,851	2,557,689
Net Assets Released from Restriction	2,963,355	(2,963,355)	-	-
Total from Revenues, Gains, and Other Support	3,372,874	(1,014,036)	198,851	2,557,689
EXPENSES AND LOSSES				
Scholarships and Awards	851,738	-	-	851,738
Program Expense	2,216,237	-	-	2,216,237
Fund Raising	91,415	-	-	91,415
Management and General	153,722	-	-	153,722
Provision for Uncollectible Pledges	-	5,500	30,000	35,500
Total Expenses and Losses	3,313,112	5,500	30,000	3,348,612
Changes in Donor Restrictions	9,983	(40,822)	30,839	-
Change in Net Assets for the Year	69,745	(1,060,358)	199,690	(790,923)
NET ASSETS AT END OF YEAR	<u>\$ 2,578,684</u>	<u>\$ 11,041,897</u>	<u>\$ 7,591,115</u>	<u>\$ 21,211,696</u>

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

FORT LEWIS COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	2013	2012 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and Fees	\$ 20,156,891	\$ 18,523,385
Sales of Products	325,618	279,609
Sales of Services	20,048,238	19,013,120
Grants and Contracts	18,066,790	17,377,795
Student Loans Collected	300,208	308,625
Other Operating Receipts	273,499	386,175
 Cash Payments:		
Scholarships Disbursed	(1,420,712)	(1,794,974)
Student Loans Disbursed	(376,928)	(209,048)
Payments to Suppliers	(17,707,668)	(16,495,557)
Payments to Employees	(38,537,511)	(37,208,209)
Other Operating Payments	(71,029)	(101,705)
Net Cash Provided (Used) by Operating Activities	1,057,395	79,216
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Pell Grants	5,642,678	5,650,742
Gifts for Other than Capital Purposes	1,668,148	1,192,306
Agency Receipts	25,093,879	24,072,822
Agency Payments	(25,030,791)	(23,931,930)
Additions to Endowment	220,055	220,692
Net Cash Provided by Noncapital Financing Activities	7,593,969	7,204,632
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contracts	-	643,077
Capital Gifts	13,560	651,000
Net Proceeds from Bond Financing	-	6,520,000
Proceeds from Sale of Capital Assets	2,500	8,106
Acquisition and Construction of Capital Assets	(5,227,227)	(9,367,662)
Principal Paid on Capital Debt	(1,510,024)	(1,297,270)
Interest on Capital Debt	(2,617,772)	(2,405,071)
Bond Issuance Costs	(57,868)	(77,003)
Net Cash Provided (Used by Capital and Related Financing Activities)	(9,396,831)	(5,324,823)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	21,737	544,722
Net Cash Provided by Investing Activities	21,737	544,722
 Net Increase (Decrease) in Cash	(723,730)	2,503,747
Cash - Beginning of Year	34,281,884	31,778,137
Cash - End of Year	\$ 33,558,154	\$ 34,281,884

(Continued on Next Page)

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

FORT LEWIS COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	2013	2012 Restated
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (5,035,323)	\$ (7,040,642)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	7,315,461	6,939,632
Noncash Operating Transactions	(402,234)	283,467
 Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	191,584	219,086
Inventories	4,162	100,943
Prepaid Expense	18,779	(41,008)
Accounts Payable	(753,129)	(302,246)
Accrued Liabilities	(120,868)	106,200
Deferred Revenue	(152,996)	(61,424)
Deposits Held for Others	29,456	(145,145)
Compensated Absence Liabilities	(37,497)	20,353
 Net Cash Provided (Used) by Operating Activities	\$ 1,057,395	\$ 79,216
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State Capital Contributions	\$ 95,928	\$ 66,412
Gain (Loss) on Capital Asset Deletions	(371)	(21,955)

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 two-year terms.

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 implemented 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 thereon that the Foundation holds and invests is restricted to the activities, facilities, and programs of the College by the donors. Because these restricted resources held by the Foundation can only be used for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Topic 958 Not-for Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements for these differences.

The amount transferred from the Foundation to the College, during the fiscal year ended June 30, 2013, for the purposes stated above was \$2,000,725, which included \$861,168 for scholarships and \$290,700 of grant pass-through transactions. Transfers for the year ended June 30, 2012 were \$2,118,591, which included \$835,487 for scholarships, \$285,750 of grant pass-through transactions and a \$551,000 capital gift for the renovation and expansion of the Student Union Building. 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 FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, and certificates of deposit with financial institutions, pooled cash with the state treasurer and all highly liquid investments with an original maturity of three months or less.

RESTRICTED CASH AND CASH EQUIVALENTS

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

USE OF ESTIMATES

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

CAPITAL ASSETS

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

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

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

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements. At this time, the College does not have any capital leases.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 Employee) 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 leave at 6.66 hours per month with a maximum accrual of 360 hours for employees hired after June 30, 1988. Full-time classified employees hired before June 30, 1988, can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates shown in the table below. Vacation accruals are paid 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 January 1, 1988	10 - 14	240 - 336 hours
Classified employees hired on Or after January 1, 1988	8 - 14	192 - 336 hours
Professional Exempt Employees	16	384 hours

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.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

RESTATEMENT OF 2012 FINANCIAL STATEMENTS

The College restated the Statement of Revenues, Expenses and Changes in Net Position for fiscal year ended June 30, 2012 by reclassifying \$124,541 of bad debt expense as a contra-revenue to the associated revenue line item.

RECLASSIFICATIONS

Certain amounts in 2012 have been reclassified to conform to the 2013 financial statement presentation.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

During 2013, the College adopted the provisions of the following Governmental Accounting Standards Board (GASB) pronouncements:

GASB No. 61, *The Financial Reporting Entity: Omnibus*—an amendment of GASB Statements No. 14 and No. 34, requirements result in financial reporting entity financial statements being more relevant by improving the guidance for including, presenting, and disclosing information about components and equity interest transactions of a financial reporting entity.

GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA pronouncements*, continues GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they can derive from a single source. In addition, all Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements became nonauthoritative literature for the private sector on July 1, 2009, the effective date of the FASB Accounting Standards Codification. The adoption of GASB No. 62 had no impact on the College's Financial Statements.

GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4, "Elements of Financial Statements." Concepts Statement No. 4 defines a deferred outflow of resources as consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The names of certain statements and certain line items were changed as required by GASB No. 63.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The College has retroactively recognized the deferred loss on the defeasance of debt as a deferred outflow of resources. GASB 65 also established standards of accounting and financial reporting for debt issuance costs. Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The College will implement this portion of GASB 65 in the next fiscal year.

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, (GASB No. 68) revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The College provides certain of its employees with pension benefits through the State's multiple employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program.

GASB No. 68 requires cost-sharing employers participating in the PERA program, such as the College, to record their proportionate share, as defined in GASB No. 68, of PERA's unfunded pension liability. The College has no legal obligation to fund this 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. 68 to record a portion of PERA's unfunded liability will negatively impact the College's future unrestricted net position. GASB No. 68 is effective for fiscal year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FISCAL RULES

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

NOTE 2: CASH AND CASH EQUIVALENTS

Fort Lewis College (College) deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2013, Fort Lewis College had cash on deposit with the State Treasurer of \$29,650,687, which represented approximately 0.41 percent of the total \$7,260.8 million fair value of deposits in the State Treasurer's Pool (Pool).

During the 2013 Colorado legislative session, the General Assembly passed legislation (HB 13-1297) that grants investment authority to the respective institutions. The enacted statute is permissive in that it would allow, but not require, the Board to exercise this investment authority. The legislation allows the Board to choose investment options not typically afforded the State Treasurer's office. The revenue impact for the institution cannot be quantified; however the College would anticipate an indeterminate amount of additional investment income as a result of the legislation should the Board elect to exercise its investment authority. It should be noted that the higher rates of return available through equities are typically accompanied by higher levels of risk. Other Colorado institutions that have the authority to independently invest funds outside of the State Treasurer include the University of Colorado, Colorado State University, and Colorado Mesa University. The Fort Lewis College Board of Trustees has not elected to exercise its investment authority for the year ended June 30, 2013.

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of Fort Lewis College's participation in the Pool, the College reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year. Unrealized gains for Fort Lewis College in were \$48,505 and \$423,391 at June 30, 2013 and June 30, 2012, respectively.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2013, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2013, approximately

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

88.5 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$41,074,270 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2013, the weighted average maturity of investments in the Treasurer's Pool is 0.037 years for Commercial Paper (1.0 percent of the Pool), 1.32 years for U.S. Government Securities (63.9 percent of the Pool), 3.37 years for Asset Backed Securities (16.0 percent of the Pool), and 3.100 years for Corporate Bonds (19.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2012-13.

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, 2013.

At year-end, the carrying amount of the College's cash was \$3,907,171. The cash included petty cash and change funds of \$18,501 and bank deposits of \$3,888,670. The bank balance of the deposits was \$4,382,441. 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, 2012, the carrying amount of the College's cash was \$3,128,329. The cash included petty cash and change funds of \$18,552 and bank deposits of \$3,109,777. The bank balance of the deposits was \$3,939,253. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Pooled cash and investments

Pooled cash and investments as of June 30, 2013 and 2012, are summarized as follows:

	2013		2012	
	Cost Basis	Market Value	Cost Basis	Market Value
Pooled Cash and Cash Equivalents	\$ 1,094,359	\$ 1,092,619	\$ 511,923	\$ 513,657
Pooled Investments				
Marketable Securities				
Fixed Income	4,267,989	4,382,185	4,645,467	4,897,391
Equities	8,817,006	9,652,138	7,367,194	7,686,204
Precious Metals (Gold)	412,551	369,942	539,049	662,918
Total Pooled Cash and Investments	<u>\$ 14,591,905</u>	<u>\$ 15,496,884</u>	<u>\$ 13,063,633</u>	<u>\$ 13,760,170</u>

Net realized gains of \$426,510 and \$86,674 were recognized on these pooled investments for the years ended June 30, 2013 and 2012, respectively. Net unrealized gains (losses) of \$89,322 and (\$727,378) were recognized on these pooled investments for the years ended June 30, 2013 and 2012, respectively.

Segregated cash and investments

Segregated cash and investments at June 30, 2013 and 2012, are summarized as follows:

	2013		2012	
	Cost Basis	Market Value	Cost Basis	Market Value
Segregated Cash and Cash Equivalents	\$ 8,677	\$ 8,677	\$ 8,660	\$ 8,660
Segregated Investments				
Fixed Income	12,279	12,878	23,353	25,035
Equities	48,199	58,800	41,962	47,878
Total Segregated Investments	<u>60,478</u>	<u>71,678</u>	<u>65,315</u>	<u>72,913</u>
Total Segregated Cash and Investments	<u>\$ 69,155</u>	<u>\$ 80,355</u>	<u>\$ 73,975</u>	<u>\$ 81,573</u>

Net realized gains of \$1,027 and \$1,893 were recognized on these segregated investments for the years ended June 30, 2013 and 2012, respectively. Net unrealized gains (losses) of \$3,544 and (\$4,313) were recognized on these segregated investments for the years ended June 30, 2013 and 2012, respectively.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Total cash and investments

Total cash investments at June 30, 2013 and 2012, are summarized as follows:

	2013			2012		
	Cost Basis	Market Value	% of Total	Cost Basis	Market Value	% of Total
Cash and Cash						
Equivalents	\$ 1,103,036	\$ 1,101,296	7%	\$ 520,583	\$ 522,317	4%
Investments						
Marketable Securities						
Fixed Income	4,280,268	4,395,063	28%	4,668,820	4,922,426	36%
Equities	8,865,205	9,710,938	62%	7,409,156	7,734,082	56%
Precious Metals (Gold)	412,551	369,942	2%	539,049	662,918	5%
Total	<u>\$ 14,661,060</u>	<u>\$ 15,577,239</u>	<u>100%</u>	<u>\$ 13,137,608</u>	<u>\$ 13,841,743</u>	<u>100%</u>

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, 2013 and 2012, the Accounts Receivable balances are comprised of:

	2013	2012
Student Accounts Receivable	\$ 1,310,857	\$ 1,080,987
Less: Allowance for Doubtful Accounts	(796,403)	(618,168)
Student Accounts Receivable, Net	<u>514,454</u>	<u>462,819</u>
Student Loans Receivable	2,028,557	1,951,839
Less: Allowance for Doubtful Accounts	(266,925)	(235,828)
Student Loans Receivable, Net	<u>1,761,632</u>	<u>1,716,011</u>
Accounts Receivable - Fort Lewis College Foundation	85,118	110,355
Other Accounts Receivable		
Sponsored Programs	259,689	478,884
Conferences & Summer Programs	468,570	538,503
Other	604,378	195,687
Other Accounts Receivable	<u>1,332,637</u>	<u>1,213,074</u>
Total Receivables, Net	<u>\$ 3,693,841</u>	<u>\$ 3,502,259</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 5: CAPITAL ASSETS

The College's capital asset activity for the year ended June 30, 2013, was as follows:

	Balance <u>6/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>6/30/2013</u>
Land	\$ 106,301	\$ -	\$ -	\$ -	\$ 106,301
Land Improvements	19,849,150	22,166	-	1,062,302	20,933,618
Buildings and Improvements	192,979,630	3,824,507	-	6,511,501	203,315,638
Construction in Progress	7,665,262	415,365	55,758	(7,609,021)	415,848
Equipment	7,054,748	852,850	14,705	35,218	7,928,110
Software	767,635	308,684	68,919	-	1,007,400
Library Materials	2,736,531	57,523	26,268	-	2,767,786
Capitalized Collections	1,258,682	22,084	-	-	1,280,766
Total	<u>232,417,939</u>	<u>5,503,179</u>	<u>165,650</u>	<u>-</u>	<u>237,755,468</u>
Less Accumulated Depreciation:					
Land Improvements	9,424,358	793,012	-	-	10,217,370
Buildings and Improvements	61,763,425	5,813,271	-	-	67,576,696
Equipment	4,769,109	565,207	11,834	-	5,322,482
Software	763,188	54,967	68,919	-	749,236
Library Materials	2,092,349	89,004	26,268	-	2,155,085
Total Accumulated Depreciation	<u>78,812,429</u>	<u>7,315,461</u>	<u>107,021</u>	<u>-</u>	<u>86,020,869</u>
Capital Assets, Net	<u>\$ 153,605,510</u>	<u>\$ (1,812,281)</u>	<u>\$ 58,629</u>	<u>\$ -</u>	<u>\$ 151,734,599</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 5: CAPITAL ASSETS (continued)

The College's capital asset activity for the year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Deletions	Transfers	Balance 6/30/2012
Land	\$ 106,301	\$ -	\$ -	\$ -	\$ 106,301
Land Improvements	19,833,896	15,254	-	-	19,849,150
Buildings and Improvements	190,648,273	1,320,717	-	1,010,640	192,979,630
Construction in Progress	1,217,005	7,458,897	-	(1,010,640)	7,665,262
Equipment	7,282,930	578,661	806,843	-	7,054,748
Software	767,635	-	-	-	767,635
Library Materials	2,777,368	72,026	112,863	-	2,736,531
Capitalized Collections	1,248,107	10,575	-	-	1,258,682
Total	<u>223,881,515</u>	<u>9,456,130</u>	<u>919,706</u>	<u>-</u>	<u>232,417,939</u>
Less Accumulated Depreciation:					
Land Improvements	8,656,938	767,420	-	-	9,424,358
Buildings and Improvements	56,218,618	5,544,807	-	-	61,763,425
Equipment	4,981,501	523,596	735,988	-	4,769,109
Software	751,335	11,853	-	-	763,188
Library Materials	2,113,256	91,956	112,863	-	2,092,349
Total Accumulated Depreciation	<u>72,721,648</u>	<u>6,939,632</u>	<u>848,851</u>	<u>-</u>	<u>78,812,429</u>
Capital Assets, Net	<u>\$ 151,159,867</u>	<u>\$ 2,516,498</u>	<u>\$ 70,855</u>	<u>\$ -</u>	<u>\$ 153,605,510</u>

The construction in progress balances include \$0 and \$97,728 of capitalized interest for the years ended June 30, 2013 and 2012, respectively. The building balances include annual additional amounts of \$170,073 and \$147,691 of capitalized interest for the years ended June 30, 2013 and 2012, respectively.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 6: FORT LEWIS COLLEGE FOUNDATION TANGIBLE ASSETS

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

At June 30, 2013 and 2012, tangible assets are comprised of the following:

	2013		2012	
	Restricted	Unrestricted	Restricted	Unrestricted
Gifts-in-kind				
Real Estate	\$ 1,512,000	\$ 320,000	\$ 1,512,000	\$ 320,000
Accumulated Depreciation	(84,375)	(29,896)	(56,250)	(28,146)
Equipment and Other	-	-	8,455	-
Collection Items	5,048,867	-	4,900,802	-
Total Gifts-in-kind	<u>6,476,492</u>	<u>290,104</u>	<u>6,365,007</u>	<u>291,854</u>
Purchased Assets				
Real Estate	994,400	-	994,400	-
Accumulated Depreciation	(152,448)	-	(135,411)	-
Collection Items	245,330	-	235,335	-
Concert Piano	73,900	-	73,900	-
Total Purchased Assets	<u>1,161,182</u>	<u>-</u>	<u>1,168,224</u>	<u>-</u>
Total Tangible Assets	<u>\$ 7,637,674</u>	<u>\$ 290,104</u>	<u>\$ 7,533,231</u>	<u>\$ 291,854</u>

The Foundation's collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for by Fort Lewis College staff, and activities verifying their existence and assessing their condition are performed continuously. Depreciation expense recorded for June 30, 2013 and 2012, was \$46,912 and \$34,412, respectively.

NOTE 7: ACCRUED LIABILITIES

At June 30, 2013 and 2012, the types and amounts of accrued liabilities, as presented on the Statements of Net Position, are comprised of:

	2013	2012
Accrued Payroll & Benefits	\$ 4,871,811	\$ 4,745,694
Accrued Interest Payable	708,281	689,036
Contractor Retainage	23,747	357,882
Other Liabilities	119,196	51,291
Total	<u>\$ 5,723,035</u>	<u>\$ 5,843,903</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 8: DEFERRED REVENUE

At June 30, 2013 and 2012, the types and amounts of deferred revenue, as presented on the Statements of Net Position, are comprised of:

	<u>2013</u>	<u>2012</u>
Tuition and Fees	\$ 261,686	\$ 267,924
Auxiliary Enterprises	272,916	341,265
Grants and Contracts	406,998	484,428
Miscellaneous	20	999
Total	<u>\$ 941,620</u>	<u>\$ 1,094,616</u>

NOTE 9: LONG-TERM LIABILITIES

The College's long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance <u>6/30/2012</u>	Additions	Reductions	Balance <u>6/30/2013</u>	Current Portion
Bonds Payable:					
Revenue Bonds	\$ 57,210,000	\$ -	\$ (1,510,024)	\$ 55,699,976	\$ 1,725,995
Bond Discount	(481,906)	-	14,917	(466,989)	
Total Bonds Payable	<u>56,728,094</u>	-	(1,495,107)	<u>55,232,987</u>	
Other Liabilities:					
Compensated Absences	1,871,738	116,143	(153,640)	1,834,241	204,655
Total Other Liabilities	<u>1,871,738</u>	<u>116,143</u>	<u>(153,640)</u>	<u>1,834,241</u>	<u>204,655</u>
Total Long-Term Liabilities	<u>\$ 58,599,832</u>	<u>\$ 116,143</u>	<u>\$ (1,648,747)</u>	<u>\$ 57,067,228</u>	<u>\$ 1,930,650</u>

The College's long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance <u>6/30/2011</u>	Additions	Reductions	Balance <u>6/30/2012</u>	Current Portion
Bonds Payable:					
Revenue Bonds	\$ 52,055,000	\$ 6,520,000	\$ (1,365,000)	\$ 57,210,000	\$ 1,508,030
Bond Discount	(496,823)	-	14,917	(481,906)	
Total Bonds Payable	<u>51,558,177</u>	<u>6,520,000</u>	<u>(1,350,083)</u>	<u>56,728,094</u>	<u>1,508,030</u>
Other Liabilities:					
Compensated Absences	1,979,531	78,650	(186,443)	1,871,738	200,229
Total Other Liabilities	<u>1,979,531</u>	<u>78,650</u>	<u>(186,443)</u>	<u>1,871,738</u>	<u>200,229</u>
Total Long-Term Liabilities	<u>\$ 53,537,708</u>	<u>\$ 6,598,650</u>	<u>\$ (1,536,526)</u>	<u>\$ 58,599,832</u>	<u>\$ 1,708,259</u>

Previous revenue bond issues, considered to be extinguished through in-substance defeasance under general accepted accounting principles, are not included in the accompanying financial statements. The amount of debt in this category amounted to \$9,730,000 in 2007. As of June 30, 2013 the College no longer reported a deferred loss on defeasance as a long term liability, but as a deferred outflow of resources. The balance of the deferred loss on defeasance was \$112,648 and \$130,170 at June 30, 2013 and 2012, respectively.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 9: LONG-TERM LIABILITIES (continued)

On December 4, 2007, the College issued the Series 2007 Revenue Bonds in the amount of \$55,785,000 to finance construction of a new residence hall, to renovate and enlarge the student union building, and to refund the College's existing debt. The revenue bonds bear interest at rates ranging from 4% to 5.2%. 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 revenue bonds bear interest at 3.8%.

NOTE 10: BONDS PAYABLE

The following table describes future debt service requirements:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,725,995	\$ 2,529,632	\$ 4,255,627
2015	1,822,356	2,451,215	4,273,571
2016	1,919,683	2,366,398	4,286,081
2017	2,023,027	2,275,626	4,298,653
2018	2,132,434	2,179,747	4,312,181
2012-2023	9,689,291	9,630,196	19,319,487
2024-2028	11,746,729	7,329,189	19,075,918
2029-2033	14,580,461	4,269,380	18,849,841
2034-2038	10,060,000	1,308,000	11,368,000
Total	<u>\$ 55,699,976</u>	<u>\$ 34,339,383</u>	<u>90,039,359</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 and pledged student fees as shown in the Series 2007 and Series 2012 Revenue Bonds Schedule of Pledged Revenues and Expenses in the Supplemental Information section of this report.

NOTE 11: OPERATING LEASES

Certain equipment is being leased by the College under operating leases. The following is a schedule of all future minimum rental payments due on operating leases as of June 30, 2013:

<u>Year ending June 30,</u>	
2014	\$ 82,098
2015	70,338
2016	66,856
2017	5,571
2018	-
Total	<u>\$ 224,863</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 12: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2013 and 2012 are:

	<u>2013</u>	<u>2012</u>
Education and General	\$ 396,808	\$ 421,379
Auxiliary Enterprises	1,127,165	871,284
Restricted Funds	345,833	460,449
Plant Funds	875,298	4,099,394
Total	<u>\$ 2,745,104</u>	<u>\$ 5,852,506</u>

NOTE 13: SCHOLARSHIP ALLOWANCE

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net 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, 2013 and 2012, were as follows:

	<u>Tuition and Fees</u>	<u>Auxiliary Revenue</u>	<u>6/30/13 Total</u>	<u>6/30/12 Total</u>
Gross Revenue	\$ 46,314,564	\$ 16,467,392	\$ 62,781,956	\$ 57,979,263
Scholarship Allowances:				
Federal	(4,406,948)	(459,228)	\$ (4,866,176)	(5,168,427)
State (Includes Native American Tuition Waivers)	(14,651,571)	(63,905)	\$ (14,715,476)	(12,492,815)
Private	(667,064)	(69,512)	\$ (736,574)	(812,836)
Institutional	(6,378,681)	(664,692)	\$ (7,043,373)	(7,144,613)
Total Scholarship Allowances	<u>(26,104,264)</u>	<u>(1,257,337)</u>	<u>(27,361,601)</u>	<u>(25,618,691)</u>
Net Revenue	<u>\$ 20,210,300</u>	<u>\$ 15,210,055</u>	<u>\$ 35,420,355</u>	<u>\$ 32,360,572</u>

FORT LEWIS COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013 AND 2012

NOTE 14: SPENDING LIMITATIONS

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

In February, 2005, the Board of Trustees designated the College as a TABOR enterprise pursuant to the statute and in fiscal year 2006 the College began reporting its activity to the State as an enterprise. During the fiscal years ended June 30, 2006 through 2008, the College maintained its TABOR enterprise status. In fiscal years 2009 and 2010, the College received 13.6% 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 table shown below demonstrates the type and size of State grants to Fort Lewis College for the years ended June 30, 2013 and 2012, respectively.

State Support Calculation for TABOR Purposes:	FY 2013	FY 2012
State Support:		
Capital Appropriations	\$ 95,928	\$ 66,412
Institutional Share of COP Debt Payments	180,182	199,739
Total State Support	276,110	266,151
Total Revenues (gross operating, nonoperating, and other revenues)	\$ 66,656,682	\$ 63,897,563
Ratio of State Grants to Total Revenues	0.4%	0.4%

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. Prior to FY 12, the annual appropriations bill included certain cash revenues from the student share of tuition and fees.

For the years ended June 30, 2013 and 2012, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2013 and 2012, the College had a total appropriation of \$9,234,240 and \$9,371,117, respectively. All other revenues and expenses reported by the College represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources. These appropriations are not considered in the State support calculation for TABOR purposes.

NOTE 15: EMPLOYMENT BENEFITS

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 15: EMPLOYMENT BENEFITS (continued)

The College's total payroll for the fiscal years ended June 30, 2013 and 2012 was \$30,998,517 and \$30,064,292, respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$9,036,932, \$19,231,647, and \$262,259, respectively for June 30, 2013 and \$8,469,538, \$17,915,437, and \$164,275, respectively for June 30, 2012. The remaining employees were not eligible for participation in any of the College's plans.

PERA Defined Benefit Pension Plan

Plan Description – Classified employees of the College employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

In 1994 the College implemented an Optional Retirement Plan and required all new non-classified employees to enroll unless they had prior PERA service credit. Currently, College employees are required to participate in the College's optional plan unless they are active or inactive members of PERA with at least one year of service credit. In that case, they may elect either PERA or the College's optional plan.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to PERA defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members vest after five years of service and are eligible for full retirement based on their original hire date as follows:

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

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 15: EMPLOYEE BENEFITS (continued)

- Hired before January 1, 2007 – age 55 with minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

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

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

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

Funding Policy – The contribution requirements of plan members are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employer contributions effective for Fiscal Years 2010-11 and 2011-12 expired.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 15: EMPLOYEE BENEFITS (continued)

From July 1, 2012, to December 31, 2012, the State contributed 15.65 percent of the employee's salary. From January 1, 2013, through June 30, 2013, the state contributed 16.55 percent. During all of Fiscal Year 2013, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund. Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2012, the division of PERA in which the State participates has a funded ratio of 59.2 percent and a 53 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 60.2 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent.

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent. The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point.

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

The College's total contributions to PERA for the fiscal years ending June 30, 2013, 2012, and 2011 were \$1,347,586, \$1,062,738, and \$1,022,139, respectively. These contributions met the contribution requirement for each year.

Optional Defined Contribution Plan

Certain full time faculty and professional staff of the College participate in an optional defined contribution plan as an alternative to PERA. Two vendor choices are offered through the defined contribution plan: Teachers Insurance 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 \$2,192,408 for the fiscal year ended June 30, 2013 and \$2,042,360 for the fiscal year ended June 30, 2012. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,538,532 for the fiscal year ended June 30, 2013 and \$1,433,235 for the fiscal year ended June 30, 2012.

Student Employee Retirement Program

Eligible student employees contribute 7.5% of covered payroll to the student retirement program. All contributions are invested with one vendor, Teachers Insurance Annuity Association. The contribution by student employees for the fiscal year ended June 30, 2013 and 2012 was \$19,669 and \$12,321, respectively. The College is not liable for any matching contributions to the student retirement program.

Health Insurance Programs

The College's contribution to the various health insurance programs for the fiscal year ended June 30, 2013 and 2012 was \$3,553,891 and \$3,304,367, respectively.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 16: VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

NOTE 17: OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Trust Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 15. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The College contributed \$108,927, \$96,444, and \$86,664 as required by statute in Fiscal Years 2012-13, 2011-12, and 2010-11, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2012, there were 51,666 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.43 billion, a funded ratio of 16.5 percent, and a 66-year amortization period.

Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent of their salary. The temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2010-11 and 2011-12 expired on July 1, 2012. At December 31, 2012, the plan had 4,362 participants.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 17: POST-EMPLOYMENT BENEFITS (Continued)

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2012, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$17,000. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2010-11 and 2011-12. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2012, for total contributions of \$22,500. Contributions and earnings are tax deferred. At December 31, 2012, the plan had 17,469 participants.

Life Insurance Program

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

Other Post-retirement Healthcare and Life Insurance Benefits

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post-employment health coverage until the retiree is eligible for Medicare. As of June 30, 2013, there were 17 participants in post-retirement coverage from the eight member higher education institutions. Four of those participants retired from Fort Lewis College.

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

NOTE 18: COMMITMENTS AND CONTINGENCIES

Contracts have been entered into for the purpose of planning, constructing, or equipping certain building or land improvements with outstanding amounts totaling \$875,298 as of June 30, 2013. These improvements will be funded by appropriations from the State, revenue bonds, or internal transfers of funds. The amount of state capital appropriations unexpended was \$706,033 as of June 30, 2013.

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.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 19: CERTIFICATES OF PARTICIPATION

On November 6, 2008, the State Treasurer entered a lease purchase agreement under which a Trustee issued \$230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (COP). The Certificates were issued at a net premium of \$180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carried coupon rates ranging from 3.00 percent to 5.50 percent with a total interest cost of 5.38 percent. The Certificates proceeds will be used to fund renovations, additions, and new construction at twelve state Institutions of Higher Education and were collateralized with existing properties at eleven of the twelve institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average \$16.2 million for the first ten years and \$16.8 million for the second ten years. The legislation envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are \$325.5 million, and three institutions will make \$42.8 million of lease payments over the life of the Certificates to fund the portion of their required project match that they elected to finance through the Certificates.

COP proceeds of \$3,247,000 were allocated for Fort Lewis College to fund the design phase of reconstructing the Geosciences/Physics/Engineering facilities in Berndt Hall. Fort Lewis College did not pledge any of its facilities as collateral for this project and no rental payments will be made by the College. For the year ended June 30, 2012, \$1,961,546 had been spent from COP funds, plus an additional \$423,843 in capitalized interest. The College reverted funds of \$1,285,454 at June 30, 2012.

SUPPLEMENTAL INFORMATION

FORT LEWIS COLLEGE
Auxiliary Facilities System - Enterprise Revenue Bonds
Schedule of Revenues and Expenses
For Year Ended June 30

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Residence Halls and Apartments	\$ 7,592,605	\$ 6,814,563
Campus Food Service	4,372,059	3,714,642
Bookstore	250,000	267,536
Student Union	2,213,246	2,177,945
Campus Parking	411,865	367,588
Child Development Center	377,895	378,827
Central Services	310,647	432,993
Recreation Center	2,247,945	2,071,149
Conferences & Summer Programs	1,140,078	1,285,843
Health Center	638,016	628,946
Total Revenues	19,554,355	18,140,033
OPERATING EXPENDITURES		
Residence Halls and Apartments	3,765,040	3,994,713
Campus Food Service	2,813,172	2,548,274
Bookstore	4,976	41,542
Student Union	1,041,303	910,913
Campus Parking	112,278	90,745
Child Development Center	351,500	357,743
Central Services	1,013,310	945,397
Recreation Center	2,010,847	1,376,640
Conferences & Summer Programs	769,642	725,700
Health Center	727,282	1,298,914
Total Operating Expenditures	12,609,351	12,290,581
Net Revenue before Transfers	6,945,005	5,849,452
TRANSFERS		
Mandatory transfers	3,967,391	3,790,071
Net Non-mandatory Transfers	1,808,631	1,387,031
Total Transfers	5,776,022	5,177,102
Increase (Decrease) in fund balance	\$ 1,168,983	\$ 672,351
Net operating revenue	6,945,005	5,849,452
Bond Principal and Interest	4,127,796	3,770,071
Excess of net operating revenues over debt service	\$ 2,817,209	\$ 2,079,382
Debt service coverage ratio	168%	155%

**INDEPENDENT AUDITORS' 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), an Institution of Higher Education, State of Colorado, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 21, 2013. 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 years ended June 30, 2013 and 2012. The financial statements of the discretely presented component unit, Fort Lewis College Foundation were not audited in accordance with the *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit 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.

Certified Public Accountants

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

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*.

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.

October 21, 2013



Wall,
Smith,
Bateman Inc.

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 years ended June 30, 2013 and 2012. 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 engagement letter dated May 6, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the College are described in Note 1 to the financial statements. As described in Note 1, the College changed accounting policies by adopting Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, -an amendment of GASB Statements No. 14 and No.34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during Fiscal Year 2013. We noted no transactions entered into by the governmental unit 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 depreciation is based on the estimated useful life of the capital assets being depreciated at June 30, 2013. 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.

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.

Certified Public Accountants

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

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. The attached schedule titled "Passed Audit Adjusting Journal Entries" on page 57 summarizes the one uncorrected misstatement of the financial statements. Management has determined its effect to be immaterial to the financial statements taken as a whole.

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 auditor's report. We are pleased to report that 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 October 21, 2013.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, 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.

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.

October 21, 2013

FORT LEWIS COLLEGE
SCHEDULE OF PASSED AUDIT ADJUSTING JOURNAL ENTRIES
For the Year Ended June 30, 2013

Entry #	Status	Account/Code	Description	Debit	Credit	Effect on Income
PAJE 1	Not Posted	760000-1710	Buildings	83,542.00		
		111000-3510	Fund Balance		83,542.00	83,542.00

To capitalize capital assets that were classified as an expense during fiscal year 2012.

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