

FORT LEWIS COLLEGE

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2014 and 2013



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

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TABLE OF CONTENTS

	<u>Page</u>
Report Summary	1
Mission, History, Enrollment , and Staffing	3
Auditors ' Findings and Recommendations	6
Disposition of Prior Year Audit Recommendations	7
Financial Statements Section	
Independent Auditors' Report	8
Management' s Discussion and Analysis	10
Statements of Net Position	21
Fort Lewis College Foundation Statements of Financial Position	22
Statements of Revenues, Expenses, and Changes in Net Position	23
Fort Lewis College Foundation Statements of Activities	24
Statement s of Cash Flows	26
Notes to the Financial Statements	28
Supplemental Information	
Schedule of Pledged Revenues and Expenses for Series 2007 and 2012 Revenue Bonds	51
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 <i>Government Auditing Standards</i>	52
Audit Committee Communications	54
State-Funded Student Assistance Section	
State-Funded Student Assistance Programs	57
Independent Auditors' Report on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs	58
Statement of Appropriations, Expenditures, Transfers and Reversions	60
Notes to the Statement of Appropriations, Expenditures, Transfers and Reversions	61

**FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

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 2014 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 2014.

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, 2014 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* .
- § Express an opinion on the State Appropriations Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2014.
- § Evaluate progress in implementing prior year audit recommendations.

The Schedule of Expenditures of Federal Awards for Fort Lewis College and applicable audit opinions are included in the June 30, 2014 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, 2014 and 2013. Wall, Smith, Bateman Inc. also expressed an unmodified opinion on the Statements of Appropriations Expenditures, Transfers and Reversions of State-Funded Student Financial Assistance Programs for the fiscal year ended June 30, 2014.

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 recommendation s resulting from the audit work completed for fiscal year 2014.

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 full tuition scholarships to all qualified American Indians who meet admission requirements. It is the only college in Colorado to do so, as it has for more than 100 years.

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

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.

	<u>FY</u> <u>2013-14</u>	<u>FY</u> <u>2012-13</u>	<u>FY</u> <u>2011-12</u>
Resident FTE	2,141	2,227	2,289
Non-Resident FTE	<u>1,454</u>	<u>1,375</u>	<u>1,256</u>
Total FTE Students	<u>3,595</u>	<u>3,602</u>	<u>3,545</u>

STAFFING

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

	FY <u>2013-14</u>	FY <u>2012-13</u>	FY <u>2011-12</u>
Faculty FTE	181.3	181.6	191.6
Staff FTE	<u>309.2</u>	<u>301.5</u>	<u>300.3</u>
Total FTE	<u>490.5</u>	<u>483.1</u>	<u>491.9</u>

FINDINGS AND RECOMMENDATIONS SECTION

**FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2014**

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

**FORT LEWIS COLLEGE
DISPOSITION OF PRIOR YEAR AUDIT RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2014**

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2013 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, 2014 and 2013, 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 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, 2014 and 2013. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Lewis College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Fort Lewis College Foundation were not audited in accordance with the *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund and the discretely presented component unit of Fort Lewis College, an Institution of Higher Education, State of Colorado, as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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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, 2014 and 2013, 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 10-20 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Schedule of Pledged Revenues and Expenses for Series 2007 and 2012 Revenue Bonds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Revenues and Expenses for Series 2007 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 November 4, 2014, on our consideration of the College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control over financial reporting and compliance.



Wall, Smith, Bateman Inc.
November 4, 2014

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

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, 2014 and 2013 (FY 2014 and 2013 or fiscal years 2014 and 2013, respectively), with comparative information for fiscal year 2012. 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 education and general budget.

Understanding the Financial Statements

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

- ***Report of Independent Auditors*** presents an unmodified opinion prepared by the College's auditors (an independent certified public accounting firm, Wall, Smith, Bateman Inc.) on the fairness, in all material respects, of the College and its discretely presented component unit's respective financial position.
- ***Statement of Net Position*** presents the assets, liabilities, and net position of the College as of June 30, 2014 and 2013. 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, 2014 and 2013. 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, 2014 and 2013. 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.

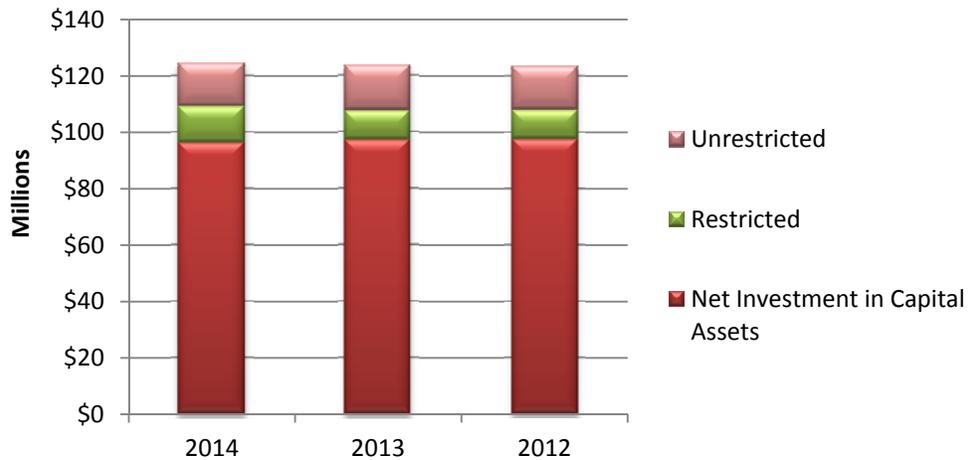
FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2014:

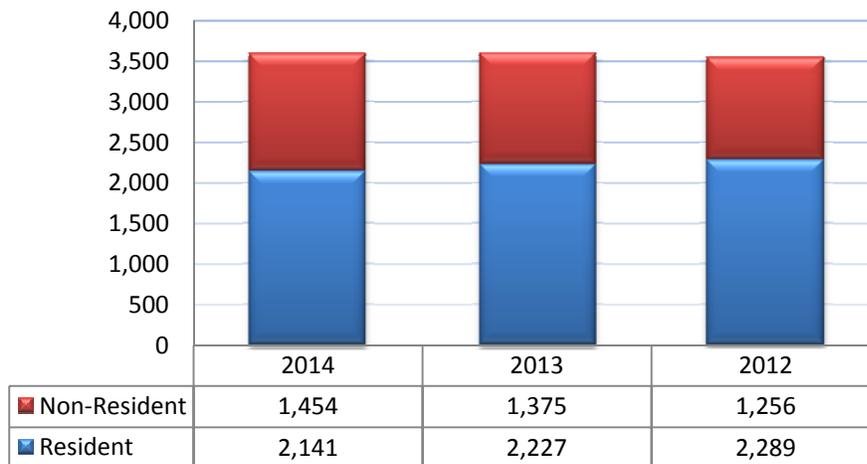
- **Net Position** -- The College's financial position, as a whole, improved during the year ended June 30, 2014. The combined net position rose by \$1,271,723 from \$123,181,699 to \$124,453,422.

Net Position at Year End



- **Enrollment** -- Overall full-time equivalent (FTE) enrollment decreased by 0.2% in FY 2014; in-state enrollment declined by 3.9% while out-of-state enrollment grew approximately 5.7%. Overall, fiscal year 2014 FTE enrollment is down from prior year FTE enrollment by 8 students as a result of the combination of the three summer sessions into one session (per FTE reporting requirements, FTE is reported in the year the applicable semester is complete). Fall 2014 headcount, based on original fall census reports was 4.2% higher than the prior year, with resident headcount down by 1.7% and nonresident headcount up by approximately 14%. Native American Tuition Waiver fall headcount enrollment increased by 14.4% from FY 2013 to FY 2014. As a result of the increased admission standards implemented in 2008, the College has seen an increase in overall retention rates from 56% for the fall 2006 class to 65% for the fall 2013 class.

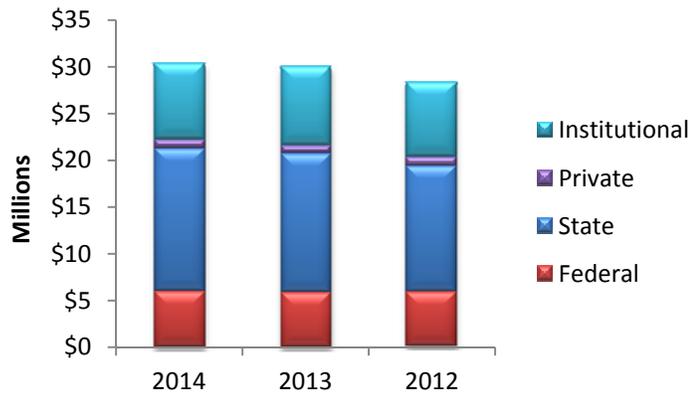
FTE Enrollment



FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

- Scholarships** –The discount rate for 2014 (adjusted for the effect of the Native American Tuition Waiver) was 31.0%. Scholarship awards have been increased as part of the overall enrollment management strategy; the College believes that its enrollment management initiatives have produced positive results in both recruitment of new students and retention of continuing students. Financial Aid Awards over the past three fiscal years are depicted below. State-funded financial aid includes the Native American Tuition Waiver.

Financial Aid



- State Funding** – Funding for Higher Education in the State of Colorado is allocated in two ways: College Opportunity Fund (COF) stipends and Fee for Service (FFS) contracts. The following table provides the combined COF and FFS received by the College between FY 2012 and FY 2014.

	FY 2014	FY 2013	FY 2012
Total State Funding	\$ 9,540,320	\$ 9,186,240	\$ 9,323,117
Change from Previous Year	3.9%	-1.5%	

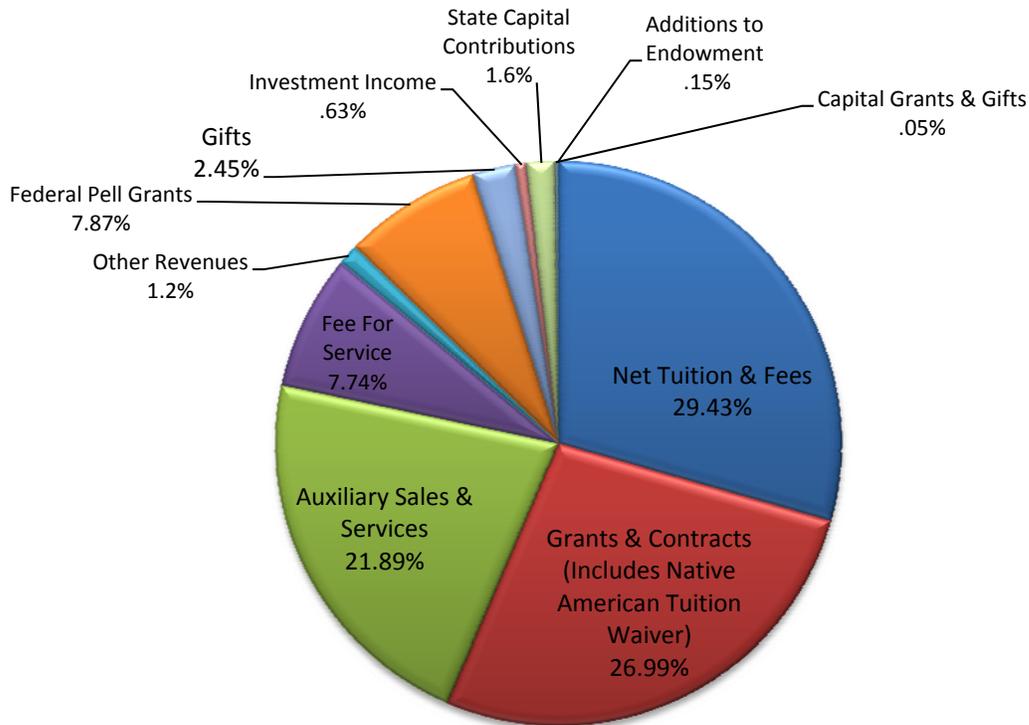
In addition to regular State funding, Fort Lewis College also receives reimbursement from the State for tuition waived to qualified Native American students, as a result of a 1911 Federal mandate. The reimbursement is funded one year in arrears; the tuition waived is paid in the following year. The funding received for Native American Tuition waivers is considered financial aid, as the waiver directly benefits the students. The College has pursued legislation that would require the Federal government to reimburse a portion of this tuition, without success to date. The following table represents the Native American tuition reimbursement received between FY 2012 and FY 2014.

	FY 2014	FY 2013	FY 2012
Native American Tuition Reimbursement	\$ 14,466,230	\$ 12,773,557	\$ 11,785,002
Change from Previous Year	13.3%	8.4%	

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

- **Total revenues** received in FY 2014 were \$72,238,952 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.

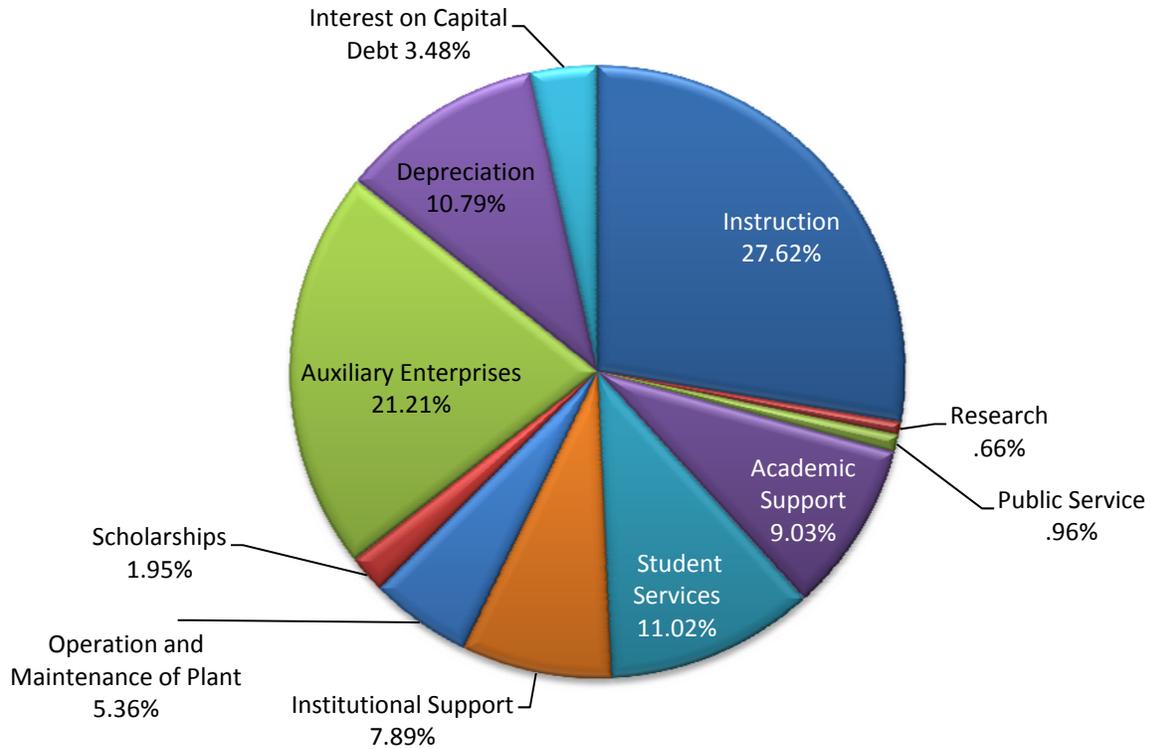
2014 Sources of Revenue



FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

- **Total expenses** for FY 2014 were \$70,967,229 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.

2014 Expenses



FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

Year Ended June 30, 2013:

- λ **Net Position** -- The College's financial position, as a whole, improved during the year ended June 30, 2013. The combined net position increased by \$111,592 from \$123,070,107 to \$123,181,699 .
- λ **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.
- λ **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.
- λ **Finish in Four!** - 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.
- λ **Graduate Program** -- 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.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

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.

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

Condensed Statements of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current Assets	\$33,761,145	\$32,610,529	\$31,450,751
Noncurrent Assets	<u>154,746,459</u>	<u>156,904,243</u>	<u>160,871,918</u>
Total Assets	<u>188,507,604</u>	<u>189,514,772</u>	<u>192,322,669</u>
Deferred Outflows of Resources	<u>95,126</u>	<u>112,648</u>	<u>130,170</u>
Current Liabilities	10,554,818	11,309,143	12,084,289
Noncurrent Liabilities	<u>53,594,490</u>	<u>55,136,578</u>	<u>56,891,572</u>
Total Liabilities	<u>64,149,308</u>	<u>66,445,721</u>	<u>68,975,861</u>
Net Position :			
Net Investment in Capital Assets	96,179,392	97,211,225	97,653,455
Restricted	12,901,981	10,195,759	10,339,956
Unrestricted	<u>15,372,049</u>	<u>15,774,715</u>	<u>15,483,567</u>
Total Net Position	<u>\$124,453,422</u>	<u>\$123,181,699</u>	123,476,978
GASB 65 Restatement			<u>(406,871)</u>
Restated Total Net Position			<u>\$123,070,107</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

λ **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

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
Operating Revenues			
Tuition and Fees, Net	\$21,260,718	\$19,926,937	\$18,331,169
Grants and Contracts	19,499,387	17,996,166	17,338,331
Auxiliary Services, Net	15,811,083	15,090,166	14,246,078
Other	<u>6,457,817</u>	<u>6,204,005</u>	<u>5,479,686</u>
Total Operating Revenues	<u>63,029,005</u>	<u>59,217,274</u>	<u>55,395,264</u>
Operating Expenses	<u>68,476,182</u>	<u>64,252,597</u>	<u>62,435,906</u>
Net Operating Revenues (Expenses)	<u>(5,447,177)</u>	<u>(5,035,323)</u>	<u>(7,040,642)</u>
Non-operating Revenues (Expenses):			
Federal Pell Grants	5,684,799	5,642,678	5,650,742
Other Net Non-operating Revenues (Expenses)	<u>(257,341)</u>	<u>(846,164)</u>	<u>(252,066)</u>
Net Non-operating Revenues	<u>5,427,458</u>	<u>4,796,514</u>	<u>5,398,676</u>
Income (Loss) Before Other Revenues, Expenses, or Transfers	(19,719)	(238,809)	(1,641,966)
Gain (Loss) on Disposal of Assets	(6,124)	(371)	(21,955)
State Capital Contributions	1,155,773	95,928	66,412
Capital Grants and Gifts	32,551	34,789	590,441
Additions to Endowments	<u>109,242</u>	<u>220,055</u>	<u>220,692</u>
Increase (Decrease) in Net Position	1,271,723	111,592	(786,376)
Net Position – Beginning of Year	<u>123,181,699</u>	<u>123,070,107</u>	124,263,354
Restatement, GASB 65			<u>(406,871)</u>
Net Position – End of Year	<u>\$124,453,422</u>	<u>\$123,181,699</u>	<u>\$123,070,107</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

CAPITAL ASSETS

At June 30, 2014, the College had approximately \$149.4 million net investment in capital assets of \$93.3 million. Depreciation charges were \$7.7 million for the year ended June 30, 2014. At June 30, 2013, the College had approximately \$151.7 million net investment in capital assets of \$86.0 million. Depreciation charges were \$7.3 million for the year ended June 30, 2013. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Land	\$106,301	\$106,301	\$106,301
Construction in Progress	3,645,509	415,848	7,665,262
Collections	1,294,177	1,280,766	1,258,682
Land Improvements, Net	10,162,078	10,716,248	10,424,792
Buildings and Improvements, Net	130,976,732	135,738,942	131,216,205
Equipment, Net	2,626,644	2,863,793	2,290,086
Library Materials, Net	<u>589,650</u>	<u>612,701</u>	<u>644,182</u>
Total	<u>\$149,401,091</u>	<u>\$151,734,599</u>	<u>\$153,605,510</u>

Major capital additions completed in FY 2014 and the resources that funded their acquisition include:

Aquatic Center Pool Upgrades, funded by the State	\$ 592,609
Engineering Department Improvements, funded by the College	374,305
Emergency Boiler Reed Library, funded by the State	216,230

The following significant capital projects were in progress at June 30, 2014:

Bader/Snyder Residence Hall Improvements, funded by the College	\$3,046,441
Theater Department Improvements, funded by the State	170,678

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

Energy Savings Performance Contract, funded by the College	\$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, 2014 AND 2013

DEBT

At June 30, 2014, 2013 and 2012, the College had approximately \$53.5 million, \$55.2 million, and \$56.7 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, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Auxiliary Revenue Bonds, Net	\$53,521,909	\$55,232,987	\$56,728,093
Total	<u>\$53,521,909</u>	<u>\$55,232,987</u>	<u>\$56,728,093</u>

OTHER HIGHLIGHTS

- λ **Graduate Program** – The College’s first ever graduate program began in Fall 2013 with a full cohort of 26 students. The Master of Arts program in Teacher Leadership is a two-year graduate program with significant development in the fundamentals of action research, as well as competencies in technology, culturally responsive teaching, assessment, instructional coaching, differential instruction, and leadership.

- λ **Finish in Four!** – The College is providing a \$500 per semester scholarship and priority registration for classes every semester to eligible students who commit to the Finish in Four! program. 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, while the College guarantees that they can enroll for the classes. Up to \$3,500 is available to participating students under this program.

- λ **Investment Legislation** – During the 2013 Colorado legislative session, legislation (HB13-1297) was passed that granted investment authority to the institution. Prior to the enactment of HB 13-1297, funds collected by the Board of Trustees had to be held and invested by the State Treasurer. The legislation allows the Board to choose investment options not typically afforded the State Treasurer’s office, essentially providing the College with the flexibility to tailor its investment strategies to best achieve growth of long-term financial assets, such as endowments or other internally restricted funds. As part of this authority, an Investment Advisory Committee will be formed in fiscal year 2015.

- λ **Higher Learning Commission Accreditation** - The College has begun the process for reaccreditation by the Higher Learning Commission. As a part of this process, a major Quality Initiative was undertaken entitled “Maps to Student Success: Implementation of a Degree Tracking System”, which is intended to transform a loosely coupled system of course offering and course taking into a tightly united system. In addition, teams were formed to address accreditation criteria, including Criterion One, Mission; Criterion Two, Integrity: Ethical and Responsible Conduct; Criterion Three, Teaching and Learning: Quality, Resources, and Support; Criterion Four, Teaching and Learning: Evaluation and Improvement; and Criterion Five, Resources, Planning and Institutional Effectiveness. The Higher Learning Commission will be visiting the College in the fall of 2015.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

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 continues to engage consultants in both financial aid leveraging and marketing to develop strategic enrollment management plans.

Capital Construction

The College has received State funding to build a new Geosciences, Physics and Engineering Building. The new facility will increase educational opportunities for students and address the rapidly increasing enrollments in geosciences, physics and engineering programs.

A portion of Berndt Hall that has housed these programs has been demolished to make room for a new facility that is more than 3 times larger (over 60,000 square feet), including much needed laboratory spaces, tutoring rooms, student study rooms, modern "smart" lecture rooms, laboratory preparation and storage rooms, dedicated research rooms, conference rooms and department, faculty and support staff offices,

The estimated cost of the new Geosciences, Physics and Engineering Building is \$35 million. Funding from the State of Colorado in the amount of \$2.0 million for the design of the new building was received in 2008 and the design process was completed in 2010. State funding of \$10.0 million will be received for fiscal year 2015, with another \$10.8 million contingent on State revenue receipts. Additional State funding of \$8.3 million will be needed in fiscal year 2016 and the College has committed to raise matching funding of \$4.2 million in the next 2 years. Completion of the new facility is expected in Fall 2016.

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 2009, funding from the State for Fort Lewis College has decreased by 25%. 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 2015 budget process, the College took a five-year view of 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
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

ASSETS	2014	2013 Restated
Current Assets:		
Cash and Cash Equivalents	\$31,411,996	\$30,144,787
Student Accounts Receivable, Net	766,839	514,454
Accounts Receivable - Fort Lewis College Foundation	210,823	85,118
Other Accounts Receivable	791,490	1,332,637
Student Loans Receivable, Net	257,666	222,345
Inventories	29,365	30,763
Prepaid Expense	292,966	280,425
Total Current Assets	<u>33,761,145</u>	<u>32,610,529</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,565,040	3,413,367
Student Loans Receivable, Net	1,575,244	1,539,287
Other Non-current Assets	205,084	216,990
Nondepreciable Capital Assets:		
Land and Improvements	126,985	126,985
Construction in Progress	3,645,509	415,848
Collections	1,294,177	1,280,766
Total Nondepreciable Capital Assets	<u>5,066,671</u>	<u>1,823,599</u>
Depreciable Capital Assets:		
Land Improvements, Net	10,141,394	10,695,564
Buildings and Improvements, Net	130,976,732	135,738,942
Equipment, Net	2,626,644	2,863,793
Library Materials, Net	589,650	612,701
Total Depreciable Capital Assets, Net	<u>144,334,420</u>	<u>149,911,000</u>
Total Noncurrent Assets	<u>154,746,459</u>	<u>156,904,243</u>
Total Assets	<u>188,507,604</u>	<u>189,514,772</u>
Deferred Outflows of Resources		
Loss on Bond Refundings	95,126	112,648
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,270,002	2,361,741
Accrued Liabilities	5,916,706	5,723,035
Unearned Revenue	1,057,925	941,620
Deposits Held for Others	284,217	352,097
Bonds Payable, Current Portion	1,822,356	1,725,995
Compensated Absence Liabilities	203,612	204,655
Total Current Liabilities	<u>10,554,818</u>	<u>11,309,143</u>
Noncurrent Liabilities:		
Bonds Payable, Net	51,699,553	53,506,992
Compensated Absence Liabilities	1,894,937	1,629,586
Total Noncurrent Liabilities	<u>53,594,490</u>	<u>55,136,578</u>
Total Liabilities	<u>64,149,308</u>	<u>66,445,721</u>
NET POSITION		
Net Investment in Capital Assets	96,179,392	97,211,225
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Endowment	1,278,089	1,202,068
Other	11,482,243	8,852,042
Unrestricted	15,372,049	15,774,715
Total Net Position	<u>\$124,453,422</u>	<u>\$123,181,699</u>

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS	2014	2013
	<u> </u>	<u> </u>
Pooled Cash and Cash Equivalents	\$ 632,332	\$ 1,092,619
Pooled Investments	16,239,443	14,404,265
Pledges Receivable	50,000	40,149
Beneficial Interest in Assets Held by Others	520,208	80,355
Accounts Receivable	-	352
Tangible Assets, Net	<u>7,910,394</u>	<u>7,927,778</u>
TOTAL ASSETS	<u><u>\$ 25,352,377</u></u>	<u><u>\$ 23,545,518</u></u>
 LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,247	\$ 195
Accounts Payable - Fort Lewis College	210,823	85,118
Gift Annuity Obligation Payable	106,122	5,248
Line of Credit Payable	<u>1,143,071</u>	<u>1,256,860</u>
TOTAL LIABILITIES	<u>1,461,263</u>	<u>1,347,421</u>
 NET ASSETS		
Unrestricted		
General Unrestricted	1,037,066	1,021,046
Board Designated Endowments	1,279,917	1,227,208
Other Board Designations	-	1,608
Gifts-in-Kind and Other Tangible Assets	<u>1,675,854</u>	<u>290,104</u>
Total Unrestricted Net Assets	<u>3,992,837</u>	<u>2,539,966</u>
Temporarily Restricted		
Scholarships, Awards, and Other	6,723,878	6,118,388
Endowment Funds	1,171,670	1,036,315
Gifts-in-Kind and Other Tangible Assets	<u>3,439,995</u>	<u>4,843,129</u>
Total Temporarily Restricted Net Assets	<u>11,335,543</u>	<u>11,997,832</u>
Permanently Restricted		
Endowment Funds	5,768,189	4,865,754
Gifts-in-Kind	<u>2,794,545</u>	<u>2,794,545</u>
Total Permanently Restricted Net Assets	<u>8,562,734</u>	<u>7,660,299</u>
TOTAL NET ASSETS	<u>23,891,114</u>	<u>22,198,097</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 25,352,377</u></u>	<u><u>\$ 23,545,518</u></u>

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

FORT LEWIS COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2014 and 2013

REVENUES	<u>2014</u>	<u>2013</u> <u>Restated</u>
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$7,011,065 - 2014 and \$6,583,293 - 2013, net of scholarship allowances of \$27,825,510 - 2014 and \$26,104,264 - 2013 and net of bad debt of \$ 101,452 - 2014 and \$65,663 - 2013)	\$21,260,718	\$19,926,937
Federal Grants and Contracts	2,373,833	2,895,214
State and Local Grants and Contracts	15,894,939	14,009,072
Non-Governmental Grants and Contracts (including pledged revenues of \$340,000 - 2014 and 2013)	1,230,615	1,091,880
Auxiliary Enterprises (including pledged revenues of \$15,441,830 - 2014 and \$14,662,690 - 2013, net of scholarship allowances of \$1,262,858 - 2014 and \$1,257,337 - 2013, and net of bad debt of \$105,979 - 2014 and \$105,565 - 2013)	15,811,083	15,090,166
Fee For Service Contract Revenue	5,593,884	5,314,557
Other Operating Revenues (net of bad debt of \$6,347 - 2014 and \$3,927 - 2013)	863,933	889,448
Total Operating Revenues	<u>63,029,005</u>	<u>59,217,274</u>
 EXPENSES		
Operating Expenses:		
Instruction	19,599,943	18,236,955
Research	471,677	517,847
Public Service	678,742	633,612
Academic Support	6,405,167	6,106,330
Student Services	7,823,914	7,440,473
Institutional Support	5,598,541	5,556,786
Operation and Maintenance of Plant	3,801,666	3,926,148
Scholarships and Fellowships	1,387,165	1,420,712
Auxiliary Enterprises	15,055,201	13,098,273
Depreciation	7,654,166	7,315,461
Total Operating Expenses	<u>68,476,182</u>	<u>64,252,597</u>
Operating Income (Loss)	<u>(5,447,177)</u>	<u>(5,035,323)</u>
 NONOPERATING REVENUES (EXPENSES)		
Federal Pell Grants	5,684,799	5,642,678
Gifts (including pledged revenues of \$20,950 - 2014 and \$50,641 - 2013)	1,769,668	1,644,639
Investment Income (including pledged revenues of \$94,209- 2014 and \$94,147 - 2013)	457,914	21,737
Interest Expense on Capital Debt	(2,473,017)	(2,499,382)
Other Nonoperating Expenses	(11,906)	(13,158)
Net Nonoperating Revenues	<u>5,427,458</u>	<u>4,796,514</u>
Income (loss) before other revenues, expenses, or transfers	(19,719)	(238,809)
 OTHER REVENUES, (EXPENSES), OR TRANSFERS		
Gain or (Loss) on Disposal of Assets	(6,124)	(371)
State Capital Contributions	1,155,773	95,928
Capital Grants & Gifts	32,551	34,789
Additions to Endowments	109,242	220,055
Increase (Decrease) in Net Position	<u>1,271,723</u>	<u>111,592</u>
 NET POSITION		
Net Position - Beginning of Year	123,181,699	123,476,978
Restatement	-	(406,871)
Restated Net Position - Beginning of Year	-	123,070,107
Net Position - End of Year	<u>\$124,453,422</u>	<u>\$123,181,699</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, 2014

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
NET ASSETS AT BEGINNING OF YEAR	\$ 2,539,966	\$ 11,997,832	\$ 7,660,299	\$ 22,198,097
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	170,444	1,461,250	160,033	1,791,727
Donations - Marketable Securities	-	42,647	318,775	361,422
Donations - Gifts-in-Kind	-	75,485	-	75,485
Investment Income, Net	378,703	1,688,761	-	2,067,464
Other Income	26,735	244,848	-	271,583
Subtotal	575,882	3,512,991	478,808	4,567,681
Net Assets Released from Restrictions	3,756,520	(3,756,520)	-	-
Total from Revenues, Gains, and Other Support	4,332,402	(243,529)	478,808	4,567,681
EXPENSES AND LOSSES				
Scholarships and Awards	921,846	-	-	921,846
Program Expenses	1,612,668	-	-	1,612,668
Fundraising	190,597	-	-	190,597
Management and General	149,553	-	-	149,553
Total Expenses and Losses	2,874,664	-	-	2,874,664
Changes in Donor Restrictions	(4,867)	(418,760)	423,627	-
Change in Net Assets for the Year	1,452,871	(662,289)	902,435	1,693,017
NET ASSETS AT END OF YEAR	<u>\$ 3,992,837</u>	<u>\$ 11,335,543</u>	<u>\$ 8,562,734</u>	<u>\$ 23,891,114</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 AT BEGINNING OF YEAR	\$ 2,578,684	\$ 11,041,897	\$ 7,591,115	\$ 21,211,696
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	129,490	1,904,128	53,492	2,087,110
Donations - Marketable Securities	-	70,076	-	70,076
Donations - Gifts-in-Kind	-	166,181	-	166,181
Investment Income, Net	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 Restrictions	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 Expenses	1,348,606	-	-	1,348,606
Fundraising	190,791	-	-	190,791
Management and General	140,071	-	-	140,071
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
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u> <u>Restated</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and Fees	\$ 21,307,054	\$ 19,873,529
Sales of Products	312,936	325,618
Sales of Services	21,311,650	19,641,833
Grants and Contracts	19,403,529	18,066,790
Student Loans Collected	371,537	300,208
Other Operating Receipts	986,302	963,266
Cash Payments:		
Scholarships Disbursed	(1,387,165)	(1,420,712)
Student Loans Disbursed	(492,464)	(376,928)
Payments to Suppliers	(19,312,274)	(17,707,668)
Payments to Employees	(40,062,498)	(38,537,511)
Other Operating Payments	(71,594)	(71,030)
Net Cash Provided (Used) by Operating Activities	<u>2,367,013</u>	<u>1,057,395</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Pell Grants	5,684,799	5,642,678
Gifts for Other than Capital Purposes	1,647,679	1,668,148
Agency Receipts	24,017,018	25,093,879
Agency Payments	(24,074,942)	(25,030,791)
Additions to Endowment	109,242	220,055
Net Cash Provided by Noncapital Financing Activities	<u>7,383,796</u>	<u>7,593,969</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Gifts	-	13,560
Proceeds from Sale of Capital Assets	19,557	2,500
Acquisition and Construction of Capital Assets	(4,553,771)	(5,285,095)
Principal Paid on Capital Debt	(1,725,995)	(1,510,024)
Interest on Capital Debt	(2,529,632)	(2,617,772)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,789,841)</u>	<u>(9,396,831)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	457,914	21,737
Net Cash Provided by Investing Activities	<u>457,914</u>	<u>21,737</u>
Net Increase (Decrease) in Cash	1,418,882	(723,730)
Cash - Beginning of Year	33,558,154	34,281,884
Cash - End of Year	<u>\$ 34,977,036</u>	<u>\$ 33,558,154</u>

(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, 2014 and 2013

	2014	2013 Restated
Reconciliation of Net Operating Revenues (Expenses) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (5,447,177)	\$ (5,035,323)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	7,654,166	7,315,461
Noncash Operating Transactions	395,450	(402,234)
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	(169,949)	191,584
Inventories	(1,398)	4,162
Prepaid Expense	12,541	18,779
Accounts Payable	(677,063)	(753,129)
Accrued Liabilities	251,992	(120,868)
Deferred Revenue	152,020	(152,996)
Deposits Held for Others	(67,877)	29,456
Compensated Absence Liabilities	264,308	(37,497)
Net Cash Provided (Used) by Operating Activities	\$ 2,367,013	\$ 1,057,395
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State Capital Contributions	\$ 1,155,773	\$ 95,928
Gain (Loss) on Capital Asset Deletions	(6,124)	(371)

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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014, for the purposes stated above was \$2,258,544, which included \$1,005,388 for scholarships and \$459,151 of grant pass-through transactions. Transfers for the year ended June 30, 2013 were \$2,000,725, which included \$861,168 for scholarships and \$290,700 of grant pass-through transactions. Complete financial statements for the Foundation can be obtained from the Controller's Office at the College.

As defined by GASB Statement No. 61, the College is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 Position.

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 THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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>
Land Improvements	20-50
Buildings	10-40
Equipment and Software	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 Equivalent) status. Full-time professional exempt employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 480 hours, while full-time classified employees accrue sick leave at 6.66 hours per month with a maximum accrual of 360 hours for employees hired 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 THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

CLASSIFICATION OF REVENUES

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

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

Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include Federal Pell grants, gifts, investment income, and other nonoperating revenue.

APPLICATION OF RESTRICTED AND UNRESTRICTED RESOURCES

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

RESTATEMENT OF 2013 FINANCIAL STATEMENTS

The College restated the Statement of Net Position as of June 30, 2013 and Statement of Revenue, Expenses and Changes in Net Position for the Year Ended June 30, 2013 to account for debt issuance costs per GASB 65. The impact of the GASB 65 restatement on the Statement of Net Position as of June 30, 2013 was a reduction in the Beginning Net Position of \$406,871. The impact of the restatement on the Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2013 was a reduction in Other Nonoperating Expenses of \$26,896 with a related increase to the change in Net Position.

RECLASSIFICATIONS

Certain amounts in 2013 have been reclassified to conform to the 2014 financial statement presentation.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

During 2014, the College adopted the provisions of the following Governmental Accounting Standards Board (GASB) pronouncements:

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, were recognized as an expense in the period incurred.

In the next fiscal year, the College will adopt the provisions of the following Governmental Accounting Standards Board (GASB) pronouncements:

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.

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>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2: CASH AND CASH EQUIVALENTS

Fort Lewis College (College) deposits its cash with the Colorado State Treasurer. The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2014, Fort Lewis College had cash on deposit with the State Treasurer of \$27,522,323, which represented approximately 0.37 percent of the total \$7,455.0 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 Fort Lewis College and the Colorado School of Mines. 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, Colorado Mesa University, and the Colorado School of Mines. The Fort Lewis College Board of Trustees did not exercise its investment authority for the year ended June 30, 2014.

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 are \$120,779 and \$48,805 at June 30, 2014 and June 30, 2013, 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, 2014, 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, 2014, approximately 87.0 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$15,235,458 of corporate bonds rated lower medium and \$25,428,000 of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

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, 2014, the weighted average maturity of investments in the Treasurer's Pool is 0.043 years for Commercial Paper (1.0 percent of the Pool), 1.424 years for U.S. Government Securities (55.8 percent of the Pool), 3.033 years for Asset Backed Securities (19.9 percent of the Pool), and 2.766 years for Corporate Bonds (23.3 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2013-14.

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, 2014.

As of June 30, 2014, the carrying amount of the College's cash was \$7,333,934. The cash included petty cash and change funds of \$6,702 and bank deposits of \$7,327,232. The bank balance of the deposits was \$7,599,555. 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, 2013, 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.

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 THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3: FORT LEWIS COLLEGE FOUNDATION BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation has a beneficial interest in assets held and managed by the Wells Fargo Bank trust department and reports them at fair market value.

Beneficial interest in assets held by others as of June 30, 2014 and 2013 are summarized as follows:

	2014		
	Cost Basis	Fair Value	Unrealized Appreciation
Cash and Cash Equivalents	\$ 14,038	\$ 14,038	\$ -
Investments			
Fixed Income	122,909	134,314	11,405
Equities	268,790	371,856	103,066
Total Investments	391,699	506,170	114,471
Total Cash and Investments	\$ 405,737	\$ 520,208	\$ 114,471
	2013		
	Cost Basis	Fair Value	Unrealized Appreciation
Cash and Cash Equivalents	\$ 8,677	\$ 8,677	\$ -
Investments			
Fixed Income	12,279	12,878	599
Equities	48,199	58,800	10,601
Total Investments	60,478	71,678	11,200
Total Cash and Investments	\$ 69,155	\$ 80,355	\$ 11,200

During the year ended June 30, 2014, net realized gains of \$3,395 were recognized on these investments. There were no unrealized gains as of June 30, 2014. During the year ended June 30, 2013, net realized gains of \$1,027 were recognized along with net unrealized gains of \$3,544.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014 and 2013, the Accounts Receivable balances are comprised of:

	2014	2013
Student Accounts Receivable	\$ 1,814,073	\$ 1,310,857
Less: Allowance for Doubtful Accounts	(1,047,234)	(796,403)
Student Accounts Receivable, Net	766,839	514,454
Student Loans Receivable	2,149,485	2,028,557
Less: Allowance for Doubtful Accounts	(316,575)	(266,925)
Student Loans Receivable, Net	1,832,910	1,761,632
Accounts Receivable - Fort Lewis College Foundation	210,823	85,118
Other Accounts Receivable		
Sponsored Programs	317,659	259,689
Conferences & Summer Programs	245,882	468,570
Other	227,949	604,378
Other Accounts Receivable	791,490	1,332,637
Total Receivables, Net	\$ 3,602,062	\$ 3,693,841

NOTE 5: CAPITAL ASSETS

The College's capital asset activity for the year ended June 30, 2014, was as follows:

	Balance 6/30/2013	Additions	Deletions	Transfers	Balance 6/30/2014
Land	\$ 106,301	\$ -	\$ -	\$ -	\$ 106,301
Land Improvements	20,933,618	193,891	-	66,973	21,194,482
Buildings and Improvements	203,315,638	1,121,255	-	182,531	204,619,424
Construction in Progress	415,848	3,487,487	8,322	(249,504)	3,645,509
Equipment	7,928,111	437,538	361,672	-	8,003,977
Software	1,007,400	37,924	-	-	1,045,324
Library Materials	2,767,786	63,155	37,780	-	2,793,161
Capitalized Collections	1,280,766	13,411	-	-	1,294,177
Total	237,755,468	5,354,661	407,774	-	242,702,355
Less Accumulated Depreciation:					
Land Improvements	10,217,370	815,034	-	-	11,032,404
Buildings and Improvements	67,576,696	6,065,996	-	-	73,642,692
Equipment	5,322,482	575,567	335,991	-	5,562,058
Software	749,236	111,363	-	-	860,599
Library Materials	2,155,085	86,206	37,780	-	2,203,511
Total Accumulated Depreciation	86,020,869	7,654,166	373,771	-	93,301,264
Capital Assets, Net	\$ 151,734,599	\$ (2,299,505)	\$ 34,003	\$ -	\$ 149,401,091

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5: CAPITAL ASSETS (continued)

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	7,928,111
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>\$ (1,812,282)</u>	<u>\$ 58,629</u>	<u>\$ -</u>	<u>\$ 151,734,599</u>

The construction in progress balances include \$0 of capitalized interest for the each of the years ended June 30, 2014 and 2013. The building balances include \$170,073 of capitalized interest for both of the years ended June 30, 2014 and 2013.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7: ACCRUED LIABILITIES

At June 30, 2014 and 2013, the types and amounts of accrued liabilities, as presented on the Statements of Net Position, are comprised of:

	<u>2014</u>	<u>2013</u>
Accrued Payroll & Benefits	\$ 5,129,277	\$ 4,871,811
Accrued Interest Payable	619,226	708,281
Contractor Retainage	123,683	23,747
Other Liabilities	44,520	119,196
Total	<u>\$ 5,916,706</u>	<u>\$ 5,723,035</u>

NOTE 8: UNEARNED REVENUE

At June 30, 2014 and 2013, the types and amounts of unearned revenue, as presented on the Statements of Net Position, are comprised of:

	<u>2014</u>	<u>2013</u>
Tuition and Fees	\$ 376,540	\$ 261,686
Auxiliary Enterprises	284,451	272,916
Grants and Contracts	396,934	406,998
Miscellaneous	-	20
Total	<u>\$ 1,057,925</u>	<u>\$ 941,620</u>

NOTE 9: LONG-TERM LIABILITIES

The College's long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2014</u>	<u>Current</u> <u>Portion</u>
Bonds Payable:					
Revenue Bonds	\$ 55,699,976	\$ -	\$ (1,725,995)	\$ 53,973,981	\$ 1,822,356
Bond Discount	(466,989)	-	14,917	(452,072)	-
Total Bonds Payable	<u>55,232,987</u>	<u>-</u>	<u>(1,711,078)</u>	<u>53,521,909</u>	<u>1,822,356</u>
Other Liabilities:					
Compensated Absences	1,834,241	415,162	(150,854)	2,098,549	203,612
Total Other Liabilities	<u>1,834,241</u>	<u>415,162</u>	<u>(150,854)</u>	<u>2,098,549</u>	<u>203,612</u>
Total Long-Term Liabilities	<u>\$ 57,067,228</u>	<u>\$ 415,162</u>	<u>\$ (1,861,932)</u>	<u>\$ 55,620,458</u>	<u>\$ 2,025,968</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 9: LONG-TERM LIABILITIES (continued)

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

	Balance 6/30/2012	Additions	Reductions	Balance 6/30/2013	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	56,728,094	-	(1,495,107)	55,232,987	1,725,995
Other Liabilities:					
Compensated Absences	1,871,738	116,143	(153,640)	1,834,241	204,655
Total Other Liabilities	1,871,738	116,143	(153,640)	1,834,241	204,655
 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>

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 \$95,126 and \$112,648 at June 30, 2014 and 2013, respectively.

On December 4, 2007, the College issued the Series 2007 Revenue Bonds in the amount of \$55,785,000 to finance construction of a new residence hall, to renovate and enlarge the student union building, and to refund the College's existing debt. The 2007 Revenue Bonds bear interest at rates ranging from 4% to 5.56%. On February 28, 2012, the College issued the Series 2012 Revenue Bonds in the amount of \$6,520,000 to finance various energy conservation improvements to the Fort Lewis College campus. The 2012 Revenue bonds bear interest at 3.8%.

NOTE10: BONDS PAYABLE

The following table describes future debt service requirements:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,822,356	\$ 2,451,215	\$ 4,273,571
2016	1,919,684	2,366,398	4,286,082
2017	2,023,027	2,275,626	4,298,653
2018	2,132,435	2,179,747	4,312,182
2019	2,237,958	2,084,886	4,322,844
2020-2024	9,560,625	9,218,925	18,779,550
2025-2029	12,380,163	6,780,356	19,160,519
2030-2034	13,652,733	3,602,223	17,254,956
2035-2037	8,245,000	850,375	9,095,375
Total	<u>\$ 53,973,981</u>	<u>\$ 31,809,751</u>	<u>\$ 85,783,732</u>

FORT LEWIS COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

NOTE 10: BONDS PAYABLE (continued)

Principal and interest are payable solely from Net Pledged Revenues which consist of gross revenues derived from the operation of the College's pledged operations, a portion of tuition, and pledged student fees as shown in the Series 2007 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 including vehicles and copy machines 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, 2014:

<u>Year ending June 30,</u>	
2015	\$ 79,830
2016	76,645
2017	7,751
2018	-
2019	-
Total	<u>\$ 164,226</u>

NOTE 12: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2014 and 2013 are:

	<u>2014</u>	<u>2013</u>
Education and General	\$ 438,983	\$ 396,808
Auxiliary Enterprises	273,939	1,127,165
Restricted Funds	98,657	345,833
Plant Funds	786,867	875,298
Total	<u>\$ 1,598,446</u>	<u>\$ 2,745,104</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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 13: SCHOLARSHIP ALLOWANCE (continued)

Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2014 and 2013, were as follows:

	Tuition and Fees	Auxiliary Revenue	6/30/14 Total	6/30/13 Total
Gross Revenue	\$ 49,086,228	\$ 17,073,941	\$ 66,160,169	\$ 62,378,704
Scholarship Allowances:				
Federal	(4,969,322)	(469,752)	(5,439,074)	(4,866,176)
State (Includes Native American Tuition Waivers)	(15,194,259)	(68,820)	(15,263,079)	(14,715,475)
Private	(807,261)	(76,311)	(883,572)	(736,575)
Institutional	(6,854,668)	(647,975)	(7,502,643)	(7,043,375)
Total Scholarship Allowances	<u>(27,825,510)</u>	<u>(1,262,858)</u>	<u>(29,088,368)</u>	<u>(27,361,601)</u>
Net Revenue	<u>\$ 21,260,718</u>	<u>\$ 15,811,083</u>	<u>\$ 37,071,801</u>	<u>\$ 35,017,103</u>

NOTE 14: SPENDING LIMITATIONS

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

In February, 2005, the Board of Trustees designated the College as a TABOR enterprise pursuant to the statute and in fiscal year 2006 the College began reporting its activity to the State as an enterprise. During the fiscal years ended June 30, 2006 through 2008, the College maintained its TABOR enterprise status. In fiscal years 2009 and 2010, the College received 13.6% and 11.5%, respectively, of its total annual revenue in state grants which resulted in the loss of its TABOR enterprise designation. The increase in state revenues for both 2009 and 2010 related to funding received for capital construction projects, particularly the reconstruction of Berndt Hall for the Biology, Agriculture and Forestry programs. In fiscal year 2011, the College regained its TABOR enterprise status when the state-funded Biology construction project was completed and the College received only 1.5% in state grants. The College has maintained its TABOR enterprise status since 2011. The table shown below demonstrates the type and size of State grants to Fort Lewis College for the years ended June 30, 2014 and 2013, respectively.

State Support Calculation for TABOR Purposes :

	FY 2014	FY 2013
State Support:		
Capital Appropriations	\$ 1,155,773	\$ 95,928
Institutional Share of COP Debt Payments	-	180,182
Total State Support	<u>1,155,773</u>	<u>276,110</u>
Total Revenues (gross operating, nonoperating, and other revenues)	<u>\$ 72,123,586</u>	<u>\$ 66,656,674</u>
Ratio of State Grants to Total Revenues	<u>1.6%</u>	<u>0.4%</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 14: SPENDING LIMITATIONS (continued)

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.

For the years ended June 30, 2014 and 2013, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2014 and 2013, the College had a total appropriation of \$9,588,320 and \$9,234,240, 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.

The College's total payroll for the fiscal years ended June 30, 2014 and 2013 was \$32,458,508 and \$30,998,517, respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$8,763,897, \$20,577,169, and \$280,247, respectively for June 30, 2014 and \$9,036,932, \$19,231,647, and \$262,259, respectively for June 30, 2013. 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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 15: EMPLOYEE BENEFITS (continued)

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

- s 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.
- s 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.
- s 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.
- s 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.
- s 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:

- s 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.
- s 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.
- s Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- s 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:

- s Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- s 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.)

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 15: EMPLOYEE BENEFITS (continued)

- s 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.

From July 1, 2013, to December 31, 2013, the College contributed 16.55 percent of the employee's salary. From January 1, 2014, through June 30, 2014, the College contributed 17.45 percent. During all of Fiscal Year 2013-14, 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, 2013, the division of PERA in which the College participates has a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 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 2018, to a maximum of 4.5 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 2018, to a maximum of 5.5 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, 2014, 2013, and 2012 were \$1,382,743, \$1,347,586, and \$1,062,738, respectively. These contributions met the contribution requirement for each year.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 15: EMPLOYEE BENEFITS (continued)

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 \$2,345,797 for the fiscal year ended June 30, 2014, and \$2,192,408 for the fiscal year ended June 30, 2013. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,646,174 for the fiscal year ended June 30, 2014 and \$1,538,532 for the fiscal year ended June 30, 2013.

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, 2014 and 2013 was \$21,019 and \$19,669, 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, 2014 and 2013 was \$3,857,299 and \$3,553,891, respectively.

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 17: OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE (Continued)

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 \$109,417, \$108,927, and \$96,444 as required by statute in Fiscal Years 2013-14, 2012-13, and 2011-12, 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, 2013, there were 53,041 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.26 billion, a funded ratio of 18.8 percent, and a 30-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, 2013, the plan had 4,719 participants.

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 2013, 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 \$17,500. 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 2013, for total contributions of \$23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 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, 2014, there were 13 participants in post-retirement coverage from the eight member higher education institutions. Two of those participants retired from Fort Lewis College.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 17: POST-EMPLOYMENT BENEFITS (Continued)

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 \$786,867 as of June 30, 2014. 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 \$10,863,367 as of June 30, 2014.

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 THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 19: RISK FINANCING AND INSURANCE -RELATED ACTIVITIES

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

Coverage	Company		Limit (\$)	Deductible (\$)
Property - Buildings	Hanover	\$	398,436,486	\$ 10,000
Property - Computers	Hanover		3,369,044	10,000
Property - Equipment	Hanover		18,277,682	10,000
Inland Marine	Hanover		1,000,000	1,000
Crime	Hanover		1,000,000	10,000
General Liability	Hanover		2,000,000	-
Sexual Misconduct or Molestation	Hanover		1,000,000	-
School Educators Legal Liability	Hanover		1,000,000	2,500
Employee Benefits Liability	Hanover		1,000,000	2,500
Law Enforcement Professional Liability	Hanover		1,000,000	2,500
Fine Arts	Hanover		5,000,000	2,500
Commercial Auto	Hanover		1,000,000	1,000
Hired & Non-Owned Auto	Hanover		1,000,000	500
Workers' Compensation	Pinnacol Assurance		500,000	5,000
Excess	Hanover		10,000,000	10,000
Medical Professional	Hanover		3,000,000	-
Tenant Liability	Philadelphia		2,000,000	-
Foreign General Liability	Chartis - World Source		6,000,000	-

The College became fully insured through several insurance companies for worker's compensation in 2010 and for property and liability in 2011. The College is insured for everything above its deductible. The coverage in fiscal year 2014 is consistent with previous years and there have been no significant reductions in coverage or settlements exceeding coverages.

SUPPLEMENTAL INFORMATION

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

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Residence Halls and Apartments	\$ 7,994,335	\$ 7,592,605
Campus Food Service	4,742,621	4,372,059
Bookstore	250,000	250,000
Student Union	2,315,135	2,213,246
Campus Parking	434,879	411,865
Child Development Center	406,277	377,895
Central Services	308,029	310,647
Recreation Center	2,439,479	2,247,945
Conferences & Summer Programs	1,036,343	1,140,078
Health and Counseling Center	648,685	638,016
10% Student Tuition	2,335,894	2,176,648
Indirect Cost Recovery	220,722	223,282
Total Revenues	23,132,399	21,954,286
OPERATING EXPENSES		
Residence Halls and Apartments	4,149,801	3,765,040
Campus Food Service	3,075,221	2,813,172
Bookstore	5,014	4,976
Student Union	1,031,663	1,041,303
Campus Parking	88,550	112,278
Child Development Center	409,245	349,545
Central Services	1,191,731	1,013,310
Recreation Center	2,252,768	2,010,847
Conferences & Summer Programs	728,968	769,642
Health and Counseling Center	742,505	727,283
Total Operating Expenses	13,675,466	12,607,396
Net Operating Revenues (Expenses) before Transfers	9,456,933	9,346,890
TRANSFERS		
Mandatory transfers	4,082,281	3,967,391
Net Non-mandatory Transfers	2,807,103	1,808,631
Total Transfers	6,889,384	5,776,022
Net Change in fund balance	2,567,549	3,570,868
Net operating revenues (expenses)	9,456,933	9,346,890
Bond Principal and Interest	4,255,627	4,127,796
Excess of Net operating revenues (expenses) over debt service	\$ 5,201,306	\$ 5,219,094
Debt service coverage ratio	222%	226%

**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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 4, 2014. 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, 2014 and 2013. The financial statements of the discretely presented component unit, Fort Lewis College Foundation, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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.

Alamosa, Colorado

November 4, 2014



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, 2014 and 2013. 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 5, 2014. 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. 65, *Items Previously Reported as Assets and Liabilities*, during Fiscal Year 2014. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the College's financial statements were:

Management's estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2014. 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.

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

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. No misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements 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 auditors' 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 31, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Restriction On Use

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

Very truly yours,

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive script.

Wall, Smith, Bateman Inc.

November 4, 2014

**STATE-FUNDED STUDENT ASSISTANCE
PROGRAMS SECTION**

FORT LEWIS COLLEGE
STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the Year Ended June 30, 2014

INTRODUCTION

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

The financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2014, was directed toward the objectives and criteria set forth in the Colorado handbook for State-Funded Student Assistance Programs, issued by the Colorado Department on Higher Education (CDHE). The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the years ended June 30, 2014.

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

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

The state-funded student assistance awards made by the College were approximately \$1,135,462 for the fiscal year ending on June 30, 2014.

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

During the audit period, Fort Lewis College obtained authorizations to award federal student financial aid funds of \$5,679,411 in the Pell Grant Program, \$113,201 in the Supplemental Educational Opportunity Grant Program, \$156,041 in the College Work-Study Program and \$0 in the Perkins Student Loan Program.

During the fiscal year ended 2014, Fort Lewis College obtained authorizations to award Colorado student financial aid funds of \$870,005 in the Student Grant Program and \$265,457 in the Colorado Work Study Program.



Wall,
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Bateman Inc.

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

Members of the Legislative Audit Committee :

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) for Fort Lewis College (the College) for the year ended June 30, 2014. The Statement is the responsibility of the College's management. Our responsibility is to express an opinion on the Statement based on our audit.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2013-2014 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Certified Public Accountants

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Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance programs of the College for the year ended June 30, 2014, in accordance with the format as set forth in the *2013-14 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College described in Note 1 to the Statement.

Basis of Accounting

We draw attention to Note 1 to the Statement, which describes the basis of accounting. As described in Note 1 to the Statement, the Statement prepared by the College was prepared in accordance with the *2013-2014 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the statement of state-funded student assistance programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the College in conformity with accounting principles generally accepted in the United States of America.

Report Restriction

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have issued our report dated November 4, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Very truly yours,



Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 4, 2014

FORT LEWIS COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
FISCAL YEAR ENDED JUNE 30, 2014

	Total State-Funded Student Assistance	Colorado Need-based Grant	Colorado Work Study
Appropriations:			
Original	\$ 1,135,462	\$ 870,005	\$ 265,457
Supplementals	-	-	-
Totals	<u>1,135,462</u>	<u>870,005</u>	<u>265,457</u>
Expenditures	<u>1,135,462</u>	<u>870,005</u>	<u>265,457</u>
Reversions to State	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FORT LEWIS COLLEGE
NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES,
TRANSFERS AND REVERSIONS
FOR THE YEAR ENDED JUNE 30, 2014

BASIS OF ACCOUNTING

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

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