

**FORT LEWIS COLLEGE**

**FINANCIAL AND COMPLIANCE AUDIT**  
**Fiscal Years Ended June 30, 2003 and 2002**

**LEGISLATIVE AUDIT COMMITTEE  
2003 MEMBERS**

Senator Ron Tupa  
Chairman

Representative Tambor Williams  
Vice Chairman

Senator Norma Anderson  
Representative Fran Coleman  
Representative Pamela Rhodes  
Senator Stephanie Takis  
Senator Jack Taylor  
Representative Val Vigil

Office of the State Auditor Staff

Joanne Hill  
*State Auditor*

Sally Symanski  
*Deputy State Auditor*

# TABLE OF CONTENTS

	<u>Page</u>
Report Summary.....	1
Mission, History, Enrollment and Staffing.....	3
Independent Auditors' Report.....	6
Financial Statements Section	
Management Discussion and Analysis.....	8
Statements of Net Assets.....	13
Statements of Revenues, Expenses, and Changes in Net Assets.....	14
Statements of Cash Flows.....	15
Notes to the Financial Statements.....	17
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i> .....	30
Audit Committee Communications.....	31
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS SECTION	
State-Funded Student Assistance Programs.....	34
Independent Auditors' Report on Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs.....	35
Statement of Appropriations, Expenditures, Transfers and Reversions.....	37
Notes to Statement of Appropriations, Expenditures, Transfers and Reversions.....	38

**FORT LEWIS COLLEGE  
FINANCIAL AND COMPLIANCE AUDIT  
REPORT SUMMARY  
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**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. The 2003 audit was conducted under contract with Wall, Smith, Bateman and Associates, Inc. The audit was made in accordance with audit standards generally accepted in the United States of America. Audit work was performed during June through September 2003.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Fort Lewis College for the years ended June 30, 2003 and 2002 and to express an opinion on the financial statements. Review internal controls as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with rules and regulations governing the expenditures of federal and State funds.
- Express an opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2003.
- Evaluate progress in implementing prior audit recommendations.

**Audit Results and Summary of Major Audit Findings**

Wall, Smith, Bateman and Associates, Inc. expressed unqualified opinions on the financial statements for the years ended June 30, 2003 and 2002.

Wall, Smith, Bateman and Associates, Inc. also expressed an unqualified opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2003.

**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

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 no audit adjustments were required and there were no difficulties encountered in performing the audit.

## **SUMMARY OF FINDINGS**

### **Recommendations and College Responses**

There were no findings in the current year.

### **Summary of Progress in Implementing Prior Audit Findings**

There were no findings in the prior year.

# MISSION, HISTORY, ENROLLMENT, AND STAFFING

---

## MISSION

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

The mission of Fort Lewis College is to open minds and kindle thought and action by instilling in students knowledge, a desire to acquire knowledge, the tools for doing so, and an understanding of how knowledge can be put to use or a common good. The experiences students have here should help them learn to live wisely and should make a significant difference in their futures by enabling them to pursue their own educational goals throughout their lives. They should be able to demonstrate thoughtful scholarship in pursuing and weighing knowledge. They should be able to communicate and cooperate with others. The College should also play an active role in the community and the region as a multifaceted learning resource.

Fort Lewis College has chosen to pursue its mission via its historic role as an undergraduate, public, four-year liberal arts college. Because of the liberal arts focus, we require common general studies courses which include the fine arts, humanities, social sciences, mathematics, and the natural sciences in addition to more specialized junior and senior courses offered through the various majors. Our curriculum is designed both to ensure that students understand the values and assumptions implicit in their major fields of study and to prepare them for a rapidly changing world.

The College's first obligation is to create a personalized learning environment in which faculty and staff are accessible to all of its students. Therefore excellence in classroom teaching is our first priority. We are committed to hiring experienced faculty and professional staff dedicated to teaching and to working directly with students. The College also supports and encourages research, scholarly inquiry and creative performance by its faculty in order to enhance their work with students and the students' own work. We will continue to acquire the resources necessary to fulfill our primary mission.

It is essential to Fort Lewis College's mission that we contribute to the cultural diversity and economic development of the Four Corners region. To play an active role in the community, state and region, we must ensure that our programs fulfill the needs of our student population and the residents of our area. Our ethnic and regional heritage must be reflected in the make-up of our student body, in our special programs, and in our curriculum. Because of terms established in the original charter of the College, we have an honored tradition of providing tuition-free education for American Indian students. The College will continue to enhance educational opportunities for other minority groups, especially those originating in the Southwest. While a large percentage of our students should continue to come from Colorado, the College will encourage enrollment of students from other regions and from abroad in order to provide a diversified student body.

# MISSION, HISTORY, ENROLLMENT, AND STAFFING

---

## HISTORY

Fort Lewis College is named for Fort Lewis, a U.S. Army Post established in 1878 at Pagosa Springs, Colorado. Two years later, the military post moved to Hesperus, Colorado, a location more central to Indian settlements and pioneer communities. The U.S. government abandoned the site as a military post in 1891, and in its stead, established Fort Lewis as a school offering free education to Native American students.

By 1911, Congress had deeded the Hesperus site to the State of Colorado, which then established a high school of agriculture under the supervision of the State Board of Agriculture. The school began to offer some college-level courses in 1925, and in 1933, Fort Lewis began to offer college courses exclusively. In 1948, Fort Lewis was officially designated a junior college with its own president.

Fort Lewis moved to the Durango campus in 1956. The first baccalaureate degrees were granted in 1964. In 1986, Fort Lewis joined the Colorado State University System under the governance of the State Board of Agriculture. Colorado State University in Fort Collins and the University of Southern Colorado in Pueblo were sister institutions in the system. In 2002, the Board of Trustees for Fort Lewis College began governance of the College separate from the State Board of Agriculture.

Fort Lewis continues to honor its historic commitment to Native Americans by offering tuition scholarships to all qualified American Indians who meet admission requirements. It is the only college in Colorado to do so, as it has for more than 100 years.

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

## ENROLLMENT

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

	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>
Resident FTE	2,783.9	2,799.6	2,671.7
Non-Resident FTE	<u>1,296.1</u>	<u>1,368.9</u>	<u>1,348.1</u>
Total FTE Students	<u>4,080.0</u>	<u>4,168.5</u>	<u>4,019.8</u>

# MISSION, HISTORY, ENROLLMENT, AND STAFFING

---

## STAFFING

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

	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>
Faculty FTE	219.1	221.9	222.8
Staff FTE	<u>306.6</u>	<u>302.1</u>	<u>288.1</u>
Total FTE	<u>525.7</u>	<u>524.0</u>	<u>510.9</u>



FINANCIAL STATEMENTS SECTION

## INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee

Denver, CO

We have audited the accompanying Statements of Net Assets of Fort Lewis College, a blended component unit of the State of Colorado, as of June 30, 2003 and 2002, and the related Statements of Revenues, Expenses, and Changes in Net Assets, and Cash Flows for the years then ended. These financial statements are the responsibility of the management of Fort Lewis College. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Lewis College as of June 30, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Fort Lewis College implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statements Note Disclosures*, as of July 1, 2001. This resulted in a change in the format and content of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2003 on our consideration of Fort Lewis College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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

August 28, 2003

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2003 AND 2002

Fort Lewis College management is pleased to present this discussion and analysis of the College. It provides an analysis of the College's financial activities based on currently known facts, decisions, and conditions.

FINANCIAL HIGHLIGHTS

- The College's financial position, as a whole, improved during the year ended June 30, 2003. The combined net assets increased \$3,397,984 or 3.9% from the previous year. This is primarily attributable to an increase in capital assets.
- State General Fund appropriations decreased by 4.1% from the previous year. This was a result of worsening conditions in the state's economy.
- Gross tuition and fee revenue increased by 4.7% from the previous year.

This report consists of three basic financial statements. The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows provide information on the College as a whole. The statements report on all of the College activities including instruction, research, public service, and support services. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report financial position and financial activity using the accrual basis of accounting (reporting all of the year's revenues and expenses when earned or incurred, not when the cash is received or paid.)

STATEMENT OF NET ASSETS

The Statement of Net Assets reports assets, liabilities, and net assets (the difference between assets and liabilities) as of June 30, 2003 and June 30, 2002.

Condensed Statement of Net Assets

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Current Assets	\$15,417,565	\$12,946,905
Noncurrent Assets	<u>100,074,881</u>	<u>98,426,583</u>
Total Assets	<u>115,492,446</u>	<u>111,373,488</u>
Current Liabilities	7,119,136	5,282,732
Noncurrent Liabilities	<u>17,240,995</u>	<u>18,356,425</u>
Total Liabilities	<u>24,360,131</u>	<u>23,639,157</u>
Net Assets:		
Invested in capital assets, net of related debt	78,070,871	75,236,209
Restricted	7,716,689	7,443,996
Unrestricted	<u>5,344,755</u>	<u>5,054,126</u>
Total Net Assets	<u>\$91,132,315</u>	<u>\$87,734,331</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2003 AND 2002

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets reports the results of operating and nonoperating revenues and expenses during the year and the resulting increase or decrease in net assets at the end of the year.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>Year Ended June 30,</u> <u>2003</u>	<u>Year Ended June 30,</u> <u>2002</u>
Operating Revenues		
Tuition and Fees, Net	\$12,862,367	\$12,789,893
Grants and Contracts	14,120,591	11,940,379
Auxiliary Services, Net	11,316,455	11,045,195
Other	<u>502,880</u>	<u>446,125</u>
Total Operating Revenues	<u>38,802,293</u>	<u>36,221,592</u>
Operating Expenses	<u>49,986,137</u>	<u>47,129,484</u>
Net Operating Revenues (Expenses)	<u>(11,183,844)</u>	<u>(10,907,892)</u>
Nonoperating Revenues (Expenses):		
State Appropriations	8,967,628	9,354,415
Other Net Nonoperating Revenues	<u>347,356</u>	<u>1,297,414</u>
Net Nonoperating Revenues	<u>9,314,984</u>	<u>10,651,829</u>
(Expenses)		
Income (Loss) Before Other	(1,868,860)	(256,063)
Revenues, Expenses, or Transfers		
State Capital Contributions	5,150,011	3,936,102
Capital Gifts	77,670	190,982
Other	<u>39,163</u>	<u>0</u>
Increase (Decrease) in Net Assets	<u>3,397,984</u>	<u>3,871,021</u>
Net Assets:		
Net Assets – Beginning of Year, as Originally Reported	87,734,331	115,024,128
Cumulative Effect of Change in Accounting Principle	0	(31,160,818)
Net Assets – Beginning of Year, Restated	<u>87,734,331</u>	<u>83,863,310</u>
Net Assets – End of Year	<u>\$91,132,315</u>	<u>\$87,734,331</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2003 AND 2002

STATEMENT OF CASH FLOWS

The Statement of Cash Flows reports relevant information about the cash receipts and cash payments of the College during the year.

Condensed Statement of Cash Flows

	<u>Year Ended June 30,</u> <u>2003</u>	<u>Year Ended June 30,</u> <u>2002</u>
Cash Provided (Used) by:		
Operating Activities	(\$4,085,316)	(\$5,621,344)
Noncapital Financing Activities	9,565,839	9,886,752
Capital and Related Financing Activities	(3,838,693)	(5,444,648)
Investing Activities	<u>970,539</u>	<u>1,057,744</u>
Net Increase (Decrease) in Cash	2,612,369	(121,496)
Cash, Beginning of Year	<u>14,156,879</u>	<u>14,278,375</u>
Cash, End of Year	<u>\$16,769,248</u>	<u>\$14,156,879</u>

CAPITAL ASSETS

At June 30, 2003, the College had approximately \$94.7 million invested in capital assets, net of accumulated depreciation of \$37.1 million. Depreciation charges were \$4.1 million for the current year. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Land	\$259,875	\$259,875
Construction in Progress	4,998,609	4,555,869
Collections	754,380	750,270
Land Improvements, Net	9,144,768	8,645,099
Buildings and Improvements, Net	77,698,650	76,708,997
Equipment, Net	1,107,509	1,313,471
Library Materials, Net	<u>736,439</u>	<u>783,483</u>
Total	<u>\$94,700,230</u>	<u>\$93,017,064</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2003 AND 2002

Major capital additions completed this year and the source of resources that funded their acquisition included:

Gymnasium/Exercise Science and Athletic Facility, funded by State Capital Construction Funds	\$4,096,335
Irrigation System renovation, funded by State Controlled Maintenance Funds	<u>453,788</u>
	<u>\$4,550,123</u>

The following significant capital projects were in progress at June 30, 2003.

Fire Alarm System renovation, funded by State Controlled Maintenance Funds	\$1,400,023
CUB Chiller improvements, funded by the College	1,136,655
Hesperus Hall demolition and site restoration, funded by State Capital Construction Funds	656,897
Raider Avenue improvements, funded by State Controlled Maintenance Funds	<u>607,319</u>
	<u>\$3,800,894</u>

DEBT

At June 30, 2003, the College had approximately \$17.1 million in debt outstanding. The table below summarizes this amount by type of debt.

Outstanding Debt, at Year-End

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Auxiliary Revenue Bonds, Net	\$16,835,472	\$17,480,000
Capital Lease Obligations	217,850	298,160
Other Long Term Debt	<u>86,036</u>	<u>102,494</u>
Total	<u>\$17,139,358</u>	<u>\$17,880,654</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2003 AND 2002

ECONOMIC OUTLOOK &  
FORT LEWIS COLLEGE FUTURE

An important factor impacting the College's economic position is enrollment. In Fall 2002, the College started an initiative to increase student success by accepting incoming freshmen that are better prepared for college level work. The ultimate goal is to stabilize the size and quality of the freshman class and therefore increase the students' chances for success, as measured by retention and graduation rates. It is anticipated that this policy change will cause a decrease in enrollment in the next fiscal year. Tuition revenue in FY 2003-04 is projected to remain at approximately the same levels as FY 2002-03, even though per student tuition rates in FY 2003-04 will increase by 6.25% for residents and 10% for non-residents.

The State's economic condition appears to have stabilized by the end of the 2002-03 fiscal year. State revenues experienced a significant deterioration in fiscal year 2001-02 and most of 2002-03. The College's total General Fund appropriation declined by \$3,188,820 between FY 2002-03 and 2003-04. The strength of the College's financial management systems ensured that the College weathered the storm, with the General Fund balance increasing in FY 2002-03.

Effective September 1, 2002, Fort Lewis College was separated from the Colorado State University System and given its own governing board. During FY 2002-03, the new Board of Trustees for Fort Lewis College focused on learning about the institution and began the process of hiring a new president. The presidential search is presently underway. The College is currently considering a reorganization of top management to both increase efficiencies and create a structure that will enable the new president to focus on fundraising and external matters.



Fort Lewis College  
Statements of Net Assets  
June 30, 2003  
With Comparative Figures at June 30, 2002

<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$13,313,407	\$10,918,463
Student Accounts Receivable, Net	229,989	261,791
Other Accounts Receivable	891,564	789,648
Student Loans Receivable, Net	338,337	345,881
Inventories	588,957	567,181
Prepaid Expense	55,311	63,941
Total Current Assets	<u>15,417,565</u>	<u>12,946,905</u>
<u>Noncurrent Assets:</u>		
Restricted Cash and Cash Equivalents	3,455,841	3,238,416
Student Loans Receivable, Net	1,918,810	2,035,890
Prepaid Expense	0	135,213
<u>Nondepreciable Capital Assets:</u>		
Land	259,875	259,875
Construction in Progress	4,998,609	4,555,869
Collections	754,380	750,270
Total Nondepreciable Capital Assets	<u>6,012,864</u>	<u>5,566,014</u>
<u>Depreciable Capital Assets:</u>		
Land Improvements, Net	9,144,768	8,645,099
Buildings and Improvements, Net	77,698,650	76,708,997
Equipment, Net	1,107,509	1,313,471
Library Materials, Net	736,439	783,483
Total Depreciable Capital Assets, Net	<u>88,687,366</u>	<u>87,451,050</u>
Total Noncurrent Assets	<u>100,074,881</u>	<u>98,426,583</u>
Total Assets	<u>115,492,446</u>	<u>111,373,488</u>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	621,439	1,046,825
Accrued Liabilities	4,412,356	2,158,200
Deferred Revenue	461,886	682,023
Deposits Held for Others	255,580	247,933
Bonds Payable, Current Portion	1,165,000	950,000
Capital Leases Payable, Current Portion	60,133	80,310
Other Long Term Liabilities, Current Portion	18,268	16,457
Compensated Absence Liabilities	124,474	100,984
Total Current Liabilities	<u>7,119,136</u>	<u>5,282,732</u>
<u>Noncurrent Liabilities:</u>		
Bonds Payable, Net	15,670,472	16,530,000
Capital Leases Payable	157,717	217,850
Other Long Term Liabilities	67,768	340,315
Compensated Absence Liabilities	1,345,038	1,268,260
Total Noncurrent Liabilities	<u>17,240,995</u>	<u>18,356,425</u>
Total Liabilities	<u>24,360,131</u>	<u>23,639,157</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	78,070,871	75,236,209
<u>Restricted for Nonexpendable Purposes:</u>		
Endowment	141,649	141,649
<u>Restricted for Expendable Purposes</u>		
Endowment	459,061	425,286
Debt Service	1,747,742	1,892,213
Other	5,368,237	4,984,848
Unrestricted	5,344,755	5,054,126
Total Net Assets	<u>\$91,132,315</u>	<u>\$87,734,331</u>

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

Fort Lewis College  
 Statements of Revenues, Expenses, and Changes in Net Assets  
 For the Year Ended June 30, 2003  
 With Comparative Figures at June 30, 2002

REVENUES	<u>2003</u>	<u>2002</u>
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$2,082,413 -2003 and \$2,077,506 -2002 and net of scholarship allowances of \$9,678,397 -2003 and \$8,735,425 -2002)	\$12,862,367	\$12,789,893
Federal Grants and Contracts	6,572,747	5,086,832
State Grants and Contracts	7,289,976	6,625,830
Local Grants and Contracts	83,325	109,220
Non-Governmental Grants and Contracts	174,543	118,497
Sales and Services of Educational Activities	411,294	412,167
Auxiliary Enterprises (including pledged revenues of \$11,156,290 -2003 and \$10,978,760 -2002 and net of scholarship allowances of \$898,089 -2003 and \$852,221 -2002)	11,316,455	11,045,195
Other Operating Revenues	91,586	33,958
Total Operating Revenues	<u>38,802,293</u>	<u>36,221,592</u>
EXPENSES		
Operating Expenses:		
Instruction	14,558,521	14,049,929
Research	205,769	188,065
Public Service	940,924	639,783
Academic Support	4,104,253	4,089,981
Student Services	4,855,132	4,485,284
Institutional Support	3,122,749	2,782,770
Operation and Maintenance of Plant	4,964,966	4,807,042
Scholarships and Fellowships	1,879,542	1,731,796
Auxiliary Enterprises	11,231,697	10,677,870
Depreciation	4,122,584	3,676,964
Total Operating Expenses	<u>49,986,137</u>	<u>47,129,484</u>
Operating Income (Loss)	<u>(11,183,844)</u>	<u>(10,907,892)</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	8,967,628	9,354,415
Gifts (including pledged revenues of \$96,180 -2003 and \$70,070 -2002)	575,455	518,060
Investment Income (including pledged revenues of \$282,980 -2003 and \$229,913 -2002)	970,539	986,187
Interest Expense on Capital Debt	(774,666)	(888,652)
Gain or (Loss) on Disposal of Assets	(441,484)	672,751
Other Nonoperating Revenues	17,512	24,821
Other Nonoperating Expenses	0	(15,753)
Net Nonoperating Revenues	<u>9,314,984</u>	<u>10,651,829</u>
Income (loss) before other revenues, expenses, or transfers	<u>(1,868,860)</u>	<u>(256,063)</u>
OTHER REVENUES, (EXPENSES), OR TRANSFERS		
State Capital Contributions	5,150,011	3,936,102
Capital Gifts (including pledged revenues of \$50,633 -2003 and \$48,583 -2002)	77,670	190,982
Transfer from Governing Board	39,163	0
Increase (Decrease) in Net Assets	<u>3,397,984</u>	<u>3,871,021</u>
NET ASSETS		
Net Assets - Beginning of Year, as Originally Reported	87,734,331	115,024,128
Cumulative Effect of Change in Accounting Principle	0	(31,160,818)
Net Assets - Beginning of Year, Restated	<u>87,734,331</u>	<u>83,863,310</u>
Net Assets - End of Year	<u>\$91,132,315</u>	<u>\$87,734,331</u>

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

Fort Lewis College  
 Statements of Cash Flows  
 For the Year Ended June 30, 2003  
 With Comparative Figures at June 30, 2002

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2003</u>	<u>2002</u>
Cash Received:		
Tuition and Fees	\$12,931,731	\$12,771,247
Sales of Products	2,700,184	2,530,122
Sales of Services	9,071,096	8,795,664
Grants and Contracts	13,799,445	12,327,495
Student Loans Collected	429,489	373,263
Other Operating Receipts	185,181	146,313
Cash Payments:		
Scholarships Disbursed	(1,879,542)	(1,731,796)
Student Loans Disbursed	(365,797)	(482,913)
Payments to Suppliers	(13,665,569)	(12,576,154)
Payments to or for Employees	(27,202,345)	(27,710,643)
Other Operating Payments	(89,189)	(63,942)
Net Cash Provided (Used) by Operating Activities	<u>(4,085,316)</u>	<u>(5,621,344)</u>
 <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
State Appropriations - Noncapital	8,967,628	9,354,415
Gifts for Other Than Capital Purposes	551,780	537,826
Agency Receipts	12,815,676	11,095,614
Agency Payments	(12,808,408)	(11,101,103)
Transfer from Governing Board	39,163	0
Net Cash Provided by Noncapital Financing Activities	<u>9,565,839</u>	<u>9,886,752</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Gifts	27,050	11,000
Net Proceeds from Bonds Issued to Refund Capital Debt	938,569	0
Bond Refunding	(706,010)	0
Proceeds from Sale of Capital Assets	0	17,000
Acquisition and Construction of Capital Assets	(2,303,694)	(3,661,793)
Principal Paid on Capital Debt	(1,030,310)	(959,960)
Interest on Capital Debt	(764,298)	(850,895)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,838,693)</u>	<u>(5,444,648)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment Earnings	<u>970,539</u>	<u>1,057,744</u>
Net Cash Provided by Investing Activities	<u>970,539</u>	<u>1,057,744</u>
 Net Increase (Decrease) in Cash	2,612,369	(121,496)
Cash - Beginning of Year	14,156,879	14,278,375
Cash - End of Year	<u>\$16,769,248</u>	<u>\$14,156,879</u>

Fort Lewis College  
 Statements of Cash Flows  
 For the Year Ended June 30, 2003  
 With Comparative Figures at June 30, 2002  
 (Continued)

	<u>2003</u>	<u>2002</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	(\$11,183,844)	(\$10,907,892)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation Expense	4,122,584	3,676,964
Net increase in other Nonoperating revenues/expenses	17,512	9,068
Noncash Operating Transactions	1,170,849	525,596
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	77,894	(34,983)
Inventories	(21,776)	36,325
Prepaid Expense	(7,125)	(1,804)
Construction in Progress	140,282	214,370
Accounts Payable	(470,778)	136,049
Accrued Liabilities	2,009,267	282,991
Deferred Revenue	(171,556)	284,010
Deposits Held for Others	596	1,244
Bonds Payable	130,510	0
Other Long Term Liabilities	0	109,516
Compensated Absence Liabilities	100,269	47,202
Net Cash Provided (Used) by Operating Activities	<u>(\$4,085,316)</u>	<u>(\$5,621,344)</u>
 <u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>		
State Capital Contributions	\$5,150,011	\$3,936,102
Donations of Capitalized Collections	\$0	\$131,399
Bookstore POS System Acquisition and Vendor Financing	\$0	\$81,630
Correction of Prior Years Withdrawals of Library Materials	\$0	\$666,947
Loss on Capital Asset Deletions	\$446,129	\$7,947
Bond Refunding Transactions	\$96,932	\$0

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

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

Fort Lewis College (the College) is governed by the Board of Trustees for Fort Lewis College (the Board.) The Board is comprised of nine members. Seven members are appointed by the Governor of Colorado for four-year terms. An elected member of the student body of the College serves for a one-year term and an elected member of the faculty of the College serves for two-year terms.

REPORTING ENTITY

Fort Lewis College is an 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. As defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" 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.

FINANCIAL STATEMENT PRESENTATION

In June 1999, GASB approved Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This was followed by the approval of Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities". The College implemented GASB No. 34 and 35 as of and for the year ended June 30, 2002. The College has elected to follow the financial statement presentation guidelines for special-purpose governments engaged only in business-type activities as outlined in GASB No. 34. Those guidelines require the financial statements to be prepared using an entity-wide perspective. Therefore, the financial statements report the College's assets, liabilities, and net assets, revenues, expenses and changes in net assets, and cash flows for the College as a whole.

BASIS OF ACCOUNTING

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB standards conflict with Governmental Accounting Standards Board (GASB) standards. The College has elected not to apply FASB pronouncements issued after the applicable date.

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

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, 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.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORIES

Inventories of consumable supplies or goods held for resale are stated at the lower of cost or market, with cost being determined either on the first-in, first-out or average cost method. Consumable inventories are accounted for in accordance with State fiscal rules.

RESTRICTED CASH AND CASH EQUIVALENTS

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

CAPITAL ASSETS

Capital assets are recorded at cost for items purchased or at current market value at the date of acquisition for donated items. The College capitalizes equipment costing \$5,000 or more and having a useful life in excess of one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 20-40 years for buildings, 20-50 years for improvements other than buildings, 3-10 years for equipment, and 15 years for library materials.

COMPENSATED ABSENCE LIABILITIES

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as compensated absence liabilities in the Statement of Net Assets and as a component of appropriate functional expense categories in the Statement of Revenues, Expenses, and Changes in Net Assets. The current portion of this liability is estimated based on historical trends.

NET ASSETS

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

Invested in Capital Assets, Net of Related Debt – This category represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of this category.

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

Restricted Net Assets, Expendable – This category includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted Net Assets – Unrestricted Net Assets are those that do not meet the definition of "Restricted" or "Invested in Capital Assets, Net of Related Debt" as described above. Generally, these resources will be derived from student tuition and fees, state appropriations, sales and services of educational activities, and sales and services of certain auxiliary and self-funded activities.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CLASSIFICATION OF REVENUES

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

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

Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include state appropriations for operations, gifts, investment income, and insurance reimbursement revenue.

APPLICATION OF RESTRICTED AND UNRESTRICTED RESOURCES

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

NOTE 2: CASH AND CASH EQUIVALENTS

As of year-end June 30, 2003, the College had \$16,404,625 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, the carrying amount of the College's cash was \$364,623. The cash included petty cash and change funds of \$19,640 and bank deposits of \$344,983. The bank balance of the deposits was \$783,112. Of this bank balance, \$236,988 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and \$546,124 was covered by collateral held by the bank or its agent in the State's name.

As of year-end June 30, 2002, the College had \$13,192,479 on deposit with the State Treasurer. On that date, the carrying amount of the College's cash was \$964,400. The cash included petty cash and change funds of \$19,375 and bank deposits of \$945,025. The bank balance of the deposits was \$1,445,889. Of this bank balance, \$300,000 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and \$1,145,889 was covered by collateral held by the bank or its agent in the State's name.

The College deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS.) The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's Pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2003. The State Treasurer does not invest any of the pool 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 during the current fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 3: ACCOUNTS RECEIVABLE

Accounts Receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statement of Net Assets. At June 30, 2003 and 2002 the Accounts Receivable balances are comprised of:

	<u>6/30/2003</u>	<u>6/30/2002</u>
Student Accounts Receivable	\$479,338	\$467,766
Less: Allowance for Doubtful Accounts	(249,349)	(205,975)
Student Accounts Receivable, Net	<u>229,989</u>	<u>261,791</u>
Student Loans Receivable	2,343,204	2,522,963
Less: Allowance for Doubtful Accounts	(86,057)	(141,192)
Student Loans Receivable, Net	<u>2,257,147</u>	<u>2,381,771</u>
Other Accounts Receivable		
Sponsored Programs	470,691	265,034
Vendor Credits	226,524	210,397
Conferences & Summer Programs	104,202	227,396
Athletics	57,909	34,234
Other	32,238	52,587
Other Accounts Receivable	<u>891,564</u>	<u>789,648</u>
Total Receivables, Net	<u><u>\$3,378,700</u></u>	<u><u>\$3,433,210</u></u>



FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 4: CAPITAL ASSETS

The college's capital asset activity for the year ended June 30, 2003 was as follows:

	Balance 6/30/2002	Additions	Deletions	Reclassifications	Balance 6/30/2003
Land	\$259,875	\$0	\$0	\$0	\$259,875
Land Improvements	11,794,369	0	0	902,173	12,696,542
Buildings and Improvements	102,539,619	0	1,596,084	4,565,166	105,508,701
Construction in Progress	4,555,869	7,864,321	1,909,104	(5,512,477)	4,998,609
Equipment	4,543,737	209,492	51,069	45,138	4,747,298
Library Materials	2,796,260	96,004	36,903	0	2,855,361
Capitalized Collections	750,270	4,110	0	0	754,380
Total	127,239,999	8,173,927	3,593,160	0	131,820,766
Less Accumulated Depreciation:					
Land Improvements	3,149,270	402,504	0		3,551,774
Buildings and Improvements	25,830,622	3,136,884	1,157,455		27,810,051
Equipment	3,230,266	435,533	26,010		3,639,789
Library Materials	2,012,777	143,048	36,903		2,118,922
Total Accumulated Depreciation	34,222,935	4,117,969	1,220,368	0	37,120,536
Capital Assets, Net	\$93,017,064	\$4,055,958	\$2,372,792	\$0	\$94,700,230

NOTE 5: ACCRUED LIABILITIES

At June 30, 2003 and 2002, the Accrued Liabilities balances, as presented on the Statement of Net Assets, are comprised of:

	6/30/2003	6/30/2002
Accrued Payroll & Benefits	\$3,895,472	\$1,879,385
Bond Arbitrage Liability	254,278	0
Accrued Interest Payable	181,786	230,252
Contractor Retainage	55,398	15,632
Other Liabilities	25,422	32,931
Total	\$4,412,356	\$2,158,200

Because of Senate Bill 03-197, monthly salaries for June 2003 that are normally paid at the end of the month were paid at the beginning of July. This created an accrual of \$1,398,559 as of June 30, 2003.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 6: LONG-TERM LIABILITIES

The College's Long-Term Liability activity for the year ended June 30, 2003 was as follows:

	Balance <u>6/30/2002</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2003</u>	Current <u>Portion</u>
Bonds and Leases Payable:					
Revenue Bonds	\$17,480,000	\$3,790,000	\$4,434,528	\$16,835,472	\$1,165,000
Lease Obligations	298,160	0	80,310	217,850	60,133
Total Bonds and Leases Payable	<u>17,778,160</u>	<u>3,790,000</u>	<u>4,514,838</u>	<u>17,053,322</u>	<u>1,225,133</u>
Other Liabilities:					
Compensated Absences	1,369,244	255,718	155,450	1,469,512	124,474
Other	356,772	0	270,735	86,037	18,268
Total Other Liabilities	<u>1,726,016</u>	<u>255,718</u>	<u>426,185</u>	<u>1,555,549</u>	<u>142,742</u>
 Total Long-Term Liabilities	 <u>\$19,504,176</u>	 <u>\$4,045,718</u>	 <u>\$4,941,023</u>	 <u>\$18,608,871</u>	 <u>\$1,367,875</u>

NOTE 7: BONDS PAYABLE

As of June 30, 2003 and 2002, the College has revenue bonds payable of \$16,990,000 (less unamortized deferred costs of \$154,528) and \$17,480,000, respectively. For those wishing further information, the College issues a separate report on revenue bond obligations and the operations supporting them. Principal and interest are payable solely from certain student fees and net revenues from operations supporting them. The revenue bonds bear interest at rates ranging from 2.0% to 5.0%, payable semi-annually, and are serial obligations that mature annually with a final payment due October 1, 2019. Funds sufficient to meet all reserve requirements have been placed in replacement and reserve funds. All earnings requirements were satisfied.

Required bond payments to maturity are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u> 2004	\$1,165,000	\$674,585	\$1,839,585
2005	1,175,000	642,365	1,817,365
2006	1,210,000	609,065	1,819,065
2007	1,250,000	573,393	1,823,393
2008	1,270,000	534,444	1,804,444
2009-2013	7,830,000	1,744,579	9,574,579
2014-2018	1,960,000	524,037	2,484,037
2019-2020	1,130,000	62,250	1,192,250
Total	<u>\$16,990,000</u>	<u>\$5,364,718</u>	<u>\$22,354,718</u>

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 8: DEBT REFUNDING

Revenue Bonds - Series 1985

On September 30, 1985, the College issued the Auxiliary Facilities Acquisition and Refunding Revenue Bonds in the amount of \$7,490,000 for the purpose of obtaining capital for construction projects and refunding the College's existing debt as listed below:

- Refunding and Improvement Revenue Bonds, Series 4-01-63
- Housing System Revenue Bonds of 1966, Series A-D
- Revenue Bonds, Series 4-01-67
- Dormitory Renovation and Construction Revenue Bonds, Series 1973
- Housing System Revenue Bonds, Series 1978
- Dormitory Lease Participation Certificates, 6-01-83

The outstanding debt refunded was in the amount of \$7,998,000 and was accomplished by depositing in an escrow account a portion of the net proceeds of the new bond issue an amount fully sufficient, together with known minimum yield from investment of such monies, to pay principal, interest, and any redemption premium on the refunded issues. The balance of debt outstanding on the refunded issues at June 30, 2003, was \$2,965,000.

Revenue Bonds - Series 1998A

On September 1, 1998, the College issued the Auxiliary Facilities Enterprise Refunding Revenue Bonds, Series 1998A in the amount of \$5,130,000 for the purpose of refunding a portion of the College's existing Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1992. The outstanding debt refunded was in the amount of \$4,570,000 and was accomplished by depositing in an escrow account the net proceeds of the new bond issue and a portion of the 1992 Bond Reserve Fund to provide for all future payments on the refunded 1992 bonds. The balance of debt outstanding on the refunded bonds at June 30, 2003 was \$4,570,000. Interest payments have been made annually. The initial principal payment is due October 1, 2008.

Revenue Bonds - Series 2003

On January 30, 2003, the College issued \$2,983,702 in revenue bonds, with an interest rate range of 2.00% - 2.70%, to advance refund \$3,330,000 of outstanding 1992 revenue bonds with an interest rate of 6.50%. The net proceeds of \$2,842,870 plus an additional \$575,500 of 1992 Bond Reserve Fund monies were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 1992 bonds. As a result, those refunded 1992 bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The College advance refunded these bonds to reduce its total debt service payments over the next 5.67 years by \$217,996 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$103,508. The refunded bonds were paid in their entirety from the Escrow Account on March 3, 2003.

FORT LEWIS COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2003 AND 2002

NOTE 9: LEASE PURCHASE AGREEMENTS

In June, 1998, the College entered into a Lease/Purchase Agreement for the acquisition of a modular building for the principal amount of \$441,329 with payments to be made through October, 2006 with a variable interest rate. The variable rate is determined annually as the Prime Interest rate less 1.5 percent.

The following is a schedule by years of future minimum lease payments for the Fort Lewis College projects with the present value of the net minimum lease payments to their maturity.

Year Ending	
June 30	
2004	\$65,713
2005	65,713
2006	65,713
2007	<u>32,856</u>
Total remaining minimum lease payments	229,995
Less: interest	<u>12,145</u>
Present value of net payments	<u>\$217,850</u>
Schedule of Leased Assets:	
Modular Building	\$441,329

NOTE 10: OPERATING LEASES

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

Year Ending June 30:	
2004	\$101,778
2005	101,778
2006	<u>15,063</u>
Total	<u>\$218,619</u>

Rent expense for the year ended June 30, 2003 and 2002 was \$129,083 and \$114,080 respectively.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 11: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2003 and 2002 are as follows:

	<u>6/30/03</u>	<u>6/30/02</u>
Education and General	\$127,481	\$265,989
Auxiliary Enterprises	555,995	642,517
Restricted Funds	7,199	34,038
Plant Funds	<u>26,921</u>	<u>86,336</u>
Total	<u>\$717,596</u>	<u>\$1,028,880</u>

NOTE 12: SCHOLARSHIP ALLOWANCE

Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2003 and 2002 were as follows:

	Tuition and <u>Fees</u>	Auxiliary <u>Revenue</u>	6/30/03 <u>Total</u>	6/30/02 <u>Total</u>
Gross Revenue	\$22,540,764	\$12,214,544	\$34,755,308	\$33,422,734
Scholarship Allowances:				
Federal	(1,936,337)	(479,075)	(2,415,412)	(2,325,760)
State	(6,747,737)	(173,005)	(6,920,742)	(6,205,495)
Private	(150,395)	(37,210)	(187,605)	(178,612)
Institutional	(843,928)	(208,799)	(1,052,727)	(877,779)
Total Scholarship Allowances	<u>(9,678,397)</u>	<u>(898,089)</u>	<u>(10,576,486)</u>	<u>(9,587,646)</u>
Net Revenue	<u>\$12,862,367</u>	<u>\$11,316,455</u>	<u>\$24,178,822</u>	<u>\$23,835,088</u>

NOTE 13: 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, 2003 and 2002 was \$25,136,543 and \$24,130,621 respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$13,451,205, \$8,905,979, and \$372,077 respectively for June 30, 2003 and \$13,749,171, \$7,908,323, and \$364,116 respectively for June 30, 2002. The remaining employees were not eligible for participation in any of the College's plans.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 13: EMPLOYMENT BENEFITS (Continued)

PERA Defined Benefit Pension Plan

Plan Description - A portion of the College employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA.) PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require 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 1300 Logan Street, Denver, Colorado 80203.

Plan members vest after five years of service and most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit and their age plus years of service equals 80 or more. Monthly benefits are calculated as a percentage of highest average salary (HAS.) HAS is 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.

Members 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 spouse or their eligible children under the age of 18 (23 if a full time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

Funding Policy - College employees contribute 8.0 percent of their gross covered wages to an individual account in the plan.

During FY 02-03, the College contributed 10.04 percent of the employee's gross covered wages. Before January 1, 2003, 1.64 percent was allocated to the Health Care Trust Fund and after January 1, 2003, 1.10 percent was allocated to the Health Care Trust Fund. Throughout the fiscal year, the amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker program (see below.) The balance remaining after allocations to the Matchmaker Program and the Health Care Trust Fund was allocated to the defined benefit plan.

The annual gross covered wages subject to PERA are the gross earnings less any reduction in pay to offset employer contributions to the College sponsored IRC 125 plans established under Section 125 of the Internal Revenue Code. The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly.

The College's total contributions to PERA for the fiscal years ending June 30, 2003, 2002, and 2001 were \$1,350,501, \$1,361,168, and \$1,445,335 respectively. These contributions met the contribution requirement for each year.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 13: EMPLOYMENT BENEFITS (Continued)

PERA Matchmaker Program

Beginning on January 1, 2001, the Matchmaker Program established a College match for PERA member's voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100 percent of up to 3 percent of the employees' gross covered wages paid during the month. For calendar year 2003, the match was 100 percent of up to 2 percent of employee's gross covered wages paid during the month. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. Two percent of gross salary plus fifty percent of any reduction in the overall contribution rate due to overfunding of the pension plan was available for the match. While the plan was not overfunded, the maximum one-year change in the match rate is statutorily limited to one percent, and therefore, the match changed from 3 percent to 2 percent. PERA offers a voluntary 401K plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and the College offers a 403b plan. Members who contribute to any of these plans also receive the College match.

Optional Defined Contribution Plan

Certain full time faculty and professional staff of the College participate in an optional defined contribution plan as an alternative to PERA. Two vendor choices are offered through the defined contribution plan; Teachers Insurance Annuity Association (TIAA) and Variable Annuity Insurance Corporation (VALIC). The College's aggregate contribution to the above two vendors was equal to 11.4 percent of covered payroll or \$1,015,282 for the fiscal year ended June 30, 2003 and \$901,549 for the fiscal year ended June 30, 2002. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$712,478 for the fiscal year ended June 30, 2003 and \$632,666 for the fiscal year ended June 30, 2002.

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, 2003 and 2002 was \$27,906 and \$27,309 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, 2003 and 2002 was \$1,523,512 and \$1,352,529 respectively.

NOTE 14: POST-EMPLOYMENT BENEFITS

PERA Post-Employment Health Care and Life Insurance Benefits

Health Care Program

PERACare (formerly known as 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 Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During FY 02-03, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230 for members under age 65), and it was reduced by 5 percent for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy. The Health Care Fund is maintained by an employer's contribution as discussed in Note 13.

FORT LEWIS COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2003 AND 2002

NOTE 14: POST-EMPLOYMENT BENEFITS (Continued)

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. As of December 31, 2002 there were 35,418 enrollees in the plan.

Life Insurance Program

PERA provides its members access to two group life insurance plans offered by Prudential and Anthem Life (formerly know as Rocky Mountain Life.) Members may join one or both plans, and they may continue coverage into retirement. Premiums are collected monthly by payroll deduction or other means.

NOTE 15: FORT LEWIS COLLEGE FOUNDATION

In December, 1969 the "Fort Lewis College Foundation" was organized and issued a Certificate of Incorporation under the Colorado Non-Profit Corporation Act. The purposes of said corporation are to "...assist in promoting, developing and enhancing the facilities and programs of Fort Lewis College...." (Per Articles of Incorporation III).

The amount transferred from Fort Lewis College Foundation to Fort Lewis College, during the fiscal year ended June 30, 2003, for the purposes stated above was \$694,839.

Foundation Officers are elected annually by the Foundation Executive Board. Two officers of the College serve as ex-officio members.

The Foundation's sources of revenue are investment earnings, private fund raising, and grants.

The Foundation has incurred no debt for the College's benefit.

At June 30, 2003 and 2002, the assets of the Foundation consist of:

	(Unaudited)	
	<u>6/30/03</u>	<u>6/30/02</u>
Pooled cash and investments	\$8,177,711	\$6,766,418
Pledges receivable	11,262	11,262
Other current assets	26,858	16,788
Notes receivable	20,850	23,600
Net investment in leased property	217,850	275,710
Segregated cash and investments	971,936	963,892
Tangible assets, net	<u>4,218,328</u>	<u>4,375,207</u>
Total assets	<u>\$13,644,795</u>	<u>\$12,432,877</u>

Copies of the most recent financial information for the Foundation may be obtained from the Controller's Office at the College.



FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002

NOTE 16: 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 \$2,742,921 as of June 30, 2003. 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 \$796,231 as of June 30, 2003.

The College receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the College. However, College management believes that any such disallowed amounts will not have a material adverse effect on any of the financial statements or on the overall financial position of the College at June 30, 2003.

The College is insured by the State of Colorado self-insurance program for liability, property, and workers compensation insurance.

NOTE 17: PRIOR YEAR RESTATEMENT

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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

Members of the Legislative Audit Committee  
Denver, Colorado

We have audited the financial statements of Fort Lewis College, a blended component unit of the State of Colorado, as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated August 28, 2003. Our report contained an explanatory paragraph discussing that Fort Lewis College implemented a new financial reporting model as required by the provisions of the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001. 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.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Fort Lewis College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

WALL, SMITH, BATEMAN AND ASSOCIATES, INC.  
Certified Public Accountants

August 28, 2003

August 28, 2003

Members of the Legislative Audit Committee  
Denver, CO

We have audited the financial statements of Fort Lewis College for the years ended June 30, 2003 and 2002, and have issued our report thereon dated August 28, 2003. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated May 12, 2003, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Fort Lewis College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fort Lewis College are described in Note 1 to the financial statements. The new accounting policies resulted in changes in the format and content of the financial statements. We noted no transactions entered into by Fort Lewis College during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **Accounting Estimates**

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 financial statements are the allowance for uncollectible receivables, accrued compensated absences, scholarship allowances, and the depreciation of capital assets. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

## **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. There were no adjustments arising from the audit.

## **Disagreements with Management**

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

## **Consultations with Other Independent Accountants**

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

## **Issues Discussed Prior to Retention of Independent Auditors**

There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

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

STATE-FUNDED STUDENT ASSISTANCE  
PROGRAMS SECTION

**FORT LEWIS COLLEGE**  
**STATE-FUNDED STUDENT ASSISTANCE PROGRAMS**  
**For the Year Ended June 30, 2003**

**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, 2003, was directed toward the objectives and criteria set forth in the Colorado Handbook for State-Funded Student Assistance Programs, issued by the Colorado Commission on Higher Education (CCHE). The State student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2003.

**State-Funded Student Assistance Programs**

The various state-funded student assistance programs at the College include the Colorado Student Grant Program, Colorado Work Study Program, Undergraduate Merit Award Program, Perkins Student Loan Matching Program, Diversity Grant Program, Governor's Opportunity Scholarship, CLEAP and SLEAP.

The state-funded student assistance awards made by the College were \$1,478,000 and \$1,349,000 for the fiscal years ended 2003 and 2002, respectively. In addition, total state-funded matching funds of \$10,300 during fiscal year 2003 and \$10,300 for fiscal year 2002 were transferred to the Perkins Student Loan Fund.

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 \$3,170,000 in the Pell Grant Program, \$266,000 in the Supplemental Educational Opportunity Grant Program, \$210,000 in the College Work-Study Program and \$359,000 in the Perkins Student Loan Program.

During the audit period Fort Lewis College obtained authorizations to award Colorado student financial aid funds of \$56,000 in the CLEAP and SLEAP Programs, \$476,000 in the Student Grant Program, \$256,000 in the Colorado Work Study Program, \$310,000 in the Merit Award Program, \$144,000 in the Diversity Grant Program, and \$226,000 in the Governor's Opportunity Scholarship.

**Independent Auditors' Report on the Statements of Appropriations, Expenditures,  
Transfers, and Reversions of the State-Funded Student Assistance Programs**

Members of the Legislative Audit Committee  
Denver, Colorado

We have audited the accompanying Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Fort Lewis College for the year ended June 30, 2003. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The statements were prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHÉ), 2003 revision. The statements are a summary of cash activity of the state-funded student financial assistance programs with the exception of the College Work-Study Program and the Perkins Loan Program, and do not present certain transactions that would be included in the statements of the state-funded student financial assistance programs if presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying statements are not intended to present the financial position or changes in financial position of Fort Lewis College in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the statements referred to above present fairly the appropriations, expenditures, transfers, and reversions of the state-funded student assistance programs of Fort Lewis College, in all material respects, for the year ended June 30, 2003, in conformity with the provisions of the Colorado Commission of Higher Education's *Colorado Handbook for State-Funded Student Financial Assistance Programs*.



In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2003 on our consideration of Fort Lewis College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

August 28, 2003

FORT LEWIS COLLEGE  
 STATE-FUNDED STUDENT ASSISTANCE PROGRAMS  
 STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS  
 FISCAL YEAR ENDED JUNE 30, 2003

	Total Colorado Financial Aid	Student Grant Program	Work Study Program	Undergraduate Merit Award Program	Perkins Loan Match	Diversity Grant Program	Governor's Opportunity Scholarship	CLEAP	SLEAP
Appropriations:									
Original	1,476,924	\$619,834	\$256,120	\$310,070	\$10,346	\$0	\$224,910	\$6,835	\$48,809
Supplementals	1,700						1,700		
Transfers	0	(143,864)				143,864			
Totals	1,478,624	475,970	256,120	310,070	10,346	143,864	226,610	6,835	48,809
Expenditures	1,478,624	475,970	256,120	310,070	10,346	143,864	226,610	6,835	48,809
Reversion to State	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**FORT LEWIS COLLEGE  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND NOTES TO STATEMENT OF APPROPRIATIONS,  
EXPENDITURES,  
TRANSFERS AND REVERSIONS**

**Basis of Accounting**

The accounting systems of Fort Lewis College are 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 Loan Program and the College Work-Study Program. Perkins Student Loans are recorded as loans receivable when the funds are disbursed. College Work-Study is on the accrual basis in that the expense is recognized when the services are performed.

**Note A**

Colorado Student Incentive Grants comprise equal portions of federal and nonfederal funds. The amount shown is the combined total.

The electronic version of this report is available on the Web site of  
the Office of the State Auditor  
[www.state.co.us/auditor](http://www.state.co.us/auditor)

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

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

Report Control Number 1534