METROPOLITAN STATE COLLEGE OF DENVER

Financial and Compliance Audits

June 30, 2003 and 2002

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Members of the Legislative Audit Committee:

We have completed the financial statement audit of Metropolitan State College of Denver as of and for the year ended June 30, 2003. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America.

We were engaged to conduct our audit pursuant to Article XXVII, Section 6(3), of the Colorado Constitution, which authorizes the State Auditor to conduct or cause to be conducted audits of Metropolitan State College of Denver. The reports that we have issued as a result of this engagement are set forth in the table of contents, which follows.

Kundinger, Corder & Engle, P.C.

October 3, 2003

METROPOLITAN STATE COLLEGE OF DENVER
FINANCIAL AND COMPLIANCE AUDITS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002
TABLE OF CONTENTS

METROPOLITAN STATE COLLEGE OF DENVER
REPORT SUMMARY
YEAR ENDED JUNE 30, 2003

Authority, Purpose and Scope

The Office of the State Auditor, State of Colorado engaged Kundinger, Corder & Engle, P.C. to conduct certain financial and compliance audits of Metropolitan State College of Denver (the College) for the year ended June 30, 2003. The audits were made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related fieldwork from May through October, 2003.

The purpose and scope of our audits were to:

- Express an opinion on the financial statements of the College for the year ended June 30, 2003. This included a review of internal control as required by U.S. generally accepted auditing standards and *Government Auditing Standards.*
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Express an opinion 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 Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs for the College for the year ended June 30, 2003.
- Evaluate the College's progress in implementing prior audit findings and recommendations.

Audit Opinions and Report

We expressed unqualified opinions on the College's financial statements and the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs for the year ended June 30, 2003.

We issued a report on the College's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards.* We did not note any material weaknesses or any material instances of noncompliance with legal or regulatory requirements based on our audit of the financial statements. We noted one area where the College could improve its internal control, which is described in the Findings and Recommendations section of this report.

The College's Schedule of Expenditures of Federal Awards and applicable opinions thereon of the Office of the State Auditor, State of Colorado are included in the June 30, 2003, Statewide Single Audit Report issued under separate cover.

Audit Opinions and Report, Continued

We also issued certain required communications related to the conduct of an audit including our responsibility under generally accepted auditing standards, significant accounting policies, audit adjustments, and accounting estimates. No delays, disagreements or audit adjustments are reported. Two audit adjustments were proposed but not recorded in the financial statements. Had these adjustments been made, net assets would have decreased $120,619. These passed adjustments are not considered material to the College's financial statements.

Summary of Key Findings and Recommendations

Our review of internal controls over cash receipts revealed that payments received by the finance department are not restrictively endorsed when received, a receipts log is not maintained, and there is not a policy in place to ensure that receipts are deposited in a timely manner.

A summary of the recommendation is included in the Recommendation Locator on page 3 of this report. A detailed description of the findings and recommendations is on page 5 of this report. The College has agreed to implement the recommendation.

Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2002 included one recommendation. This recommendation has been satisfactorily implemented.

METROPOLITAN STATE COLLEGE OF DENVER
RECOMMENDATION LOCATOR
YEAR ENDED JUNE 30, 2003

Record Number	Page Number	Recommendation Summary	Agency Response	Implementation Date
1	5	Metropolitan State College of Denver's finance department should restrictively endorse all checks received immediately upon receipt, log all checks in a cash receipts log, ensure that the checks are properly safeguarded until deposited, and deposit the checks in a timely manner.	Agree	1-Jan-04

METROPOLITAN STATE COLLEGE OF DENVER
FINANCIAL AND COMPLIANCE AUDITS
DESCRIPTION OF METROPOLITAN STATE COLLEGE OF DENVER
FOR THE YEAR ENDED JUNE 30, 2003

Established in 1965 as Colorado's "College of Opportunity," Metropolitan State College of Denver is the third largest higher education institution in Colorado and one of the largest public four-year colleges in the United States. With a modified open-enrollment policy, students who are at least 20 years old need only a high school diploma, a GED high school equivalency certificate, or the equivalent to gain admission.

The College is governed by the Board of Trustees, an 11-member board consisting of a faculty and student representative and nine members appointed by the Governor of Colorado.

The College offers 49 major fields of study and 76 minors through its School of Business, School of Letters, Arts and Sciences, and School of Professional Studies. Degrees include bachelor of science, bachelor of arts and bachelor of fine arts. Academic programs range from the traditional, such as English, art, history, biology and psychology, to business-related degrees in computer information systems, accounting and marketing, to professionally directed programs in nursing, health care management, criminal justice, pre-medicine, pre-law and pre-veterinary science.

Enrollment and faculty and staff information is provided below.

Full-time Equivalent (FTE) student, faculty and staff reported by the College for the last three fiscal years were as follows:

	2000	2001	2002
Resident students	11,846	12,761	13,720
Nonresident students	434	466	468
Total students	**12,280**	**13,227**	**14,188**
Faculty FTEs	655	681	697
Staff FTEs	282	285	289
Total staff and faculty FTES	**937**	**966**	**986**

In planning and performing our audit of the financial statements of Metropolitan State College of Denver for the year ended June 30, 2003 (on which we have issued our report dated October 3, 2003), we developed the following recommendation concerning certain matters related to the College's internal control. Our recommendation is summarized below.

Cash Receipts Procedures

The majority of the College's cash receipts are received, processed, and deposited by the cashier's office. Significant receipts which are not directly received by the cashier's office consist primarily of payments on various grants and contracts. These payments are received directly by the College's finance department where student hourly employees open all in-coming mail and forward it to the appropriate personnel. The receipts are recorded by the finance department and subsequently delivered to the cashier's office for endorsement and deposit. The finance department employee who receives the payments on grants and contracts has access to the accounting system, is responsible for billing the amounts due, and reconciling the accounts receivable records. This lack of segregation of duties could result in the misappropriation of assets. Currently, the College has controls in place which would detect such a misappropration within a reasonable amount of time.

Recommendation No. 1

Metropolitan State College of Denver should implement procedures to mitigate the risk of the misappropriation of assets. These procedures should include the following:

- All in-coming checks should be immediately restrictively endorsed by the persons opening the mail.
- A cash receipts log should be maintained by the persons opening the mail and compared to the cashier's deposits by someone other than the person responsible for the record keeping.
- All receipts should be properly safeguarded from theft until they are delivered to the cashier's office.
- A policy should be established to ensure that receipts are delivered to the cashier's office and deposited in a timely manner.

Metropolitan State College of Denver Response

Agree. Metropolitan State College of Denver will implement procedures and policies to strengthen these controls.

Implementation date: January 1, 2004

METROPOLITAN STATE COLLEGE OF DENVER
DISPOSITION OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2003

The following is a summary of the prior year audit recommendations and their disposition as of June 30, 2003:

Prior Year Audit Recommendation	**Disposition**
Metropolitan State College of Denver should reimburse the auxiliary and restricted funds for an excess balance in the insurance clearing account related to unemployment, workman's compensation and liability insurance. In addition, the College should monitor the expense allocation percentage to ensure that the accounts are charged a fair and accurate amount. Future excess accumulated balances should be cleared at each year-end.	Implemented.

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Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying statements of net assets of Metropolitan State College of Denver (the College), a blended component unit of the State of Colorado, as of and for the years ended 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 College's management. 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 Governmental 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 Metropolitan State College of Denver as of June 30, 2003 and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards,* we have issued our report dated October 3, 2003, on our consideration of Metropolitan State College of Denver's internal control over financial reporting and on 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.

Kundinger, Corder & Engle, P.C.

October 3, 2003

METROPOLITAN STATE COLLEGE OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2003

This section of the Metropolitan State College of Denver (the College) financial report presents management's discussion and analysis of the financial performance of the College during the year ended June 30, 2003. This discussion focuses on current activities and known facts and provides an overview of the College's financial activities in comparison with the prior year. It should, therefore, be read in conjunction with the accompanying comparative financial statements and notes.

Effective July 1, 2002, following Colorado Revised Statute (CRS) 23-54-102, the powers, duties and functions formerly performed by the Trustees of the State Colleges in Colorado were transferred to the Board of Trustees of Metropolitan State College of Denver. This fiscal year is the first that the College is presenting stand-alone financial statements.

Understanding the Comparative Financial Report

The financial statements adhere to Governmental Accounting Standards Board (GASB) Statement No. 35. This annual report consists of a series of financial statements: the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. The presentation of financial information is in a format more comparable to that used by for-profit colleges and universities. The statements are prepared under the accrual basis of accounting. Hence, revenues and assets are recognized when service is provided, and expenses and liabilities are recognized when others provide the goods or services, without regard to the actual date of collection or payment.

Financial Highlights

- The College's financial position, as a whole, slightly improved during the year ended June 30, 2003. The combined net assets increased $1.2 million or 6.11 percent from the previous year as a result of increased enrollments, higher tuition, and other actions, including position eliminations and layoffs.

- State general fund appropriations decreased by $3 million or 7.44 percent from the previous year. This reduction reflects the economic conditions resulting from the impact of the national recession that forced the State of Colorado to reduce appropriations to all higher education institutions and state agencies. The College's original state appropriation for fiscal year 2003 was $45.5 million; however, the final appropriation received by the College was $38.1 million, a reduction of approximately 16 percent from the original budgeted appropriation. To manage this rescission with minimum effect on the quality of service and education that the College provides for our students, the College has done the following:
  - Allocated new tuition revenue from enrollment growth to compensate for the loss of state appropriated dollars.
  - Instituted a hiring freeze for all administrative and classified staff and fulltime tenure track faculty.

Financial Highlights, Continued

- Eliminated three associate vice president positions and one vice president position by merging the Information Technology department into the Division of Administration and Finance.
- Reduced the College's travel budget and eliminated the remodeling budget.
- Reduced the College's allocations to the Auraria Higher Education Center and Auraria Library.
- Offered voluntary reduced contracts and voluntary furloughs for administrators and voluntary reduced work schedules for classified employees.
- Offered early retirement incentives for eligible faculty and administrators. By June 30, 2003, 24 faculty and 10 administrators took advantage of this incentive. The early retirement incentive is no longer available to employees.
- Eliminated classified and exempt positions. Specifically, 26 classified staff and 4 exempt staff were laid off and 45 vacant positions were eliminated. An additional 10 administrative positions were eliminated July 1, 2003, when 10 administrators took advantage of the early retirement incentives.

* The College's June 30, 2003 current assets of $23.0 million were sufficient to cover current liabilities of $11.5 million. The current ratio of almost 2 (current assets/current liabilities) reflects the liquidity of the College's assets and the availability of funds for current operations.

* Gross tuition & fees shows an increase of $4.9 million or 11.7 percent from the previous year. Tuition increased for residents by 4.7 percent and non-residents by 7.7 percent for fiscal year 2003. In addition, enrollments increased for Summer 2002, Fall 2002, and Spring 2003 by approximately 7.5 percent in student full time equivalent.

Statement of Net Assets

The Statement of Net Assets reports on assets, liabilities, and net assets (net assets is the excess of total assets over total liabilities) as of June 30, 2003. Over time, increases or decreases in net assets are one indicator of the College's financial health when considered in conjunction with non-financial facts such as student enrollment.

Condensed Statement of Net Assets
(in thousands)

	For Year Ended June 30,	
	2003	**2002**
Assets		
Current assets	$ 22,982	17,274
Non-current assets	11,723	11,344
Total assets	$ 34,705	28,618

Statement of Net Assets, Continued

	2003	2002
Liabilities		
Current liabilities	$ 11,534	6,454
Non-current liabilities	1,715	1,942
Total liabilities	$ 13,249	8,396
Net assets		
Invested in capital assets	$ 3,136	2,742
Restricted for expendable purposes	9,776	10,021
Unrestricted	8,544	7,459
Total net assets	$ 21,456	20,222

At June 30, 2003, the College's total assets were $34.7 million, which is an increase of $6 million compared to the prior year. The largest asset category was cash and cash equivalents of $17.4 million. The primary reason for the increase in current assets was the passage and implementation of Senate Bill 03-197, which deferred the payment of the College's payroll and associated payroll liabilities from June 30, 2003 to July 1, 2003. The Senate Bill is also the main reason that current liabilities increased in Fiscal Year 2003.

The College's financial position improved during the fiscal year as evidenced by the increase in net assets of $1.2 million to $21.4 million. Of this total, $3.1 million is invested in capital assets (equipment) net of accumulated depreciation of $4.8 million. Depreciation allocates the cost of an asset over its expected useful life and represents the utilization of long-lived assets. $9.8 million of net assets is externally restricted for student loans and $8.5 million is unrestricted and available for any lawful purpose of the College.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations during the fiscal year. Activities are reported as either operating or non-operating. Operating revenues and expenses generally result from providing services for instruction, public service, student services, and academic and institutional support to/from an individual or entity separate from the College. Non-operating revenues and expenses are those other than operating and include but are not limited to state appropriations, investment and interest income, and private grants and gifts.

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

Condensed Statement of Revenue, Expenses, & Changes in Net Assets (in thousands)

	Year Ended June 30, 2003	2002
Operating revenues		
Tuition & fees, net of scholarship allowance	$ 34,091	31,139
Sales & services	2,413	2,958
Grants & contracts	26,438	24,201
Other operating revenues	3,128	2,083
Total operating revenues	66,070	60,381
Operating expenses	107,169	102,206
Operating loss	(41,099)	(41,825)
Non-operating revenues		
State appropriations	38,144	41,209
Interest income	1,464	709
Other non-operating	2,451	1,514
Net non-operating revenues	42,059	43,432
Income before other items	960	1,607
Transfers from other institutions	275	439
Net increase in net assets	1,235	2,046
Net Assets at beginning of year	20,221	18,176
Net assets at end of year	$ 21,456	20,222

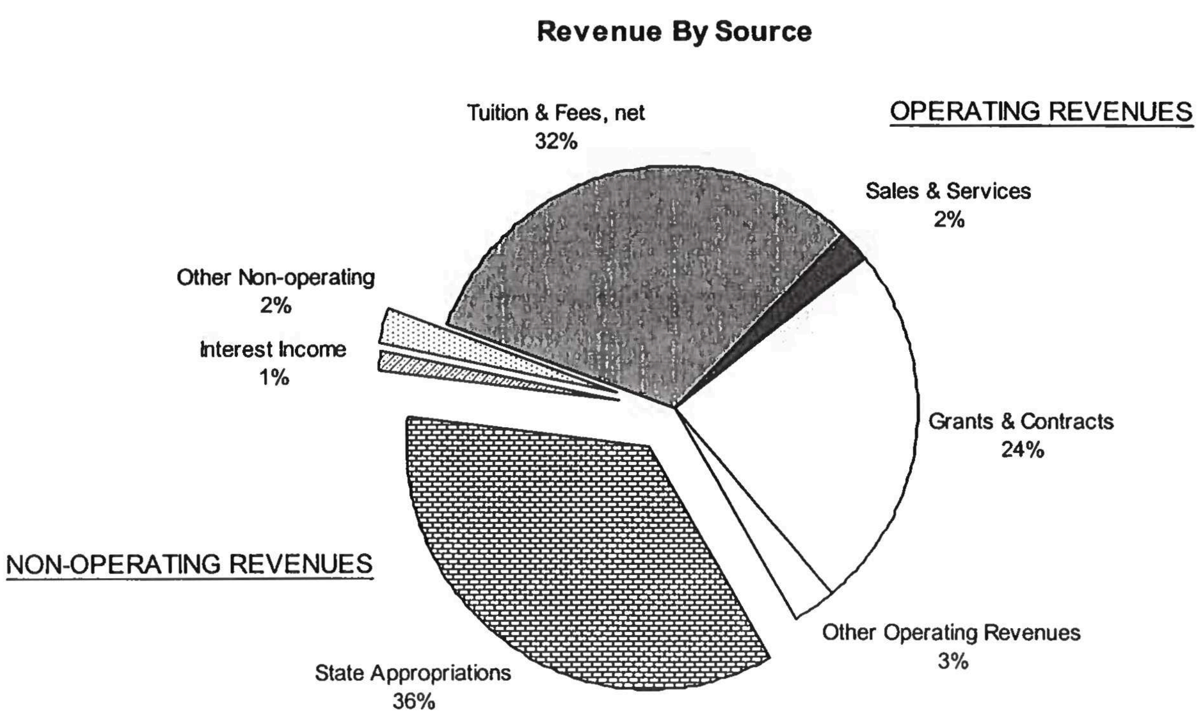
Tuition and fee revenue accounted for $34 million of $66 million in operating revenue. This tuition and fee amount is net of scholarship allowance of $12.5 million. Scholarship allowances are defined as the financial aid awarded to students to pay tuition and fees. Scholarship discounts and allowances increased $1.9 million from the previous year due to an overall increase of almost $2.2 million in financial aid awards.

Operating expenses totaled $107 million. Of this total: $46 million was for instruction, $10 million for academic support, $11 million in student services, $9.4 million in institutional support, $6.5 million in operation of plant, and $14.4 million in auxiliary enterprises. The remaining $9.7 million was for scholarships and other miscellaneous operating expenses.

Overall operating expenses show an increase of $4.9 million from last year. The increase consists primarily of the following:

- Approximately $700K is related to increased funding for scholarships and fellowships.
- Roughly $1 million of the increase is due to separation agreements for classified staff, early retirement incentives for faculty members, and settlement agreements for administrators.
- Instruction increased approximately $1.8 million primarily due to a 4.7 percent increase in faculty salary.
- Auxiliary enterprise expenses increased approximately $1.1 million due to the implementation of:
    - the Portal web system,
    - the new on-line course system,
    - new student computer labs and the replacement of computer equipment,
    - Health Insurance Portability and Accountability Act (HIPAA) requirements and tuberculosis testing at the Student Health Center, and
    - the new fitness center for Campus Recreation.

The following is a graphic illustration of total revenue (operating and non-operating) by source for the College. Each major revenue component is displayed relative to its proportionate share of total revenue.



Statement of Cash Flows

The Statement of Cash Flows presents relevant information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities. It also helps the users of financial statements gauge the College's ability to generate cash flows and meet financial obligations as they mature.

Condensed Statement of Cash Flows
(in thousands)

	For Year Ended June 30, 2003	2002
Net cash provided (used) by:		
Operating activities	$ (37,951)	(40,232)
Non-capital financing activities	43,438	41,843
Capital and related financing activities	(1,301)	(820)
Investing activities	1,719	933
Net increase in cash	5,905	1,724
Cash & cash equivalents		
Beginning of year	11,500	9,776
End of year	$ 17,405	11,500

The College's overall liquidity shows slight improvement in fiscal year 2003 with an increase in cash and cash equivalents of $5.9 million. This increase is substantially due to implementation of SB 03-197 as explained under Statement of Net Assets. The net cash used by operating activities is $37.9 million. The major sources of cash inflows are $33.7 million from tuition and fees, $29.4 million from federal and state grants and contracts, and $38.1 million from state appropriations. The primary outflows are $70.4 million for payments to or for employees and $29.4 million for payments to suppliers.

Economic Outlook and Metropolitan State College of Denver's Future

During fiscal year 2003 the State's General Fund was faced with a deficit. The economic forecast for the State of Colorado for fiscal year 2004 has not improved, although additional budget cuts from higher education have not been announced at this time. The College is developing contingency plans for an additional $2 million in cuts during fiscal year 2004. The College's general fund appropriation from the State of Colorado for fiscal year 2004 is $33.9 million. This is a decrease of $4.2 million in appropriations.

Finally, effective in fiscal year 2004, the President of the College, Dr. Sheila Kaplan, resigned her presidency after ten years of service. The Board of Trustees appointed Dr. Raymond Kieft as the interim President on June 24, 2003.

METROPOLITAN STATE COLLEGE OF DENVER
STATEMENTS OF NET ASSETS
JUNE 30, 2003 and 2002

		2003	2002
Assets			
Current assets:			
Cash & cash equivalents (notes 2 and 3)	$	17,404,912	11,499,696
Accounts receivable-student (net of allowance of $1,038,358 and $1,116,881, respectively)		3,336,850	2,963,336
Accounts receivable-other		1,025,249	1,471,735
Loans receivable		1,191,037	1,284,586
Prepaid expense		24,458	54,230
Total current assets		22,982,506	17,273,583
Non-current assets:			
Investments (note 2)		190,634	190,634
Loans receivable (net of allowance of $1,220,083 and $1,178,483, respectively)		8,395,976	8,412,753
Equipment (net of accumulated depreciation of $4,840,657 and $5,035,683, respectively) (note 4)		3,136,245	2,741,041
Total non-current assets		11,722,855	11,344,428
Total assets	$	34,705,361	28,618,011
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	281,952	306,496
Accrued payroll		5,642,630	2,303,973
Deferred revenue		2,622,452	2,488,606
Compensated absences (note 6)		201,020	149,283
Due to students		383,580	127,836
Deposits held in custody for others		2,402,290	1,052,009
Other current liabilities		-	26,000
Total current liabilities		11,533,924	6,454,203
Non-current liabilities -			
Compensated absences (note 6)		1,714,919	1,942,278
Total liabilities		13,248,843	8,396,481
Net assets:			
Invested in capital assets		3,136,245	2,741,041
Restricted for expendable purposes		9,776,569	10,021,142
Unrestricted		8,543,704	7,459,347
Total net assets		21,456,518	20,221,530
Total liabilities and net assets	$	34,705,361	28,618,011

See accompanying notes to financial statements.

METROPOLITAN STATE COLLEGE OF DENVER
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2003 and 2002

		2003	2002
Operating revenues:			
Tuition and fees (net of $12,586,195 and $10,642,687 in scholarship allowance, respectively)	$	34,091,187	31,139,591
Sales and services of educational departments		153,812	438,078
Sales and services of auxiliary enterprises		2,259,154	2,520,171
Federal grants and contracts		15,027,764	13,313,796
State grants and contracts		11,321,388	10,856,238
Local grants and contracts		88,916	30,627
Operating interest income		243,132	222,951
Other operating revenues		2,885,336	1,859,996
Total operating revenues		66,070,689	60,381,448
Operating expenses:			
Instruction		46,199,168	44,414,318
Public service		413,072	522,722
Academic support		10,027,302	9,937,164
Student services		11,481,899	11,258,707
Institutional support		9,481,652	9,156,066
Operation of plant		6,511,311	6,569,347
Scholarships and fellowships		6,971,495	6,233,650
Auxiliary enterprise expenditures		14,459,808	13,306,744
Depreciation		898,748	640,888
Other operating expenses		725,005	167,293
Total operating expenses		107,169,460	102,206,899
Operating loss		(41,098,771)	(41,825,451)
Non-operating revenues (expenses):			
State appropriations, non-capital		38,144,374	41,208,778
Investment and interest income (note 3)		1,463,392	709,005
Loss on disposal of fixed assets		(7,056)	(48,255)
Non-operating gifts and donations		2,458,090	1,562,428
Net non-operating revenue		42,058,800	43,431,956
Income before other revenues, expenses, gains or losses		960,029	1,606,505
Other revenues, expenses, or transfers:			
Transfers from other institutions		274,959	439,413
Change in net assets		1,234,988	2,045,918
Net assets, beginning of year		20,221,530	18,175,612
Net assets, end of year	$	21,456,518	20,221,530

See accompanying notes to financial statements.

METROPOLITAN STATE COLLEGE OF DENVER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Cash received:		
Tuition and fees	$ 33,683,331	29,999,077
Sales and services	2,350,923	3,284,946
Grants and contracts	29,370,491	26,152,870
Student loans collected	2,417,314	1,644,337
Other operating receipts	3,964,309	3,200,421
Cash paid:		
Payments to or for employees	(70,438,053)	(63,927,968)
Payments to suppliers	(29,372,054)	(32,261,233)
Scholarships disbursed	(7,067,904)	(6,413,177)
Student loans disbursed	(2,859,163)	(1,911,452)
Net cash used by operating activities	(37,950,806)	(40,232,179)
Cash flows from noncapital financing activities:		
State appropriations, noncapital	38,144,374	41,208,778
Transfers from other institutions	274,959	439,413
Agency (direct lending inflows)	40,882,143	33,281,093
Agency (direct lending outflows)	(40,754,724)	(33,298,083)
Other agency inflows	4,891,480	3,990,184
Other agency outflows	-	(3,778,074)
Net cash provided by noncapital financing activities	43,438,232	41,843,311
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,301,008)	(820,495)
Net cash used by capital and related financing activities	(1,301,008)	(820,495)
Cash flows from investing activities:		
Investment and interest income	1,463,392	709,005
Investment and interest income on loan funds	255,406	223,923
Net cash provided by investing activities	1,718,798	932,928
Net increase in cash and cash equivalents	5,905,216	1,723,565
Cash and cash equivalents, beginning of year	11,499,696	9,776,131
Cash and cash equivalents, end of year	$ 17,404,912	11,499,696

(Continued)

METROPOLITAN STATE COLLEGE OF DENVER
STATEMENTS OF CASH FLOWS, CONTINUED
YEARS ENDED JUNE 30, 2003 and 2002

	2003	2002
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (41,098,771)	(41,825,451)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	898,748	640,888
Expended for plant facilities	-	(1,385,896)
Addition to plant fund	1,301,009	820,497
Non-cash operating revenue	1,459,346	-
Non-cash operating expense	(2,772,628)	-
Non-operating revenue	2,458,090	1,579,418
Operating interest	(243,132)	(223,923)
Adjustment to fund balance, per GASB 35	-	605,046
Changes in assets and liabilities:		
Accounts receivable	(145,313)	409,812
Prepaid expense	27,797	(7,163)
Other assets	104,745	(201,918)
Accounts payable	220,628	(483,280)
Deferred revenue	133,847	(1,627,007)
Accrued payroll	(325,530)	1,448,355
Other liabilities	30,358	18,443
Net cash used by operating activities	$ (37,950,806)	(40,232,179)

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

Governance

The accompanying financial statements reflect the financial activities of Metropolitan State College of Denver (the College) for the fiscal years ended June 30, 2003 and 2002. Effective July 1, 2002, Colorado Revised Statute (C.R.S.) 23-54-102 established a new independent governing board for Metropolitan State College of Denver. Following this statute, the powers, duties and functions formerly performed by the Trustees of the State Colleges in Colorado were transferred to the Board of Trustees of Metropolitan State College of Denver. The Trustees have full authority and responsibility for the control and governance of the College, including such areas as role and mission, academic programs, curriculum, admissions, finance, personnel policies, etc. To exercise their authority appropriately, the Trustees regularly establish policies designed to enable the College to perform its statutory functions in a rational and systematic manner. To assist them in meeting their responsibilities, the Trustees delegate to the President the authority to interpret and administer their policies in all areas of operations.

The 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.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented 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 applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, regardless of issue date, as well as the following pronouncements issued on or before November 30, 1989: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements.

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, except those deposits and investments representing endowments.

Investments: Investments are stated at their market value at date of gift or at cost, if purchased by the College.

Note 1: Summary of Significant Accounting Policies, Continued

Plant Assets: Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of donation. A physical inventory of all plant assets is taken annually with appropriate adjustments made to the financial records. Annual revisions of statements of values for insurance purposes are performed. The College follows the policy of capitalizing only those plant assets with an initial cost or fair value equal to or greater than $5,000.

Depreciation: Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3-5 years for capitalized computers and software, 12-25 years for musical and scientific equipment, and 5-15 years for other equipment.

Classification of Revenue: The College has classified its revenues as either operating or non-operating revenues 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.
- Non-operating revenues – Non-operating revenues are those revenues that do not meet the definition of operating revenues. Non-operating revenues include state appropriations for operations, gifts, and investment income.

Scholarship Allowance: Scholarship discount and allowance is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the students or by other third parties making payments on the student's behalf. In the accompanying financial statements, the gross student tuition and fee revenues are reported less the scholarship discounts and allowances. College resources provided to students as financial aid are recorded as scholarship allowance to the extent that they are used to satisfy tuition and fees and other student charges. Any excess resources are recorded as student aid operating expense.

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.

Compensated Absences Policy: Employees' compensated absences are accrued when earned and are recognized based on vacation and sick leave balances due to employees at year end upon termination. Employees accrue and vest in vacation and sick leave based on their hire date and length of service. Vacation accruals are paid in full upon separation whereas only 25 percent of sick leave is paid upon specific types of separation, such as retirement. The current portion of compensated absences liability in the Statement of Net Assets is calculated based on an estimated average amount for the past three fiscal years.

Note 2: Cash With the State Treasurer, Cash on Hand and in Bank, and Investments

At June 30, 2003, the College had $14,998,934 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, cash on hand and in banks consisted of the following:

Cash on hand	$ 56,445
Cash in checking and depository accounts at bank	2,349,533
Total cash	$ 2,405,978

The carrying amount of the College's cash on deposit was $2,405,978. Of this balance, $56,445 is vault cash, petty cash, and change funds, and the bank balance was $2,349,533. Of this bank balance, $202,014 was covered by federal note depository insurance or by collateral held by the institution's agent in the institution's name.

At June 30, 2003, investments with a carrying value of $190,634 and a market value of $190,796 are categorized to give an indication of the level of risk assumed. Of this total, $190,634 was uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent in the College's name. Yield on investments varies on a daily basis.

Note 3: Investments – Unrealized Gains

The College deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains/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. Unrealized gains of $540,377 are included in investment income at June 30, 2003. Additional information on the Treasurer's pool may be obtained from the State of Colorado's Comprehensive Annual Financial Report.

Note 4: Capital Assets

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2003.

	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003
Depreciable equipment	$ 7,776,724	1,301,008	1,100,830	7,976,902
Less: accumulated depreciation equipment	5,035,683	898,748	1,093,774	4,840,657
Net depreciable capital assets	$ 2,741,041	402,260	7,056	3,136,245

Note 5: Lease Obligations

Operating Leases - The College leases building space and equipment under operating lease agreements. Total rental expense for the years ended June 30, 2003 and 2002 under these agreements was $650,851 and $690,758, respectively. Minimum future rentals (excluding contingent rentals) required by the above agreements are as follows for the years ending June 30:

2004	$ 582,949
2005	330,883
2006	35,259
TOTAL	$ 949,091

The College has a sub-lease rental agreement for two more years totaling $161,940. Payments made during the year ended June 30, 2003 totaled $97,520.

Note 6: Compensated Absences

GASB 34/35 requires that compensated absences be broken out into current and non-current liabilities. Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount, which will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, 2003 and 2002, are $201,020 and $149,283, respectively.

The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, 2003, and June 30, 2002, are $1,714,919 and $1,942,278, respectively. Fiscal Year 2003 expenses include a decrease of $175,622 for the estimated compensated absence liability. None of the liability relates to the current restricted fund.

Note 7: Pension Plan Obligations

On September 10, 1993 the Board of Trustees of the State Colleges in Colorado adopted an Optional Retirement Plan (ORP) for faculty and exempt administrative staff under the authority of Senate Bill 92-127. The implementation date was May 1, 1994. Eligible employees were offered the choice of remaining in Public Employees Retirement Association (PERA) or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire. The ORP is a defined contribution pension plan with three vendors, Fidelity Investments, TIAA-CREFF, and VALIC, providing a range of investment accounts for participants. The College's contribution to the ORP is 11.4 percent of covered payroll and contributions by employees are 8 percent of covered payroll.

The College's contributions to the ORP for the fiscal years ending June 30, 2003, 2002, and 2001 were $2,352,722, $2,201,504, and $2,043,210 respectively. These contributions were equal to the required contributions for each year. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and decisions made by participants for their individual investment accounts.

Note 7: Pension Plan Obligations, Continued

A. PERA Plan Description

Many of the College's employees participate in a defined benefit pension plan. The PERA plan's purpose is to provide income to members and their families at retirement or in the 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 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.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates and are eligible for retirement benefits at different ages and years of service. 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.

B. Funding Policy

Most employees contribute 8 percent of their annual gross covered wages to an individual account in the plan. During the year ended June 30, 2003, 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, 1.1 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 note 8 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 is the 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. The contribution requirements of plan members and their employers are established, and may be amended by the General Assembly.

B. Funding Policy, Continued

The College's contributions to the three programs described above for the fiscal years ending June 30, 2003, 2002, and 2001 were $3,151,927, $3,042,012 and $2,945,260 respectively. These contributions met the contribution requirement for each year.

C. Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan, for Metropolitan State College was $642,523. Employee contributions were 7.5 percent of covered payroll.

Note 8: Voluntary Tax-Deferred Retirement Plans

Beginning on January 1, 2001, the Matchmaker Program established a state match for PERA members' voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100 percent of up to 3 percent of employee's 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 over-funding of the pension plan was available for the match. While the plan was not over funded, 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 certain agencies and institutions of the estate offer a 403b plan. Members who contribute to any of these plans also receive the state match.

Note 9: Post-Retirement 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 the year ended June 30, 2003, the premium subsidy was $115.00 for those with 20 years of service credit ($230 for members under age 65) and was reduced by 5 percent for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy.

The Health Care Trust Fund is maintained by the institution's contribution as explained in note 7B above.

Note 9: Post Retirement Health Care and Life Insurance 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 approximately 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 known 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.

Note 10: Contingent Liabilities

Amounts expended under the terms of certain grants and contracts are subjected to audit and possible adjustment by governmental agencies. In the opinion of management, any adjustments will not have a material or adverse effect on the accompanying financial statements.

The College, in the course of conducting business, is a party to various litigation and other claims. Although the final outcome of these legal actions cannot be determined at this time, management does not believe the ultimate resolution of these matters will have a significant adverse affect on the financial position of the College.

Note 11: Related Organization

Metropolitan State College Foundation, Incorporated (the Foundation) is a not-for-profit corporation formed to promote the welfare, development, growth, and well-being of the College. The Foundation is a separate legal entity, which is fully independent from the College, is not financially dependent upon the College, has a separately elected Board of Directors and, as such, has substantial autonomy and separate government entity characteristics. The Foundation has no fiscal accountability to the College.

The College leased office space to the Foundation for $8,773. During the year ended June 30, 2003, the Foundation provided $2,387,444 of funding to the College for various purposes, such as scholarships, departmental funding, and other programs. At June 30, 2003, the College has a receivable of $123,328 due from the Foundation. The College provides four employees to the Foundation and the Foundation reimburses the College for these expenses. As of June 30, 2003, these expenses amounted to $157,532.

The condensed financial statements of the Foundation for the year ended June 30, 2003 with comparative totals for the year ended June 30, 2002 are summarized below. These financial statements are not combined with the financial statements of the College.

Note 11: Related Organization, Continued

		2003	2002
Assets	$	7,694,690	8,527,107
Liabilities		123,184	158,082
Fund balance	$	7,571,506	8,369,025
Revenues	$	1,766,262	3,281,581
Expenses		2,531,521	2,348,822
Unrealized appreciation of investments		(32,260)	(366,800)
Change in net assets	$	(797,519)	565,959

Note 12: Campus Controlled Costs

Legislation enacted in 1974 established the Auraria Higher Education Center (AHEC) and included the College as one of the constituent institutions, along with the Community College of Denver (CCD) and the University of Colorado at Denver (UCD). Each institution operates independently as an educational institution responsible to its own governing board while sharing common operations.

For the purpose of total financial disclosure, the College's portion of campus shared costs for the Auraria Campus is as follows for the years ended June 30:

		2003	2002
Administration of Auraria Higher Education Center and operation and maintenance of plant	$	8,042,234	7,761,178
Library and Media Center		2,969,659	3,631,031
Total	$	11,011,893	11,392,209

Note 13: Reconciliation of Appropriated Revenues to Financial Statements

General fund	$	38,144,374
Transfers		-
Total general fund		38,144,374
Cash funds		28,356,517
Prior year roll-forward		2,926,661
Total revenue		69,427,552
Total expenditures		66,178,211
Rollforward	$	3,249,341

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Independent Auditor's 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:

We have audited the basic financial statements of Metropolitan State College of Denver (the College) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 3, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 College's financial statements 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 the 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 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.

This report is intended solely for the information and use of the Board of Trustees, management, the Legislative Audit Committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the Legislative Audit Committee.

Kundinger, Corder & Engle, P.C.

October 3, 2003

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REQUIRED COMMUNICATION LETTER

October 3, 2003

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Metropolitan State College of Denver (the College), a blended component unit of the State of Colorado, for the year ended June 30, 2003 and have issued our report thereon dated October 3, 2003.

Our professional standards require that we provide you with information about significant matters related to our audit in order to assist you with your oversight responsibilities of the financial reporting process, and to comply with our professional responsibilities to the Members of the Legislative Audit Committee. We have prepared the following comments:

Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*, Issued by the Comptroller General of the United States.

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. Generally Accepted Accounting Principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning our audit, we considered the internal control of the College for the purpose of determining our audit procedures and not to provide any assurance concerning internal control. Our comment on the College's internal control can be found on page 5 of this document.

Significant Accounting Policies

The College's significant accounting policies are discussed in Note 1 to the College's 2003 financial statements. There were no changes in accounting policies during fiscal year 2003.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the basic 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 basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management's use of estimates is disclosed in the notes to the basic financial statements, and include estimates for items such as allowances for doubtful accounts and compensated absences. We have performed analytical procedures and made inquiries related to significant estimates.

Audit Adjustments
Our audit was designed to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. In addition, we are obligated by generally accepted auditing standards to inform you of any adjustments arising from the audit that could, in our judgment, either individually or in the aggregate, have a significant effect on the College's reporting process. All proposed audit adjustments (whether recorded or uncorrected) were reviewed with management and were determined, individually or in the aggregate, not to have a significant effect on the financial reporting process.

In addition, we are obligated by generally accepted auditing standards to inform you about uncorrected misstatements (regardless of whether they have a significant effect on the financial reporting process) aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There were 2 uncorrected misstatements aggregated by us during our current audit and pertaining to the most recent period presented in the basic financial statements which would have increased assets by $110,972, increased liabilities by $231,591, and decreased net assets by $120,619 on the College's basic financial statements at June 30, 2003. These uncorrected misstatements, in our judgment, are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole.

Disagreements with Management
There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the College's basic financial statements or our report on those financial statements.

Consultations with Other Accountants
We are not aware of any consultations management may have had with other accountants on the application of U.S. generally accepted accounting principles and U.S. generally accepted auditing standards.

Major Issues Discussed with Management Prior to Retention
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 did not encounter any difficulties in dealing with management related to the performance of our audit.

* * * * *

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

Kundinger, Corder & Engle, P.C.

METROPOLITAN STATE COLLEGE OF DENVER
STATE FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
INTRODUCTION
YEAR ENDED JUNE 30, 2003

Metropolitan State College of Denver (the College) is a state-supported institution of higher education. Our financial and compliance examination of the various state-funded student financial assistance programs at the College for the year ended June 30, 2003, was directed toward the objectives and criteria set forth in the Colorado Commission on Higher Education's (CCHE) Financial Aid Policy, adopted April 2002. The state-funded student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2003.

State Funded Student Financial Assistance Programs

The College's various state-funded student financial assistance programs include the following:

- Colorado Need-based Grants awards, consisting of:
  - Colorado Student Grant
  - Colorado Leveraging Educational Assistance Partnership (CLEAP)
  - Supplemental Leveraging Assistance Partnership (SLEAP)
- Colorado Undergraduate Merit Scholarships
- Colorado Work-Study
- Governor's Opportunity Scholarships
- Loan Matching for the Perkins Loan

The total state-funded financial assistance expenditures made by the College were $7,917,869 during the year ended June 30, 2003. Of this amount, state-funded matching funds of $58,293 were transferred to the Perkins Loan.

The director of financial aid is responsible for 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 student financial aid programs. The College's controller's office is responsible for the programs' financial management, general ledger accounting, and payments.

During the year ended June 30, 2003, the College obtained authorization to award federal student financial aid funds of $11,484,017 in Pell Grant, $488,838 in Supplemental Educational Opportunity Grant, $678,596 in Federal Work-Study, and $174,878 of new capital contributions in the Perkins Student Loan Program.

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Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs (the Statement) of Metropolitan State College of Denver (the College), a blended component unit of the State of Colorado, for the year ended June 30, 2003. The Statement is the responsibility of the College's management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*. 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 Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes to the Statement, the Statement was prepared in accordance with the format set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs,* issued by the Colorado Commission on Higher Education (CCHE), 2003 revision. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study program and Perkins Loan Program, and does not present certain transactions that would be in the Statement of the State-Funded Student Financial Assistance Programs if it was presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying Statement is not intended to present the net assets of the College at June 30, 2003, and the results of its operations and changes in cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs of Metropolitan State College of Denver for the year ended June 30, 2003, in conformity with the provisions of the CCHE *Colorado Handbook for State-Funded Student Financial Assistance Programs,* as described in Note 1 to the Statement.

Members of the Legislative Audit Committee
Page 2

In accordance with *Government Auditing Standards,* we have also issued our report dated October 3, 2003, on our consideration of the 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.

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

Kundinger, Corder & Engle, P.C.

October 3, 2003

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

	Total Financial Aid	CLEAP	SLEAP	Colorado Need-based Grants	Colorado Work-Study	Colorado Diversity Grants	Colorado Merit Scholarships	Perkins Loan Match	Governor's Opportunity Scholarship
propriations:									
Original Official Allocation	7,917,869	123,104	127,131	4,060,380	1,960,761	-	1,218,930	58,293	369,270
Transfers	-			(350,000)	-	350,000			
tal Appropriations	7,917,869	123,104	127,131	3,710,380	1,960,761	350,000	1,218,930	58,293	369,270
tal Expenditures	7,917,869	123,104	127,131	3,710,380	1,960,761	350,000	1,218,930	58,293	369,270
versions to State General Fund	-	-	-	-	-	-	-	-	-

METROPOLITAN STATE COLLEGE OF DENVER
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS
YEAR ENDED JUNE 30, 2003

(1) Basis of Presentation

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as prescribed by the Colorado Commission on Higher Education (CCHE). The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the Colleges for the year ended June 30, 2003.

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

(2) Basis of Accounting

The College's accounting systems are structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in the revised publication *Financial Accounting and Reporting Manual for Higher Education,* as supplemented by the American Institute of Certified Public Accountants' industry audit guide *Audits of College and Universities.* Financial statement presentation and other accounting criteria are included in the *Colorado Handbook for State-Funded Student Assistance Programs.*

All state-funded student financial assistance is expensed on a cash basis, except for the Perkins Loan Program and the Colorado Work-Study program. Perkins student loans are recorded as loans receivable when the funds are disbursed. Colorado Work-Study wages are recorded on the accrual basis, recognizing expenses when the services are performed.

The Perkins Loan Program matching requirement from general funds, as approved by the Colorado Commission on Higher Education, is recorded as a transfer from the general fund to the loan fund and not as general fund expense and loan fund revenue.

The Colorado Leveraging Educational Assistance Partnership (CLEAP) and Supplemental Leveraging Assistance Partnership (SLEAP) consist of state and federal funds. The amounts shown in the accompanying Statement are the combined totals.

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