Metropolitan State College *of* Denver

FINANCIAL AND COMPLIANCE AUDITS

Years Ended June 30, 2007 and 2006

ANDERSON & WHITNEY

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REPORT SUMMARY
Year Ended June 30, 2007

PURPOSE AND SCOPE OF AUDITS

The Office of the State Auditor, State of Colorado, engaged Anderson & Whitney, P.C. to conduct financial and compliance audits of the Metropolitan State College of Denver (the College) for its fiscal year ended June 30, 2007. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the state auditor to conduct audits of all departments, institutions, and agencies of state government. Anderson & Whitney, P.C. performed these audits in accordance with auditing standards generally accepted in the United States, and *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related field work from June to October 2007.

The purpose and scope of these audits were to:

* Express an opinion on the financial statements of the College as of and for the year ended June 30, 2007. This includes a review of internal control as required by auditing standards generally accepted in the United States and *Government Auditing Standards*.

* Evaluate compliance with laws, regulations, contracts, and grants governing the expenditures of federal and state funds.

* Report on the College's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.

* Express an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs of the College for the year ended June 30, 2007.

* Evaluate progress in implementing prior audit findings and recommendations.

* Perform certain agreed-upon procedures regarding the records and internal control related to the College's Athletics program and the statements and records of outside organizations' expenditures for or on behalf of the College's Athletics program. These procedures were performed to assist the College in complying with the provisions of the National Collegiate Athletic Association (NCAA) Bylaws.

AUDIT OPINIONS AND REPORTS

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 as of and for the year ended June 30, 2007.

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. However, we did note certain areas where the College could improve its internal control and other procedures, which are 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, 2007, Statewide Single Audit Report issued under separate cover.

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.

We issued a report on our agreed-upon procedures on the athletics department performed in accordance with NCAA guidelines. Our report includes comments and recommendations which are detailed on pages 54-59 of this report.

SUMMARY OF FINDINGS

PROCUREMENT CARD DOCUMENTATION

The College does not have consistent procedures to require follow-up if procurement card documentation does not have all required signatures.

OVERSIGHT OF TEACHER QUALITY ENHANCEMENT GRANT

Minutes of steering committee meetings are not always taken to document oversight. Also, time and effort reports are not approved by supervisors.

A summary of the recommendations is included in the Recommendation Locator on page 4 of this report. Detailed descriptions of the findings and recommendations begin on page 6 of this report. The College has agreed to implement the recommendations.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

The audit report for the year ended June 30, 2006 included one recommendation. The recommendation was satisfactorily implemented.

METROPOLITAN STATE COLLEGE OF DENVER

RECOMMENDATION LOCATOR
Year Ended June 30, 2007

Recommendation Number	Page Number	Recommendation Summary	Agency Response	Implementation Date
FINANCIAL STATEMENT RECOMMENDATION				
1.	6	The College should strengthen its internal controls over procurement cards by requiring follow-up if documentation received in Accounting Services does not include signatures of both the card holder and the approving official.	Agree	December 2007
FEDERAL PROGRAM RECOMMENDATION				
2.	7	The College should improve internal controls over the Teacher Quality Enhancement Grant by regularly documenting the steering committee's oversight in meeting minutes and by reviewing time and effort reports at a supervisory level.	Agree	December 2007

DESCRIPTION OF METROPOLITAN STATE COLLEGE OF DENVER
Year Ended June 30, 2007

Established in 1963 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 have 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 and approved by the Senate.

The College offers 51 major fields of study and 82 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, bachelor of fine arts and bachelor of music. 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 professional 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's, faculty, and staff reported by the College for the last three fiscal years were as follows:

	Resident	Nonresident	Total
2005	14,627	426	15,053
2006	14,686	401	15,087
2007	14,743	431	15,174

Full-time employees were:

	Faculty	Staff	Total
2005	709	215	924
2006	737	285	1,022
2007	767	286	1,053

FINDING AND RECOMMENDATION RELATING TO THE FINANCIAL STATEMENTS

APPROVAL OF PROCUREMENT CARD STATEMENTS

As of June, 2007 there are 79 procurement cards that were used by College employees to make approximately $500,000 in expenditures during fiscal year 2007. Procurement cards operate similarly to credit cards. This spending is subject to the College's budget limitations and controls.

The College has a written policy in place that outlines limitations and protocol for use of the procurement cards. A key internal control requires signatures on the original monthly statements by the card holder and by an approving official. Another control requires the original signed statements as well as all supporting documentation be submitted to the Accounting Services department each month. No exceptions were noted in regard to this control. We noted the following exception in twelve items tested relating to the approval process.

One monthly statement for $4,207 was paid but had no approving official's signature. Only the employee had signed the monthly statement. This appears to be due to the approving official's departure from the College.

This exception indicates a need to strengthen follow-up procedures over procurement card statement approval.

Recommendation No. 1

The College should strengthen its internal controls over procurement cards by requiring follow-up if documentation received in Accounting Services does not include signatures of both the card holder and the approving official.

Metropolitan State College of Denver Response

Agree. Metropolitan State College of Denver will review the procurement card procedures and ensure there is timely follow-up on any missing documentation.
(Implementation Date: December 31, 2007)

FINDING AND RECOMMENDATION RELATING TO FEDERAL FINANCIAL ASSISTANCE

IMPROVING TEACHER QUALITY ENHANCEMENT PROCESSES

In 2004 the College received a $9.5 million grant over five years from the U.S. Department of Education. The grant is to conduct a secondary teacher enhancement project with the collaboration of the Denver Public Schools. Expenditures for year three of the Teacher Quality Enhancement Grant awarded to the College (CFDA #84.367 Teacher Quality Enhancement State Grants) totaled approximately $3.2 million that included unexpended funds of approximately $1.3 million from years one and two.

The College is responsible for designing and implementing internal control that is sufficient to provide reasonable assurance that the College is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. Two issues were noted during our review of internal controls over this grant.

- The grant proposal included a Project Steering Committee, composed of representatives from the College's School of Letters, Arts and Sciences, Department of Teacher Education and Denver Public Schools. The Project Steering Committee has been active to coordinate the day-to-day work of the project and ensure that the project is guided at all times by best practices and alignment with state and national reform efforts.

  At this time meeting minutes are not regularly being taken to document the scope of the Committee's oversight. Also, financial information relating to the grant such as year-to-date budget to actual expenditures should be reviewed by the Project Steering Committee to provide assurance that spending levels are reasonable.

- As required by the U.S. Department of Education and federal cost principles, the seven employees with part or all of their salary paid by the grant or used as grant match are required to document time and effort towards the grant. The College prepares time and effort reports monthly to itemize the date, hours, and specific activities performed related to the grant. However, the time and effort reports are signed only by the employee and are not reviewed and approved by a supervisor. Thus, any errors or incomplete information would not be detected by the College. Supervisory review and approval is required under federal grant regulations.

Recommendation No. 2

The College should improve internal controls over the Teacher Quality Enhancement Grant by:

- Ensuring the Project Steering Committee's oversight actions are documented in minutes of all meetings. The Committee should include a review of financial information, such as year-to-date budget and actual expenditures, as part of its oversight.
- Implementing procedures to ensure time and effort reports are reviewed and approved at a supervisory level on a timely basis.

Metropolitan State College of Denver Response

Agree. The College will ensure minutes are taken at each Oversight Committee meeting as well as all other TQE meetings. Financial information will be included as a standard agenda item for the Oversight Committee.

The College is working with the Information Technology office to improve and streamline the time and effort reports. We will also ensure that they are a standard agenda item for the monthly Dean's meeting where timely review and analysis will be conducted and documented. (Implementation Date: December 31, 2007)

METROPOLITAN STATE COLLEGE OF DENVER

DISPOSITION OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2007

The following is a summary of the prior year audit recommendation and its disposition as of June 30, 2007:

Record No.	Finding	Disposition
1.	The College should ensure that federal requirements for return of funds are met by changing the approach to calculating the number of days per semester when a student withdraws from the institution.	Implemented

INDEPENDENT AUDITORS' REPORTS,
MANAGEMENT'S DISCUSSION AND ANALYSIS,
AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

ANDERSON & WHITNEY

Certified Public Accountants

Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the Metropolitan State College of Denver (the College) and its discretely presented component unit, collectively a blended component unit of the State of Colorado, as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. 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 did not audit the financial statements of the Metropolitan State College of Denver Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Metropolitan State College of Denver Foundation, Inc. is based on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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. The financial statements of the Metropolitan State College of Denver Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan State College of Denver and its discretely presented component unit at June 30, 2007 and 2006, and their respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2007, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis on pages 13 through 18 is not a required part of the basic 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.

Anderson & Whitney P.C.

October 24, 2007

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 years ended June 30, 2007 and 2006. 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.

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.

Beginning fiscal year 2004, the college adopted GASB 39, *Determining Whether Certain Organizations are Component Units,* and therefore the Financial Statements of the Metropolitan State College Foundation are attached to the College's Financial Statements.

Financial Highlights

- The College's financial position, as a whole, improved during the years ended June 30, 2007 and 2006. The combined net assets increased \$1.7 million and \$3.3 million, respectively over the previous year.

- Beginning in the Fall term of 2005, as a result of SB04-189, the College received state support via stipends as opposed to State Appropriations. In FY07 the level of funding for these stipends was set by the General Assembly at \$86.00 per eligible credit hour. In FY08 it is set at \$89.00 per eligible credit hour. This revenue is now recorded in the Tuition and Fee line under Operating Revenue instead of the State Appropriations line under Non-Operating Revenue.

- The College's June 30, 2007 current assets of \$38 million were sufficient to cover current liabilities of \$17.9 million. The current ratio of 2.13 (current assets/current liabilities) reflects the liquidity of the College's assets and the availability of funds for current operations.

- The College's enrollment for summer and spring improved slightly with a 2.4 percent increase in headcount while the fall headcount only increased .5 percent.

Statement of Net Assets

The Statement of Net Assets reports on assets, liabilities, and net assets (net assets represent the excess of total assets over total liabilities) as of June 30, 2007 and 2006. 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)

	2007	2006	2005
ASSETS			
Current Assets	$38,038	$35,793	$29,304
Non-Current Assets	12,249	10,932	10,531
TOTAL ASSETS	50,287	46,725	39,835
LIABILITIES			
Current Liabilities	17,900	16,085	12,485
Non-Current Liabilities	1,894	1,849	1,838
TOTAL LIABILITIES	19,794	17,934	14,323
NET ASSETS			
Invested in Capital Assets	4,191	2,891	2,380
Restricted for Expendable Purposes	9,016	9,048	9,334
Unrestricted	17,286	16,852	13,798
TOTAL NET ASSETS	$30,493	$28,791	$25,512

At June 30, 2007 and 2006, the College's total assets were $50.3 million and $46.7 million, which shows an increase of $3.6 million and $6.9 million, respectively, when compared to the prior years. The largest asset category was Cash & Cash Equivalents at $30.7 and $29.2 million, respectively. The primary reason for the increase in current assets in fiscal years 2006 and 2007 were slight tuition increases and increased interest earnings.

The College's financial position improved during fiscal year 2007 as evidenced by the $1.7 million increase in net assets for a total of $30.5 million. Of this total, $4.2 million is invested in capital assets (equipment) net of accumulated depreciation of $7.5 million. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets. In fiscal year 2007, $9 million of net assets is externally restricted for student loans and $17.3 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.

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

	2007	2006	2005
Operating Revenues			
Tuition & Fees, net	$ 73,537	$ 69,011	$ 37,263
Fee for Service	4,164	5,895	-
Sales & Services	3,073	3,071	3,041
Grants & Contracts	29,880	26,012	28,935
Other Operating Revenues	3,482	3,776	3,236
Total Operating Revenues	114,136	107,765	72,475
Operating Expenses	116,531	107,882	107,177
Operating Income (Loss)	(2,395)	(117)	(34,702)
Non-operating Revenues (Expenses)			
State Appropriations	-	-	33,952
Interest Income	1,907	956	640
Other Non-operating	2,190	2,440	2,408
Net Non-operating Revenues (Expenses)	4,097	3,396	37,000
Increase in Net Assets	1,702	3,279	2,298
Net Assets at Beginning of Year	28,791	25,512	23,214
Net Assets at End of Year	$ 30,493	$ 28,791	$ 25,512

Tuition and Fee Revenue accounted for $74 million of $114 million in Operating Revenue in 2007. This Tuition and Fee amount is net of Scholarship Allowance of $22.6 million. Scholarship Allowances are defined as the financial aid awarded to students to pay tuition and fees. Scholarship Discounts and Allowances increased $2.6 million from the previous year due to an increase in tuition, as well as enrollment increases and an overall increase in scholarships and fellowships.

As discussed earlier, the College began receiving state support via stipends and fee for service contracts instead of state appropriations in fiscal year 2006.

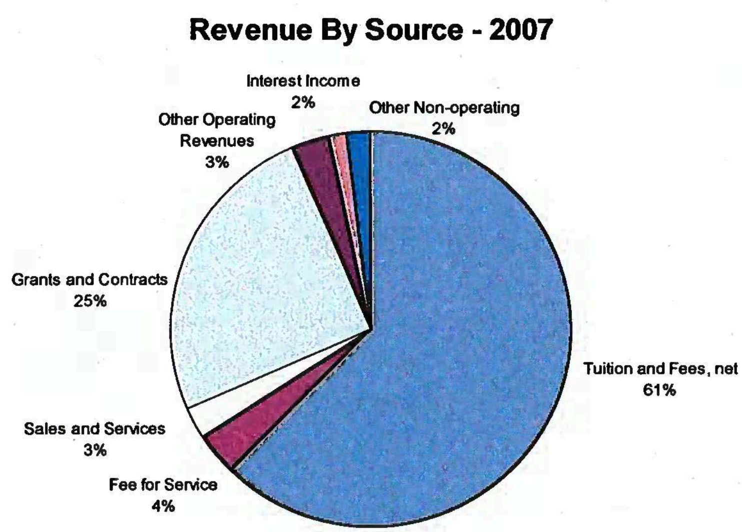
Operating expenses totaled $116.5 million in 2007. Of this total, $56.0 million was for Instruction, $8.8 million for Academic Support, $11.8 million for Student Services, $13.0 million for Institutional Support, $6.2 million for Operation of Plant, and $17.9 million for Auxiliary Enterprises. The remaining $2.8 million was for scholarships and other miscellaneous operating expenses.

Overall operating expenses show an increase of $8.6 million from last year due to a combination of several factors, including:

- Salary and Benefit expenditures increased approximately $6.1 million, resulting from an equity adjustment for all professors and associate professors below 85 percent of the College and University Professional Association (CUPA) average, as well as an increase in the value of Tenured and Associate Professor's promotions. There was also an increase of 31 fulltime employees, and an average salary increase of 3 percent for Faculty and Administrators as well as a 2.6 percent increase for Classified Staff.
- Materials and Supplies increased approximately $4.3 million, which was mainly the result of timing of expenditures in the Teacher Quality Enhancement grant, a new Department of Education grant received as a sub-grant from Florida State University, and the noncapitalized portion of major remodeling in the Arts and Science buildings and sizeable improvements to the Aerospace Department's flight simulators.
- Scholarships and Fellowships, net of Scholarship Discount and Allowance decreased by $1.2 million due to increased Scholarship Discount and Allowance. This is a result of the increased tuition.

Operating expenses also increased $705,000 between 2005 and 2006.

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)

	2007	2006	2005
Net Cash Provided (Used) by:			
Operating Activities	$ 1,090	$5,982	$(31,303)
Non-capital Financing Activities	654	553	34,325
Capital and Related Financing Activities	(2,257)	(1,120)	(369)
Investing Activities	2,015	1,081	839
Net Increase in Cash	1,502	6,496	3,492
Cash & Cash Equivalents			
Beginning of Year	29,238	22,742	19,250
End of Year	$ 30,740	$ 29,238	$ 22,742

The College's overall liquidity improved in fiscal years 2007 and 2006 with an increase in Cash and Cash Equivalents of $1.5 million and $6.5 million, respectively. The increase in fiscal year 2006 is mainly the result of receiving $5.9 million in Fee for Service in June. The major sources of cash inflows in fiscal year 2007 are $74.4 million from Tuition and Fees, and $31.6 million from Federal and State Grants and Contracts. The primary outflows are $78.3 million for payments to or for employees and $37.3 million for payments to suppliers.

Economic Outlook and Metropolitan State College of Denver's Future

Last year President Stephen Jordan, PhD, presented a three-phase plan of stabilization, growth and investment, and assessment. This year the College was in its second year of stabilization, during which President Jordan built on his initial faculty salary initiative by providing equity adjustments for all professors and associate professors below 85 percent of the College and University Professional Association (CUPA) average. Additional increases were given, such as increasing the value of promotions for associate professors from $1,500 to $4,000 and tenured professors from $2,200 to $6,000, and increasing assistant professors', instructors' and administrators' salary 3 percent, and classified staff 2.6 percent.

In the Fall of 2006, three private housing options became available to students which are ultimately expected to improve retention and graduation rates.

The College has also taken part in the planning stages of major renovations to the Science Building. The renovations will include remodeling the existing 118,000 square foot building as well as constructing a new 200,000 square foot building. This building will be owned by the Auraria Higher Education Center (AHEC) but will be shared by the Community College of Denver, the University of Colorado at Denver Health Sciences Center, and the College. This will allow the College to continue its growth while providing technologically advanced student labs.

In an effort to realize President Jordan's vision of becoming the "preeminent public urban baccalaureate college in the country," the Office of International Globalization was created. This department has already formalized an agreement with the Chengdu Municipal Education Bureau in China to develop cooperative language programs.

The College also launched a brand awareness campaign that introduced a slightly modified logo and created the slogan "Where Success Begins with You." The marketing campaign focuses on the core aspects of the College's vision and mission, including diversity and high quality, in an effort to build upon and improve Metro State's identity.

The College retained its Enterprise status by receiving less than 10% in State funding. The stipends were set by the General Assembly in fiscal year 2007 at $86.00 per semester hour per resident undergraduate student and $89.00 in fiscal year 2008. In addition to stipends, the College received $4.2 million in Fee for Service in fiscal year 2007 and is scheduled to receive $3.9 million in fiscal year 2008.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the College at Campus Box 98, P.O. Box 173362 Denver, Colorado 80217.

Metropolitan State College of Denver
Statement of Net Assets

	June 30	
	2007	**2006**
Assets		
Current Assets		
Cash & Cash Equivalents	$ 30,739,519	$ 29,238,014
Accounts Receivable-Student (Net of $1,359,104 and $1,154,910 in Allowance for Doubtful Accounts)	4,722,846	4,383,037
Accounts Receivable-Other	1,581,285	1,189,172
Loans Receivable	917,924	916,439
Prepaid Expense	77,223	66,509
Total Current Assets	**38,038,797**	**35,793,171**
Non-Current Assets		
Investments	190,634	190,634
Loans Receivable (Net of $1,215,318 and $1,287,793 in Allowance for Doubtful Accounts)	7,866,767	7,850,173
Equipment (Net of $7,534,728 and $6,881,731 in Accumulated Depreciation)	4,191,388	2,891,221
Total Non-Current Assets	**12,248,789**	**10,932,028**
Total Assets	**50,287,586**	**46,725,199**
Liabilities		
Current Liabilities		
Accounts Payable	1,354,269	675,720
Accrued Payroll	8,199,572	7,243,349
Deferred Revenue	4,967,667	4,138,587
Compensated Absences	246,059	223,277
Due to Students	266,056	1,235,337
Deposits Held in Custody for Others	2,866,539	2,569,397
Total Current Liabilities	**17,900,162**	**16,085,667**
Non-Current Liabilities		
Compensated Absences	1,894,056	1,848,729
Total Non-Current Liabilities	**1,894,056**	**1,848,729**
Total Liabiliities	**19,794,218**	**17,934,396**
Net Assets		
Invested in Capital Assets	4,191,388	2,891,221
Restricted for Expendable Purposes	9,015,697	9,047,500
Unrestricted	17,286,283	16,852,082
Total Net Assets	**$ 30,493,368**	**$ 28,790,803**

See accompanying notes to the financial statements.

Metropolitan State College of Denver Foundation, Inc.
Statements of Financial Position
June 30, 2007 and 2006

		2007	2006
Assets			
Cash and cash equivalents	$	443,240	179,876
Reimbursement receivable		10,956	-
Contributions receivable, net (note 2)		393,612	81,897
Investments (note 3)		7,790,006	7,115,029
Note receivable (note 5)		200,000	200,000
Contributions receivable under split-interest agreements (note 4)		183,832	173,700
Assets held for investment (note 6)		93,175	93,175
Total assets	$	9,114,821	7,843,677
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	406,524	406,620
Liabilities under annuity trusts (note 4)		29,458	29,936
Total liabilities		435,982	436,556
Net assets			
Unrestricted		1,096,042	970,283
Temporarily restricted (note 7)		3,463,506	3,021,280
Permanently restricted (note 7)		4,119,291	3,415,558
Total net assets		8,678,839	7,407,121
Commitments (note 9)			
Total liabilities and net assets	$	9,114,821	7,843,677

See accompanying notes to financial statements.

Metropolitan State College of Denver
Statement of Revenue, Expenses, & Changes in Net Assets

	For the Fiscal Years Ended June 30	
	2007	2006
Operating Revenues		
Tuition & Fees (Net of $22,642,182 and $20,007,556 in Scholarship Allowance)	$ 73,536,686	$ 69,010,489
Fee For Service	4,163,555	5,895,368
Sales & Services of Educational Departments	646,799	697,192
Sales & Services of Auxiliary Enterprises	2,426,299	2,373,830
Federal Grants and Contracts	20,948,183	18,542,091
State Grants and Contracts	8,862,189	7,404,635
Private Grants and Contracts	69,476	65,221
Operating Interest Income	107,034	126,010
Other Operating Revenues	3,375,645	3,650,476
Total Operating Revenues	**114,135,866**	**107,765,312**
Operating Expenses		
Instruction	55,961,330	49,507,923
Public Service	199,936	235,686
Academic Support	8,765,196	8,200,404
Student Services	11,826,882	10,212,792
Institutional Support	13,006,385	10,147,251
Operation of Plant	6,233,564	5,715,958
Scholarships and Fellowships	1,727,013	2,926,725
Auxiliary Enterprise Expenditures	17,853,453	18,920,689
Depreciation	955,243	1,007,376
Other Operating Expenses	1,992	1,007,007
Total Operating Expenses	**116,530,994**	**107,881,811**
Operating Income (Loss)	**(2,395,128)**	**(116,499)**
Non-Operating Revenues (Expenses)		
Investment and Interest Income	1,907,289	955,881
Gain (Loss) on Disposal of Fixed Assets	(7,559)	(36,509)
Non-Operating Gifts and Donations	2,197,963	2,476,253
Net Non-Operating Revenues (Expenses)	**4,097,693**	**3,395,625**
Net Increase in Net Assets	**1,702,565**	**3,279,126**
Net Assets at Beginning of Year	**28,790,803**	**25,511,677**
Net Assets at End of Year	**$ 30,493,368**	**$ 28,790,803**

See accompanying notes to the financial statements.

Metropolitan State College of Denver Foundation, Inc.
Statement of Activities
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Support:				
Contributions	$ 43,961	2,137,182	312,565	2,493,708
In-kind contributions	488,997	173,585	-	662,582
College program fees	-	308,910	2,208	311,118
Investment income	241,210	-	556,275	797,485
Changes in net present values of split interest agreements	-	-	10,132	10,132
Other loss	-	(1,025)	-	(1,025)
Net assets released from restrictions- Satisfaction of program requirements	2,292,568	(2,292,568)	-	-
Other reclassifications of net assets	61,305	116,142	(177,447)	-
Total revenue, gains and support	3,128,041	442,226	703,733	4,274,000
Expenses:				
School support	2,194,973	-	-	2,194,973
General and administrative	318,312	-	-	318,312
Fundraising	488,997	-	-	488,997
Total expenses	3,002,282	-	-	3,002,282
Change in net assets	125,759	442,226	703,733	1,271,718
Net assets, beginning of year	970,283	3,021,280	3,415,558	7,407,121
Net assets, end of year	$ 1,096,042	3,463,506	4,119,291	8,678,839

See accompanying notes to financial statements.

Metropolitan State College of Denver Foundation, Inc.
Statement of Activities
Year Ended June 30, 2006

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Support:					
Contributions	$	44,600	1,433,302	279,112	1,757,014
In-kind contributions		485,204	132,184	-	617,388
College program fees		-	483,784	325	484,109
Investment income		166,489	-	239,016	405,505
Changes in net present values of split interest agreements		-	-	-	-
Other loss		-	(1,964)	-	(1,964)
Net assets released from restrictions- Satisfaction of program requirements		2,515,014	(2,515,014)	-	-
Other reclassifications of net assets		52,331	39,702	(92,033)	-
Total revenue, gains and support		3,263,638	(428,006)	426,420	3,262,052
Expenses:					
School support		2,416,994	-	-	2,416,994
General and administrative		246,305	-	-	246,305
Fundraising		485,204	-	-	485,204
Total expenses		3,148,503	-	-	3,148,503
Change in net assets		115,135	(428,006)	426,420	113,549
Net assets, beginning of year		855,148	3,449,286	2,989,138	7,293,572
Net assets, end of year	$	970,283	3,021,280	3,415,558	7,407,121

See accompanying notes to financial statements.

Metropolitan State College of Denver
Statement of Cash Flows

	For the Fiscal Years Ended June 30	
	2007	**2006**
Cash Flows from Operating Activities		
Cash Received:		
Tuition and Fees	$ 74,439,257	$ 69,881,825
Fee for Service	4,163,555	5,895,368
Sales and Services	3,064,112	3,335,768
Grants and Contracts	31,598,896	28,856,651
Student Loans Collected	1,981,463	2,601,341
Other Operating Receipts	5,505,332	5,035,951
Cash Payments:		
Payments to or for Employees	(78,253,727)	(72,284,568)
Payments to Suppliers	(37,314,112)	(31,487,624)
Scholarships Disbursed	(1,921,019)	(3,035,380)
Student Loans Disbursed	(2,173,840)	(2,817,501)
Net Cash Provided (Used) by Operating Activities	1,089,917	5,981,831
Cash Flows from Noncapital Finacing Activities:		
Agency (Direct Lending Inflows)	56,235,608	51,789,377
Agency (Direct Lending Outflows)	(56,146,078)	(51,766,982)
Other Agency (Inflows)	5,410,988	4,739,906
Other Agency (Outflows)	(4,846,221)	(4,209,320)
Net Cash Provided (Used) by Non-Capital Financing Activities	654,297	552,981
Cash Flows from Capital & Related Financing Activities:		
Acquisition of Capital Assets	(2,257,033)	(1,120,130)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,257,033)	(1,120,130)
Cash Flows from Investing Activites:		
Investment Earnings	1,907,289	955,881
Investment and Interest Income on Loan Funds	107,035	126,012
Net Cash Provided (Used) by Investing Actitivies	2,014,324	1,081,893
Net Increase in Cash	1,501,505	6,496,575
Beginning Cash Balance	29,238,014	22,741,439
Ending Cash Balance	$ 30,739,519	$ 29,238,014
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activites		
Operating Income (Loss)	(2,395,128)	(116,499)
Adjustments to Reconcile:		
Depreciation Expense	955,243	1,007,376
Addition to Plant Fund	2,257,033	684,875
Non-Cash Operating Revenue	2,253,765	2,118,878
Non-Cash Operating Expense	(4,510,798)	(3,239,009)
Non-Operating Revenue (Expenses)	2,192,028	2,476,253
Operating Interest	(107,035)	(126,010)
Decrease (Increase) in Assets:		
Accounts Receivable	(468,398)	347,343
Prepaid Expense	(19,558)	22,530
Other Assets	35,865	80,632
Increase (Decrease) in Liabilities:		
Accounts Payable	675,564	423,553
Deferred Revenue	829,080	1,271,041
Accrued Payroll	278,631	271,361
Other Liabilities	(886,375)	759,507
Net Cash Provided (Used) by Operating Activites	$ 1,089,917	$ 5,981,831

See accompanying notes to the 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, 2007 and 2006. Effective July 1, 2002, Colorado Revised Statute 23-54-102 established the Board of Trustees of Metropolitan State College of Denver to serve as the College's governing board. 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.

Reporting Entity

The State of Colorado is the primary reporting entity for state financial reporting purposes. The financial statements of the College and its discretely presented component unit are not intended to report financial information of the State in conformity with accounting principles generally accepted in the United States. The accounting policies of the College conform to accounting principles generally accepted in the United States, as applicable to government units.

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.

Beginning in fiscal year 2004, the College adopted Statement No. 39 of the Governmental Accounting Standards Board (GASB 39), *Determining Whether Certain Organizations are Component Units*, and therefore the financial statements of the Metropolitan State College Foundation, Inc. (the Foundation) are presented as a discretely presented component unit. In accordance with GASB 39, paragraph 47, the discrete presentation of the Foundation's financial statements appears on separate pages from the financial statements of the College. The Foundation warrants inclusion as part of the financial reporting entity because of the nature and significance of its relationship with the College including its ongoing financial support of the College.

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

Investments: Investments are stated at their fair value which is determined based on quoted market prices. Changes in fair value of investments are reported as a component of investment income.

Plant Assets: Physical plant and equipment are stated at cost at the date of acquisition or fair market value at the 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 nonoperating 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. Nonoperating 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.

Reclassifications: Certain 2006 amounts have been reclassified for comparison with the 2007 statement of cash flows.

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, 2007 and 2006, the College had $28,718,013 and $26,381,743, respectively, 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 2007, cash on hand and in banks consisted of the following:

Cash on hand	$	35,771
Cash in checking and depository accounts at bank		1,986,035
Total cash	$	2,021,806

The carrying amount of the College's cash on deposit was $670,739. Of this balance $35,771 is vault cash, petty cash, and change funds, and the reconciled bank balance was $634,968. Of this bank balance, $100,000 was covered by federal depository insurance and the remainder by collateral held by the financial institution's agent in the institution's name.

Beginning in fiscal year 2005, the college was required to follow the requirement of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosure.* The standard primarily requires disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for any public entity's investments. The College has invested $190,634 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established by state statute for government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is a 2a7-like investment pool, and the college's investment is rated as AAA by Standard and Poor's, Fitch, and Moody's. COLOTRUST pooled investments are excluded from the 5 percent and interest rate risk disclosure requirements. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. At June 30, 2007 and 2006 the fair value of the College's investment is $190,634.

NOTE 3: INVESTMENTS - UNREALIZED GAINS /LOSSES

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/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, 2007 and 2006. 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 losses of $204,816 at June 30, 2007, and $317,745 at June 30, 2006 are included in investment earnings. 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 years ended June 30, 2007 and 2006.

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Depreciable Equipment	$ 8,736,631	1,703,436	667,115	9,772,952
Less: Accumulated Depreciation Equipment	6,356,910	1,155,426	630,605	6,881,731
Net Depreciable Capital Assets	$ 2,379,721	548,010	36,510	2,891,221

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Depreciable Equipment	$ 9,772,952	2,262,968	309,804	11,726,116
Less: Accumulated Depreciation Equipment	6,881,731	955,243	302,246	7,534,728
Net Depreciable Capital Assets	$ 2,891,221	1,307,725	7,558	4,191,388

NOTE 5: LEASE OBLIGATIONS

Operating Leases - The College leases building space and equipment under operating lease agreements. Total rental expense for the year ended June 30, 2007 and June 30, 2006 under these agreements was $666,263 and $627,536, respectively. As of June 30, 2007 minimum future rentals (excluding contingent rentals) required by the above agreements are as follows:

Years ending June 30,

2008	685,231
2009	608,662
2010	361,439
2011	23,170
TOTAL	$ 1,678,502

The College has a sub-lease rental agreement for two more years totaling $305,131 at June 30, 2007. Payments made in FY 2007 and 2006 totaled $157,451 and $166,984, respectively.

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, will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, 2007 and 2006, are $246,059 and $223,277, respectively.

The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, 2007, and 2006, are $1,894,056 and $1,848,729, respectively. Fiscal Year 2007 expenses include an increase of $68,109 for the estimated compensated absence liability.

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-CREF, and AIG-VALIC, providing a range of investment accounts for participants. The College's contribution to the ORP is 11.4 percent of covered payroll, and contribution by employees is 8 percent of covered payroll.

The College's contributions to the ORP for the fiscal years ending June 30, 2007, 2006, and 2005 were $2,755,747, $2,506,342, and $2,380,984, 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 investment decisions made by participants for their individual accounts.

A. PERA PLAN DESCRIPTION

Approximately half 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 an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Based on the 2006 legislation, higher education employees hired on or after January 1, 2008, have the additional option of participating in the state's defined contribution plan or PERA's defined contribution plan, which are discussed below, as well as the plans available to other employees in their institution.

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

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

- Hired before July 1, 2005 - age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

  Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:
- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

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

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.

- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percent of the employer contributions for this population.)

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 eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate may be entitled to a survivor's benefit.

B. FUNDING POLICY

Most employees contribute 8.0 percent of their annual gross covered wages, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2006 to December 31, 2006, the state contributed 10.65 percent of the employee's salary. From January 1, 2007 through June 30, 2007, the state contributed 11.5 percent. Effective July 1, 2004, 1.02 percent of the total contribution was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the State and School Division of PERA was under funded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, along with other significant provisions affecting the plan, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. Both AED and SAED will be terminated when each division's trust fund reaches 100 percent funding. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries and used by the employer to pay the SAED.

The annual gross covered wages subject to PERA are 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.

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

The College's contributions to the three programs described above for the fiscal years ending June 30, 2007, 2006, and 2005 were $4,025,185, $3,565,730, and $3,117,940, 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 taking less than six hours each semester 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 $1,021,486. Employee contributions were 7.5 percent of covered payroll in the amount of $76,611.

NOTE 8: VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

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 state offer 403(b) or 401(a) plans.

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; the program was converted to a trust fund in 1999. 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 fiscal year 2007, the premium subsidy was $115.00 for those with 20 years of service credit ($230 for members under age 65 and not eligible for Medicare), and it was reduced by 5 percent for each year of service fewer than 20.

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

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 medical benefit plans and another carrier for prescription benefit plans, and with several health maintenance organizations providing services within Colorado. As of December 31, 2006, there were approximately 42,433 enrollees in the plan.

Life Insurance Program
During fiscal year 2007, PERA provided its members access to a group decreasing term life insurance plan offered by Unum Provident, in which 41,101 members participated. Active members may join the Unum Provident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage of 12,790 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

Colorado Higher Education Insurance Benefits Alliance (CHEIBA)
College faculty and exempt administrative staff receive health insurance through the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare at age 65. For fiscal year 2007, the College has 8 retired faculty and administrative participants choosing CHEIBA coverage, with an average age of 62. Retirees pay the entire premium which is approximately 127 percent of the premiums charged to active employees.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting following governmental accounting standards for a business type activity. The financial statements can be obtained by contacting Gallagher Benefits Services, Inc.

There are no long term contracts for contributions to the plan. Participating schools can withdraw their participation in the plan with at least one years notice to the CHEIBA trust committee.

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 can not 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.

The State of Colorado, including the College, is self-insured in regard to its general and automobile liability exposures. The College also participates in a State commercial insurance policy covering loss or damage to College property. Liability of State higher education institutions is limited by the Colorado Governmental Immunity Act.

NOTE 11: CAMPUS SHARED 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, Metro State's portion of campus shared costs for the Auraria Campus is as follows:

		Year Ended June 30	
		2007	2006
Administration of Auraria Higher Education Center and operation and maintenance of plant	$	7,715,228	6,779,590
Library and Media Center		3,362,467	3,224,692
Utilities		0	284,403
Total	$	11,077,695	10,288,685

NOTE 12: LEGISLATIVE APPROPRIATTIONS

The accompanying financial statements contain revenues and expenses from both appropriated and non-appropriated funds.

Appropriated funds include the State appropriation from the State's General Fund, as well as certain cash funds as established by the Colorado State Legislature in its annual appropriations bill. Cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various lines, as appropriate, in the accompanying financial statements. The College's appropriated revenues are limited to the amount established by the State.

		Year Ended June 30		
		2007		2006
Total Appropriation	$	87,667,235	$	84,136,223
Actual Appropriated Revenues		87,650,037		82,721,880
Actual Appropriated Expenditures And Transfers		86,684,896		78,637,526
Net Increase in Appropriated Net Assets	$	965,141	$	4,084,354

All other revenues and expenses reported by the college represent non appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, and other revenue sources.

For the years ended June 30, 2007 and 2006, appropriated expenses were within the authorized spending authority.

NOTE 13: COMPONENT UNIT DISCLOSURES

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 financial statements of the Foundation are prepared on the accrual basis and follow SFAS No. 117.

Effective for the fiscal year ended June 30, 2004, GASB 39 requires the inclusion of Metropolitan State College Foundation as a discretely presented component unit based on the nature and significance of its relationship with the College. The Foundation uses a different GAAP reporting model (SFAS No. 117), and following the GASB 39 recommendation, its financial information is not presented on the same page as the College but is reported on separate pages after the College's financial statements. The Foundation's separate financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

NOTE 14: RELATED PARTY TRANSACTIONS

The College leased office space to the Foundation for $10,904 for fiscal year 2007. During the years ended June 30, 2007 and 2006, the Foundation provided $1,983,170 and $2,272,664, respectively, of funding to the College for various purposes, such as scholarships, departmental funding, and other programs. In addition to the amount that was paid to the College directly, there was $211,803 and $144,330 paid on behalf of the College to various vendors in the years ended June 30, 2007 and 2006, respectively. At June 30, 2007 and 2006 the College had a receivable of $395,021 and $392,294, respectively, due from the Foundation. The College provides four employees to the Foundation and the Foundation reimburses the College for these expenses. For the years ended June 30, 2007 and 2006 these expenses were $174,626 and $139,305, respectively.

(1) Summary of Significant Accounting Policies

(a) General

The Metropolitan State College of Denver Foundation, Inc. (the Foundation) is a nonprofit corporation organized and operated to promote the general welfare and development of the Metropolitan State College of Denver (the College).

(b) Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(d) Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support, including pledges, is recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

(e) Contributions Receivable

Unconditional pledges are recognized as revenues in the period the pledge is received. Pledges are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional pledges are recognized when the conditions on which they depend are substantially met.

(1) Summary of Significant Accounting Policies, Continued

(f) Allowance for Uncollectible Pledges

The Foundation uses the allowance method to record uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific pledges made.

(g) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities. Restricted gains and investment income are generally reported as increases to temporarily or permanently restricted investment income and upon expiration of the restrictions are reclassified to unrestricted investment income.

(h) Cash and Cash Equivalents

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(i) Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments in mutual funds and debt and equity securities and contributions receivable.

The Foundation places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. A significant portion of the funds are not insured by the FDIC or related entity.

The Foundation has significant investments in mutual funds, bonds, and other investments and is therefore subject to concentrations of credit risk. Investments are made by investment managers engaged by the Foundation and the investments are monitored by the management of the Foundation. Though the market values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

Concentrations of credit risk with respect to contributions receivable are limited due to the large number and creditworthiness of contributors comprising the Foundation's contributor base and the historical high-collectibility experience.

(1) Summary of Significant Accounting Policies, Continued

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Contributed Equipment, Supplies and Services

Contributed equipment and supplies are recorded at fair value at the date of donation. If donors stipulate how the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment and supplies are recorded as unrestricted support. Donated services are recognized as contributions in accordance with SFAS No. 116 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

In-kind contributions consist of the following for the years ended June 30:

	2007	2006
Materials	$ 157,453	130,184
Fundraising salaries	488,997	485,204
Other services	16,132	2,000
Total	$ 662,582	617,388

(l) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the charitable contribution deduction. Income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

(n) Reclassifications

Certain 2006 disclosures have been reclassified for comparison with the 2007 financial statement presentation.

(2) Contributions Receivable

Contributions receivable at June 30, 2007 and 2006 consist of the following:

	2007	2006
Receivables restricted for:		
Scholarships, departmental funding, and other	$ 435,075	87,763
Endowments	3,125	205
Less discount to net present value	(44,588)	(6,071)
Net contributions receivable	$ 393,612	81,897
Amounts due:		
Within one year	$ 102,174	35,536
Over one through five years	268,115	21,267
Over five years	23,323	25,094
Total	$ 393,612	81,897

The discount rate used on long-term contributions receivable is 5.0% in 2007. The Foundation believes all contributions receivable to be fully collectible. Accordingly, no allowance for uncollectible contributions receivable is provided at year-end.

(3) Investments

Investments, stated at their fair values, consist of the following at June 30:

	2007	2006
Cash and short-term cash funds	$ 3,586,849	1,727,023
Government securities	-	1,782,606
Fixed-income mutual funds	1,209,057	1,125,570
Stock mutual funds and equities	2,982,599	2,468,329
Other	11,501	11,501
	$ 7,790,006	7,115,029

Investment income is summarized below for the years ended June 30:

	2007	2006
Interest and dividend income	$ 319,357	228,737
Net realized and unrealized gains	498,370	195,794
	817,727	424,531
Less: investment management and bank fees	(20,242)	(19,026)
Net investment return	$ 797,485	405,505

(4) Charitable Trust Arrangements

Charitable Remainder Unitrusts

The Foundation is the beneficiary of certain charitable remainder trusts administered by banks that provide for the payment of distributions to the grantor or other designated beneficiaries over the designated beneficiaries' lifetimes. At the end of the trusts' terms, the remaining assets will be available for the Foundation's use or for the establishment of an endowment. At June 30, the net present values of the contributions receivable under remainder trust agreements are included in the statement of financial position as contributions receivable under split-interest agreements, as follows:

	2007	2006
Gross amounts receivable	$ 291,641	268,203
Less: unamortized discount	(107,809)	(94,503)
Net contributions receivable	$ 183,832	173,700

Charitable Gift Annuities

The Foundation is both the trustee and remainder beneficiary of four annuity trusts whereby the Foundation pays a specified amount of earnings to named beneficiaries. The assets received under three of these arrangements consist of investments which are part of the pooled investments of the Foundation. The assets received under the fourth arrangement are not part of the pooled investments since the assets will be available for unrestricted use.

At June 30, 2007 and 2006, the fair market value of these trusts' assets totaled $54,640 and $47,692, respectively, and the corresponding liabilities related to estimated future distributions to the beneficiaries totaled $29,458 and $29,936, respectively.

(5) Note Receivable

During May 2005, the Foundation made a $200,000 loan to the newly hired College president. The loan is secured by real estate and bears interest of 3.54% per year. The principal plus accrued interest is due on or before June 30, 2008. The loan will be forgiven if the president fulfills the terms of his employment agreement with the College, which expires on June 30, 2008. The loan will also be forgiven if the president is terminated without "cause", as defined in the employment agreement, or if the president dies, or becomes disabled for a period of three months or more.

While the note agreement remains in effect, thirty-six monthly interest payments of $590 are due to the Foundation from the College president on the first day of each month beginning June 1, 2005. The Foundation received interest totaling $7,080 in 2007 and $7,080 in 2006.

(6) Assets Held for Investment

Assets held for investment consist of the following at June 30, 2007 and 2006:

Art	$ 93,175
Furnishings	4,969
	98,144
Less accumulated depreciation	(4,969)
	$ 93,175

(7) Net Assets

Temporarily Restricted Net Assets

At June 30, temporarily restricted net assets consist of pledges, contributions and related investment earnings restricted by donors for particular purposes as follows:

	2007	2006
Scholarships	$ 848,725	896,841
Departmental funding	1,185,119	1,146,523
Other	1,429,662	977,916
	$ 3,463,506	3,021,280

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of original contributions, plus accumulated earnings and appreciation in excess of amounts distributed to the College under the Foundation's spending policy. The spending policy, expressed as a percentage of fair market value of the endowments, is anticipated to be 4.5% for the upcoming year. The calculation is based on the lesser of the rolling three-year average market value as determined each December 31st or the fair market value of the principal plus undistributed net accumulated earnings, as defined. The distribution from the various endowment accounts shall be allocated based on their portion of the fair market value to the total endowment fund as of the preceding distribution date.

At June 30, permanently restricted net assets consist of the following:

	2007	2006
Original contributions plus accumulated earnings	$ 4,031,182	3,340,626
Permanently restricted pledges/ split-interest agreements	117,037	103,985
Less liabilities under permanently restricted annuity trust assets	(28,928)	(29,053)
	$ 4,119,291	3,415,558

(7) Net Assets, Continued

Net Asset Reclassification

In accordance with its spending policy, the Foundation reduced permanently restricted net assets by $117,914 and $66,963 in 2007 and 2006, respectively, in order to make available investment earnings for scholarship distributions. In addition, permanently restricted net assets were also reduced by $61,430 and $53,893 in 2007 and 2006, respectively, in accordance to the Foundation's policy to assess an annual administrative fee of 2% to the total endowment fund. These reclassifications were based upon an interpretation of Colorado law made by the Foundation's outside counsel. Additionally, permanently restricted net assets were increased by $1,897 and $28,823 in 2007 and 2006, respectively, for changes in donor restrictions and/or correction of fund classification errors.

(8) Related Party Transactions

The Foundation leases office space from the College at an annual rate of $13.04 per square foot under an agreement that automatically renews for one-year terms at the beginning of each fiscal year. Rent expense totaled $10,904 and $10,800 for 2007 and 2006, respectively. In addition, the College subleases office space from the Foundation as discussed in Note 9.

Funding provided by the Foundation directly to the College for scholarships, departmental funding, and other programs totaled $1,983,170 in 2007 and $2,272,664 in 2006. In addition, the Foundation paid other costs totaling $211,803 and $144,330 in 2007 and 2006, respectively, on behalf of the College to various vendors. At June 30, 2007 and 2006, the Foundation has recorded a payable to the College of $395,021 and $392,294, respectively, for June funding.

During 2007 and 2006, respectively, the Foundation reimbursed the College a total of $174,626 and $139,305 for administrative and other support provided to the Foundation by College employees. Furthermore, the College provides development and other personnel to the Foundation at no cost. The Foundation has recorded in-kind contribution revenue totaling $488,997 in 2007 and $485,204 in 2006 for such donated services. The corresponding expenses are included as part of fundraising expenses.

In the normal course of the Foundation's operations, transactions arise with companies whose officers and/or directors are also directors of the Foundation. During 2007 and 2006, the Foundation paid for contract services provided by a company owed by a director. Payments totaled $33,936 and $17,839, respectively.

(9) Leases

During 1998, the Foundation entered into an agreement to lease space for the Center for Visual Arts. During 2006, the lease was extended to April 14, 2009. The lease agreement provides that the Foundation can purchase the premises. The College subleases this space from the Foundation under the same terms as the Foundation's agreement with the exception that the College can terminate the sublease, but the Foundation cannot terminate its lease agreement with the landlord.

(9) Leases, Continued

Future minimum lease payments under the lease at June 30, 2007 are as follows:

2008	$ 84,057
2009	69,438
Total minimum lease payments	$ 153,495

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Members of the Legislative Audit Committee:

We have audited the financial statements of the Metropolitan State College of Denver, a blended component unit of the State of Colorado as of and for the year ended June 30, 2007, and have issued our report thereon dated October 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Metropolitan State College of Denver'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.*

This report is intended for the information of the Legislative Audit Committee, the Board of Trustees and management of the Metropolitan State College of Denver, 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.

Anderson + Whitney P.C.

October 24, 2007

Required Auditor Communications

Members of the Legislative Audit Committee:

We have audited the financial statements of Metropolitan State College of Denver for the year ended June 30, 2007, and have issued our report thereon dated October 24, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards

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 accounting principles generally accepted in the United States. 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.

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

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Metropolitan State College of Denver's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. The significant policies used by Metropolitan State College of Denver are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the institution 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 were the allowance for doubtful accounts and loan receivables and the accrual for compensated absences.

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The process used by management in formulating the allowance for doubtful receivables is based on estimated loss percentages applied to aged accounts and loans receivable. The process used to formulate compensated absences is based on an estimate of employees that will be eligible in the future to receive payment for accumulated sick leave multiplied by current average pay rates. We evaluated the key factors and assumptions used to develop these estimates in determining 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. No audit adjustments were made.

DISAGREEMENTS WITH MANAGEMENT

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

CONSULTATIONS WITH OTHER ACCOUNTANTS

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

❖ ❖ ❖ ❖ ❖

This information is intended solely for the use of the Legislative Audit Committee and is not intended and should not be used by any others than these specified parties.

Anderson + Whitney, P.C.

October 24, 2007

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

& WHITNEY

Independent Auditors' 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 of the Metropolitan State College of Denver, an institution of higher education of the State of Colorado for the year ended June 30, 2007. This financial statement is the responsibility of the College's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared in conformity with the accounting practices prescribed or permitted by the Colorado Commission on Higher Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs of the Metropolitan State College of Denver for the year ended June 30, 2007 on the basis of accounting described in Note 1.

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

Anderson + Whitney P.C.

October 24, 2007

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STATE OF COLORADO
METROPOLITAN STATE COLLEGE OF DENVER
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS AND REVERSIONS
YEAR ENDED JUNE 30, 2007

	Total Financial Aid	CLEAP	SLEAP	Colorado Need-based Grants	Colorado Work-Study	PACG	Colorado Merit Scholarshps	Perkins Loan Match	Governor's Opportunity Scholarship
Appropriations:									
Original Official Allocation	$ 8,041,024	$ 123,262	$ 164,434	$ 5,250,187	$ 1,777,789	$ 130,126	$ 122,901	$ -	$ 472,325
Additional Allocation	120,144	-	-	100,747	22,661	-	-	-	(3,264)
Transfers	-	-	-	-	-	-	-	-	-
Total Appropriations	8,161,168	123,262	164,434	5,350,934	1,800,450	130,126	122,901	-	469,061
Total Expenditures	8,161,168	123,262	164,434	5,350,934	1,800,450	130,126	122,901	-	469,061
Reversions to State General Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

See accompanying notes to financial statement.

NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS

Year Ended June 30, 2007

NOTE 1 – Summary of Significant Accounting Policies:

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, 2007.

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 or changes in net assets of the College in conformity with generally accepted accounting principles in the United States.

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*. 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 Educational Assistance Partnership (SLEAP) consist of state and federal funds. The amounts shown in the accompanying statement are the combined totals.

NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS

Year Ended June 30, 2007

NOTE 2 – 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 Educational Assistance Partnership (SLEAP)
- Colorado Undergraduate Merit Scholarships
- Colorado Work-Study
- Governor's Opportunity Scholarships
- Pre-Collegiate Academic Competitiveness Grant (PACG)
- Loan Matching for the Perkins Loans

The total state-funded financial assistance expenditures made by the College were $8,161,168 during the year ended June 30, 2007.

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, 2007, the College obtained authorization to award federal student financial aid funds of $14,041,347 in Pell Grants, $456,039 in Supplemental Educational Opportunity Grants, $614,970 in Federal Work-Study, and $-0- of new capital contributions in the Perkins Student Loan Program.

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION (NCAA) AGREED-UPON PROCEDURES REPORT SECTION

Independent Accountants' Report on the Application of Agreed-Upon Procedures to the Athletics Department Statement of Revenues and Expenditures

Members of the Legislative Audit Committee:

We have audited the financial statements of the Metropolitan State College of Denver (the College) as of and for the year ended June 30, 2007 and have issued our report thereon dated October 24, 2007. We have also performed procedures enumerated below which were agreed to by the Board of Trustees and administration of the College with respect to the accounting records and system of internal accounting control of the College for the year ended June 30, 2007. These procedures were performed solely to assist the College in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board of Trustees and management of the College. Consequently, we make no representation regarding the sufficiency of the procedures described below for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

Statement of Revenue and Expenditures

- We obtained the statement of revenues and expenditures for the year ended June 30, 2007 prepared by management (page 59). We recalculated the total amounts on the statement, traced the amounts on the statement to management's worksheets and agreed the amounts on management's worksheets to the amounts on the College's general ledger. We noted no differences between the amounts in the general ledger and the amounts on the worksheets.

Affiliated Organizations

- We obtained the College's identification of all athletics-related affiliated and outside organizations and obtained these organizations' financial statements for the reporting year. The only organization noted was the Metropolitan State College of Denver Foundation, Inc.
- We received the audited financial statements of the Metropolitan State College of Denver Foundation, Inc. for the year ended June 30, 2007, which expressed an unqualified audit opinion on those statements. We also reviewed the management letter to the Foundation Board of Directors regarding the internal control structure. It contained a material weakness in internal control for a lack of written guidelines that address the appropriateness of expenses which are paid from accounts available for College program spending. This comment was not specific to athletics. The Foundation's response was to approve a written policy.

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Ticket and Concessions Sales

- We obtained and inspected the College's written procedures over ticket and concessions sales.
- For one event, we compared tickets sold and complimentary tickets provided to the related revenue reported by the College in the statement and the related attendance figures.

Student Fees

- We obtained and documented an understanding of the College's methodology for allocating student fees to intercollegiate athletics programs.
- We compared and agreed student fees reported by the College in the statement for the reporting to student enrollments during the same reporting period.

Guarantees

- We selected a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the year and compared and agreed each selection to the College's general ledger. Only one guaranteed contest was reported, for $1,000, for a woman's basketball game at Montana State University – Billings.

Contributions

- We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variations.
- We read the College's detailed accounting records to identify all individual contributions received by the Athletics Department (the Department) that individually constituted more than ten percent of the total contributions ($349,146 × 10% = $34,915) received by the College's Athletics Program during the above period. We identified no such contributions.
- We obtained a written confirmation from the Metropolitan State College of Denver Foundation, Inc. regarding the amount of contributions used by the Foundation for Athletic Department expenses.

Direct College Support

- We compared the direct College support recorded by the College during the reporting period with state appropriations, College authorizations and other corroborative supporting documentation.

NCAA Distributions Including Tournament Revenues

- We obtained and inspected agreements related to the College's participation in revenues from NCAA tournaments during the year to gain an understanding of the relevant terms and conditions. The College represented that the only proceeds received were various expense reimbursements from hosting postseason women's soccer matches and for travel to the men's outdoor track and field championship.

Broadcast, Television and Radio Rights

- We obtained and inspected agreements related to the College's participation in revenues from broadcast, television and radio rights to gain an understanding of the relevant terms and conditions.
- We compared and agreed related revenues to the College's general ledger.

Licensing, Advertising, and Sponsorships

- We obtained and inspected agreements related to the College's participation in revenues from licensing, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions.
- We compared and agreed the related revenues to the College's general ledger, and the statement.

Sports Camp Revenues

- We inquired about sports camp contracts between the College and persons conducting College sports camps to obtain an understanding of the College's methodology for recording revenues from sports camps. The College represented that sports camps are very limited and that no written contracts are obtained. To maintain an adequate system of compliance with NCAA bylaws governing sports camps, we recommend the College obtain written agreements with the coaches and others conducting the camps. The College has agreed to obtain such agreements.
- We selected a series of deposit transmittals totalling $15,123 from volleyball camps and agreed each selection to the College's general ledger.

Endowment and Investment Income

- We obtained and inspected the only endowment agreement to gain an understanding of the relevant terms and conditions.
- We compared and agreed the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement.

General Expenses

- We compared each major expense account to prior-period amounts and budget estimates.
- We obtained and documented an understanding of any significant variations.

Athletic Student Aid

- We selected a sample of students from the listing of College athletic aid recipients during the reporting period.
- We obtained individual student account detail for each selection and compared total aid allocated from the related scholarship agreement to the student's account.

Coaching Salaries, Benefits, and Bonuses Paid by the College

- We obtained and inspected a listing of coaches employed by the College and related entities during the year.
- We selected a sample of head coaches' contracts including men's and women's basketball from the above listing.
- We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the College in the statement during the year. The only bonuses noted were incentives stated in employment contracts related to team academic or competitive performance.
- We obtained and inspected IRS form W-2s for each selection.

Coaching Other Compensation and Benefits Paid by a Third-Party

- We inquired about coaches employed by third parties during the year. The College represented that all coaches are employed solely by the College. However, funds received from the Foundation in the amount of $39,469 were used towards coaching salaries.

Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the College

- We selected a sample of two support staff/administrative personnel employed by the Athletics Department and related entities during the reporting period.
- We obtained and inspected IRS form W-2s for each selection.
- We compared W-2s to the related support staff/administrative salaries and benefits paid by the College and related entities expense recorded by the College in the statement during the reporting period. No bonuses were noted.

Severance Payments

- We inquired about coaches or other department employees receiving severance payments from the College during the year. The College represented that there were none.

Recruiting

- We obtained and documented an understanding of the College's recruiting expense policies.
- We compared and agreed a sample of five recruiting expenditures to adequate supporting documentation.

Team Travel

- We obtained and documented an understanding of the College's team travel policies.
- We compared and agreed to existing College and State fiscal rules.
- We compared and agreed a sample of five team travel expenditures to adequate supporting documentation.

Indirect Facilities and Administrative Costs

- We obtained and documented an understanding of the College's methodology for allocating indirect costs to auxiliary functions such as athletics. Currently 10% of auxiliary revenues is charged against auxiliary functions, including athletics, for College indirect costs.
- We recalculated the indirect facilities and administrative costs charged by the College to athletics.

* * * * *

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on these elements, accounts, or items of the athletic department of Metropolitan State College of Denver. Accordingly, we do not express such an opinion. Also, we express no opinion on the effectiveness of Metropolitan State College of Denver's internal control structure over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to out attention that would have been reported to you.

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

Anderson + Whitney, P.C.

October 24, 2007

METROPOLITAN STATE COLLEGE OF DENVER ATHLETIC DEPARTMENT
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
Operating Revenues:					
Ticket Sales	$ 5,076	$ 4,267	$ 4,002	$ -	$ 13,345
Student Fees	60,000	40,000	175,000	872,470	1,147,470
Direct Institutional Support	-	-	-	733,220	733,220
Program Sales and Concessions	-	500	-	25,146	25,646
Endowment and Investment Income	-	-	-	1,788	1,788
Contributions, primarily through MSCD Foundation	-	-	-	349,146	349,146
Total Operating Revenue	65,076	44,767	179,002	1,981,770	2,270,615
EXPENSES					
Operating Expenses:					
Athletics Student Aid	-	-	-	298,254	298,254
Coaching Salaries, Benefits, and Bonuses Paid by the College	124,852	106,737	540,008	-	771,597
Support Staff/ Administrative Salaries and Benefits Paid by the College	-	2,699	-	424,860	427,559
Recruiting	12,786	4,592	8,700	3,101	29,179
Team Travel	23,467	29,269	139,956	87,343	280,035
Direct Facilities, Maintenance and Rental	108	-	1,268	11,648	13,024
Indirect Facilities and Administrative Support	507	477	400	117,440	118,824
Memberships and Dues	585	160	1,875	15,985	18,605
Other Operating Expenses	35,975	21,710	87,582	427,916	573,183
Total Operating Expenses	198,280	165,644	779,789	1,386,547	2,530,260
REVENUES OVER (UNDER) EXPENSES	$ (133,204)	$ (120,877)	$ (600,787)	$ 595,223	$ (259,645)

Notes to Statement:

Capital Assets:

The athletics department uses the College's procedures for acquiring, approving, depreciating, and disposing of athletics-related capital assets. Equipment purchased over the $5,000 capitalization level is depreciated over its useful life. The College's athletics facilities are owned by the Auraria Higher Education Center. Thus, the College does not have any athletics-related debt.

The electronic version of this report is available on the Web site of the
Office of the State Auditor
www.state.co.us/auditor

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

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