METROPOLITAN STATE COLLEGE *of* DENVER

FINANCIAL AND COMPLIANCE AUDITS

Year Ended June 30, 2004

ANDERSON & WHITNEY

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METROPOLITAN STATE COLLEGE OF DENVER

REPORT SUMMARY
Year Ended June 30, 2004

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, 2004. 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 May through September 2004.

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, 2004. 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, 2004.
- Evaluate progress in implementing prior audit findings and recommendations.

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, 2004.

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, 2004, 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. No delays, disagreements or audit adjustments are reported.

SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

This report contains three recommendations. The recommendations address matters regarding scholarship allowances, allowances for doubtful loans, and vault cash.

A summary of the recommendations are included in the Recommendation Locator on page 4 of this report. A detailed description of the findings and recommendations begins 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, 2003 included one recommendation. This recommendation was satisfactorily implemented.

METROPOLITAN STATE COLLEGE OF DENVER

RECOMMENDATION LOCATOR
Year Ended June 30, 2004

Record Number	Page Number	Recommendation Summary	Agency Response	Implementation Date
FINANCIAL STATEMENT RECOMMENDATIONS				
1.	6	The College should review cash on hand requirements and regularly reconcile vault cash counts to the general ledger.	Agree	March 2005
2.	7	The College should review the allowance for doubtful loans procedures and make reclassification entries as necessary.	Agree	March 2005
3.	8	The College should retain the entire scholarship allowance report as support for the journal entries made regarding the allowance.	Agree	September 2004

DESCRIPTION OF METROPOLITAN STATE COLLEGE OF DENVER
Year Ended June 30, 2004

Established in 1965 as Colorado's "College of Opportunity," Metropolitan State College of Denver is the third largest higher education institution in Colorado and one of the largest public four-year colleges in the United States. With a modified open-enrollment policy, students who are at least 20 years old need only 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 49 major fields of study and 76 minors through its School of Business, School of Letters, Arts and Sciences, and School of Professional Studies. Degrees include bachelor of science, bachelor of arts, and bachelor of fine arts. Academic programs range from the traditional, such as English, art, history, biology, and psychology, to business-related degrees in computer information systems, accounting and marketing, to 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
2002	12,761	466	13,228
2003	13,770	468	14,188
2004	14,178	450	14,628

Full-time employees were:

	Faculty	Staff	Total
2002	681	312	933
2003	707	304	1,010
2004	717	254	971

FINDINGS AND RECOMMENDATIONS RELATING TO THE FINANCIAL STATEMENTS

Cashiers Office Vault Cash

The cashier's office maintains vault cash as a "bank" for the individual cashier drawers. This cash is used to cash student financial aid checks, cash employee checks, and provide change for students who pay college charges in cash. Employee checks are cashed in maximum amounts of $100 as a convenience to employees. The vault cash is also used to break large denominations of bills so the individual cash drawers have an appropriate mix of currency. The vault cash balance at the beginning of the year was $33,155. An additional $50,000 was advanced during the year, $20,916 was utilized, and the balance ended at $62,239.

Several areas of needed improvement in controls over vault cash were noted. First, the College has not determined the necessary amount of cash to have on hand and established a fixed amount to maintain. Second, the College does not regularly replenish the vault cash, which could result in keeping larger amounts on hand than would be required if vault cash was routinely replenished at a fixed amount. Third, the vault cash is counted each week by the cashier and reconciled to the vault cash log. However, during testing at June 30, 2004, we noted that the vault cash log balance was $122.40 less than the general ledger balance.

Holding less cash in the vault would reduce the risk and impact of theft and also increase cash available for investment. In addition, as cash differences could be indicative of fraud, all cash differences should be reviewed and adjusted immediately.

Recommendation No. 1

The College should improve controls over vault cash by:

a) Reviewing cash on hand requirements and establishing an appropriate maximum amount to be held as vault cash.
b) Replenishing vault cash on a regular basis.
c) Resolving differences between the cash log and the general ledger at least on a monthly basis and making timely adjustments as appropriate.

Metropolitan State College of Denver Response

Agree. Metropolitan State College of Denver will conduct an analysis to establish a maximum balance for vault cash that will be appropriate to cover the activities under this account. The difference between the vault cash log and general ledger has already been researched, and the reconciliation process is in place. (Recommendation part [a] will be implemented in March 2005. Parts [b] and [c] were implemented in October 2004.)

Allowance for Doubtful Loans

The College provides student loans through the federal Perkins, Income Contingent, and Converted Income Contingent loan programs. As full repayment on some of the student loans will not be received, an allowance for doubtful loans is required as an estimate of the amount that will not be collected. After the College exhausts collection efforts, some of these loans are eligible to be assigned to the federal government for further collection efforts.

The College calculates the allowance for doubtful loans based on the percentage of cumulative loans assigned to the federal government to cumulative loan advances made. The allowance has been calculated consistently by that method for many years. Entries are made to the allowance accounts for Perkins loans, Income Contingent loans, and Converted Income Contingent loans based on that calculation.

As of June 30, 2004, the balance for doubtful Income Contingent loans is $58,310 while the outstanding Income Contingent loan principal is only $10,593. Also as of June 30, 2004, the allowance for doubtful Converted Income Contingent loans has a negative balance of $362,265. Ordinarily the allowance is a positive balance (i.e. an offset to the principal balance). While the total reserve for doubtful loans appears reasonable, these factors indicate a need to review the methodology used to estimate the allowance for doubtful loans. For example, the College could review its past experience with collections on the various types of loans and analyze the age of the individual outstanding loan balances in order to determine reasonable estimates for doubtful loans.

Recommendation No. 2

The College should review the methodology used to estimate the allowance for doubtful loans and determine the most appropriate basis for estimating these amounts. After establishing a new methodology, the College should make reclassification entries as necessary.

Metropolitan State College of Denver Response

Agree. The College will review the allowance for doubtful loans and related procedures and will make the reclassification entries as necessary. (Implementation date March 2005.)

Journal Entry Supporting Documentation

The College is required to report tuition and fee revenue net of scholarship allowances. Scholarship allowances are the difference between the stated tuition and fees charged by the College and the amount that is paid by the students or other third parties making payments on the student's behalf. College resources provided to students as financial aid are scholarship allowances to the extent that they are used to satisfy tuition, fees, and other charges.

The College records journal entries for the scholarship allowances three times each year to make the interim financial statements consistent with annual financial statements. The amount of the scholarship allowance for the year ended June 30, 2004 was $13,862,155. Scholarship allowances are estimated based on a 500 page report generated by a query of the student database.

The College prints a sample of pages from the report to test individual student calculations and the total page to attach as support for the journal entry. The entire report is not retained in printed or electronic form. Retaining the entire report in electronic format is necessary to provide complete support for the journal entry and a complete audit trail.

Recommendation No. 3

The College should retain the entire report electronically that is used to determine the scholarship allowances at year-end as support for the journal entry.

Metropolitan State College of Denver Response

Agree. Metropolitan State College of Denver as of fall 2004 has started to retain the entire report electronically. (Implemented September 2004.)

METROPOLITAN STATE COLLEGE OF DENVER

DISPOSITION OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2004

The following is a summary of the prior year audit recommendations and their disposition as of June 30, 2004:

Record No.	Finding	Disposition
1.	Metropolitan State College of Denver's finance department should restrictively endorse all checks received immediately upon receipt, log all checks in a cash receipts log, ensure that the checks are properly safeguarded until deposited, and deposit the checks in a timely manner.	Implemented

INDEPENDENT AUDITORS' REPORTS,
MANAGEMENT'S DISCUSSION AND ANALYSIS,
AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

ANDERSON & WHITNEY

A Professional Corporation of
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), a blended component unit of the State of Colorado, as of and for the year ended June 30, 2004, 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 audit. The accompanying financial statements of the College as of June 30, 2003 were audited by other auditors whose report thereon dated October 3, 2003, expressed an unqualified opinion on those statements. 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 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 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 audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the 2004 financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan State College of Denver at June 30, 2004 and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

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.

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As discussed in Note 1 to the Financial Statements, the Metropolitan State College of Denver Foundation, Inc. has been included in the reporting entity as required by the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2004 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Anderson + Whitney P.C.

September 27, 2004

METROPOLITAN STATE COLLEGE OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2004 AND 2003

This section of the Metropolitan State College of Denver (the College) financial report presents management's discussion and analysis of the financial performance of the College during the years ended June 30, 2004 and 2003. This discussion focuses on current activities and known facts and provides an overview of the College's financial activities in comparison with the prior year. It should, therefore, be read in conjunction with the accompanying comparative financial statements and notes.

Effective July 1, 2002, following the Colorado Revised Statute (CRS) 23-54-102, the powers, duties and functions formerly performed by the Trustees of the State Colleges in Colorado were transferred to the Board of Trustees of Metropolitan State College of Denver.

Understanding the Comparative Financial Report

The financial statements adhere to GASB Statement No. 34 and 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.

Starting this fiscal year the college has adopted GASB 39, *Determining Whether Certain Organizations are Component Units,* and therefore the Financial Statements of the Metropolitan State College Foundation are included with the College's Financial Statements.

Financial Highlights

- The College's financial position, as a whole, slightly improved during the years ended June 30, 2004 and 2003. The combined net assets increased $1.7 million and $1.2 million, respectively over the previous years.

- State General Fund appropriations in 2004 decreased by $4 million or 11 percent from 2003 and decreased in 2003 by $3 million or 7 percent from 2002. This reduction reflects the economic conditions resulting from the impact of the national recession that forced the State of Colorado to reduce appropriations to all higher education institutions and state agencies. The appropriation received by the College was $33.9 million in fiscal 2004 and $38.1 million in fiscal 2003. To manage this recession with minimum effect on the quality of service and education that the College provides for our students, the College has done the following:

- Allocated new tuition revenue from enrollment growth to compensate for the loss of state appropriated dollars.
- During the previous fiscal year, instituted a hiring freeze for all administrative and classified staff and fulltime tenure track faculty, eliminated three associate vice president positions, reduced the College's allocations to the Auraria Higher Education Center and Auraria Library, and offered early retirement incentives for eligible faculty and administrators.

- The College's June 30, 2004 current assets of $25.5 million were sufficient to cover current liabilities of almost $12 million. The current ratio of almost 2.15 (current assets/current liabilities) reflects the liquidity of the College's assets and the availability of funds for current operations.

- Gross Tuition & Fees in 2004 shows an increase of $3.5 million or 7.5 percent over the previous year and shows an increase in 2003 of $4.9 million or 11.7 percent over the previous year. Tuition charges increased by 5 percent for fiscal year 2004. In addition, enrollments increased for Summer 2003, Fall 2003, and Spring 2004 by approximately 3.5 percent in Student Full Time Equivalent.

Statement of Net Assets

The Statement of Net Assets reports on assets, liabilities, and net assets (net assets is the excess of total assets over total liabilities) as of June 30, 2004 and 2003. Over time, increases or decreases in net assets are one indicator of the College's financial health when considered in conjunction with non-financial facts such as student enrollment.

Condensed Statement of Net Assets
(in thousands)

	2004	2003	2002
ASSETS			
Current Assets	$25,545	$22,982	$17,274
Non-Current Assets	11,309	11,723	11,344
TOTAL ASSETS	36,854	34,705	28,618
LIABILITIES			
Current Liabilities	11,922	11,533	6,454
Non-Current Liabilities	1,718	1,715	1,942
TOTAL LIABILITIES	13,640	13,248	8,396
NET ASSETS			
Invested in Capital Assets	2,985	3,136	2,742
Restricted for Expendable Purposes	9,460	9,777	10,021
Unrestricted	10,769	8,544	7,459
TOTAL NET ASSETS	$23,214	$21,457	$20,222

At June 30, 2004 and 2003, the College's total assets were $36.8 million and $34.7 million, which shows an increase of $2 million and $6 million, respectively, compared to the prior years. The largest asset category was Cash & Cash Equivalents of $19.2 million and $17.4 million. The primary reason for the increase in current assets in fiscal years 2003 and 2004 was the increases in enrollment and a slight tuition and fee increase, plus adherence to expenditure control, which resulted in a decrease in our operating expenses.

The College's financial position improved during fiscal year 2004 as evidenced by the increase in net assets of $1.7 million to $23.2 million. Of this total, $2.9 million is invested in capital assets (equipment) net of accumulated depreciation of $5.6 million. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets. $9.4 million of net assets is externally restricted for student loans and $10.8 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)

	2004	2003	2002
Operating Revenues			
Tuition & Fees, net	$ 36,332	$ 34,091	$ 31,139
Sales & Services	2,749	2,413	2,958
Grants & Contracts	26,774	26,438	24,201
Other Operating Revenues	3,095	3,128	2,083
Total Operating Revenues	68,950	66,070	60,381
Operating Expenses	103,870	107,169	102,206
Operating Income (Loss)	(34,920)	(41,099)	(41,825)
Non-operating Revenues (Expenses)			
State Appropriations	33,952	38,144	41,209
Interest Income	281	1,463	709
Other Non-operating	2,632	2,452	1,514
Net Non-operating Revenues (Expenses)	36,865	42,059	43,432
Income (Loss) Before Other Items	1,945	960	1,607
Transfers (To)/From Other Institutions	(187)	275	439
Net Increase in Net Assets	1,758	1,235	2,046
Net Assets at Beginning of Year	21,457	20,222	18,176
Net Assets at End of Year	$ 23,215	$ 21,457	$ 20,222

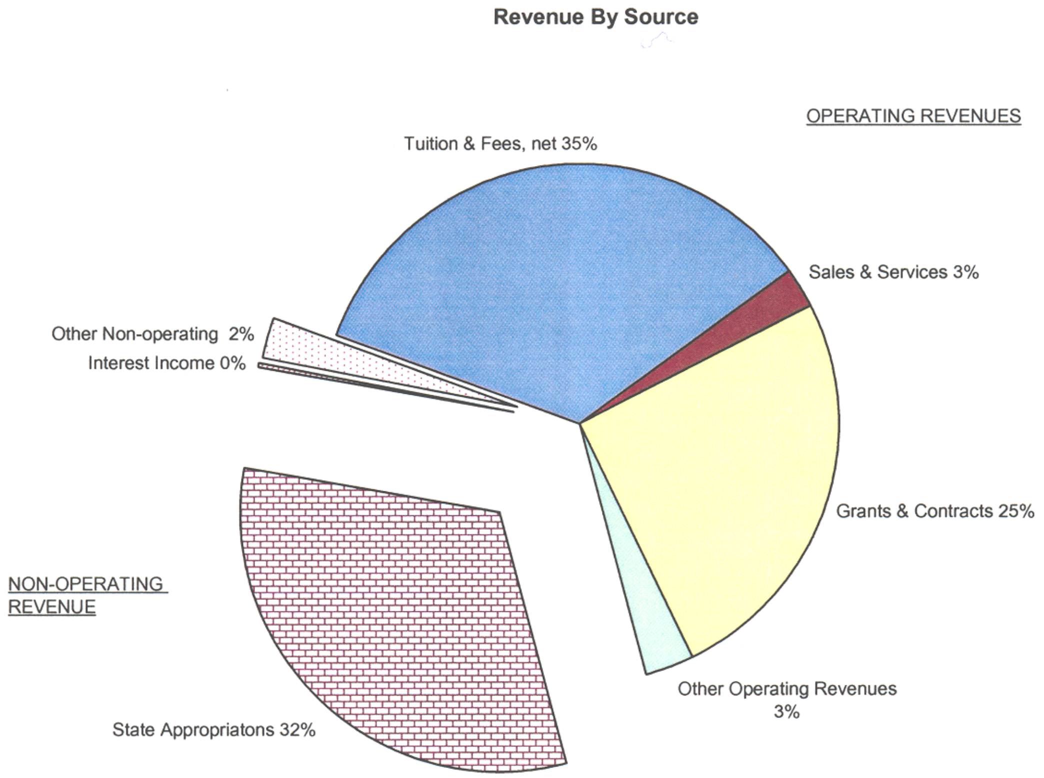
Tuition and Fee Revenue accounted for $36 million of $69 million in Operating Revenue in 2004. This Tuition and Fee amount is net of Scholarship Allowance of $13.8 million. Scholarship Allowances are defined as the financial aid awarded to students to pay tuition and fees. Scholarship Discounts and Allowances increased $1.3 million from 2003 due to an overall increase of almost $1.2 million in Financial Aid awards.

Operating expenses totaled $104 million in 2004. Of this total, $45.8 million was for Instruction, $8.4 million for Academic Support, $10.7 million for Student Services, $8.4 million for Institutional Support, $5.3 million for Operation of Plant, and $14.9 million for Auxiliary Enterprises. The remaining $10.5 million was for scholarships and other miscellaneous operating expenses.

Overall Operating Expenses show a decrease of $3 million from 2003 due to a combination of several factors, including:

- The Scholarship and Fellowship expense has increased by $855,000.
- The College's AHEC Allocation has decreased by almost $1.4 million.
- Salary expenditures have decreased approximately $3 million.

The following is a graphic illustration of Total Revenue (Operating and Non-operating) by source for the College for 2004. 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)

	2004	2003	2002
Net Cash Provided (Used) by:			
Operating Activities	$(31,478)	$(37,951)	$(40,232)
Non-capital Financing Activities	33,630	43,438	41,843
Capital and Related Financing Activities	(799)	(1,301)	(820)
Investing Activities	492	1,719	933
Net Increase in Cash	1,845	5,905	1,724
Cash & Cash Equivalents			
Beginning of Year	17,405	11,500	9,776
End of Year	$ 19,250	$ 17,405	$ 11,500

The College's overall liquidity shows slight improvement in fiscal years 2004 and 2003 with an increase in Cash and Cash Equivalents of $1.8 million and $5.9 million, respectively. This increase is due to an overall increase in our operating revenue and a decrease in operating expenses. The net cash used by Operating Activities is $31.4 million for 2004. The major sources of cash inflows are $36.4 million from Tuition and Fees, and $29.2 million from Federal and State Grants and Contracts, and $33.9 million from state appropriations. The primary outflows are $66.5 million for payments to or for employees and $28.9 million for payments to suppliers.

Economic Outlook and Metropolitan State College of Denver's Future

During fiscal year 2004 the State's General Fund was faced with continued pressure due to the economic downturn and constitutional provisions related to revenue and expenditures. The economic forecast for the State of Colorado for fiscal year 2005 has not improved. Currently, Higher Education is uncertain about the possible impact of future State budget cuts. The College's General Fund appropriation from the State of Colorado for fiscal year 2005 is $33.9 million. Of this amount, $1.9 million is the General Fund portion of June 2004 Payroll.

The Presidential Search Committee presented four names to the Board of Trustees of the College at the September 2004 Board meeting. No decision has been made on this position yet.

During the current year and for the near future the College's priorities are: 1-Academic, 2-Enrollment Management, 3-Technology, 4-Community Involvement, 5-Diversity, and 6-Grants and Contracts.

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 2004	June 30 2003
ASSETS		
Current Assets:		
Cash & Cash Equivalents	$ 19,249,805	$ 17,404,912
Accounts Receivable-Student (Net of $1,023,969 and $1,038,358 in Allowance for Doubtful Accounts)	3,668,922	3,321,699
Accounts Receivable-Other	1,503,828	1,040,400
Loans Receivable	1,037,764	1,191,037
Prepaid Expense	84,600	24,458
Total Current Assets	**25,544,919**	**22,982,506**
Non-Current Assets:		
Investments	190,634	190,634
Loans Receivable (Net of $1,232,659 and $1,220,083 in Allowance for Doubtful Accounts)	8,133,253	8,395,976
Equipment (Net of $5,631,770 and $4,840,657 in Accumulated Depreciation)	2,985,282	3,136,245
Total Non-Current Assets	**11,309,169**	**11,722,855**
TOTAL ASSETS	**$ 36,854,088**	**$ 34,705,361**
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 111,331	$ 281,951
Accrued Payroll	5,872,456	5,793,626
Deferred Revenue	2,959,997	2,622,452
Compensated Absences	222,429	201,020
Due to Students	456,348	383,580
Deposits Held in Custody for Others	2,299,752	2,251,294
Total Current Liabilities	**11,922,313**	**11,533,923**
Non-Current Liabilities		
Compensated Absences	1,717,448	1,714,919
Total Non-Current Liabilities	**1,717,448**	**1,714,919**
TOTAL LIABILITIES	**13,639,761**	**13,248,842**
NET ASSETS:		
Invested in Capital Assets	2,985,281	3,136,245
Restricted for Expendable Purposes	9,459,758	9,776,569
Unrestricted	10,769,288	8,543,705
TOTAL NET ASSETS	**23,214,327**	**21,456,519**
TOTAL LIABILITIES AND NET ASSETS	**$ 36,854,088**	**$ 34,705,361**

See accompanying notes to financial statements

Metropolitan State College of Denver Foundation, Inc.
(discretely presented component unit)
Statement of Financial Position
June 30, 2004 and 2003

	2004	2003
Assets		
Cash and cash equivalents	$ 369,524	$ 1,156,806
Deposits	5,000	-
Contributions receivable, net	407,614	943,443
Investments	6,527,022	5,366,341
Contributions receivable under split-interest agreements	192,279	134,925
Assets held for investment	93,175	93,175
Total assets	7,594,614	7,694,690
Liabilities and Net Assets		
Accounts payable and accrued expenses	179,127	91,969
Liabilities under annuity trusts	30,862	31,215
Total liabilities	209,989	123,184
Net assets:		
Unrestricted	621,692	530,906
Temporarily restricted	4,009,349	4,649,225
Permanently restricted	2,753,584	2,391,375
Total net assets	7,384,625	7,571,506
Commitments		
Total liabilities and net assets	$ 7,594,614	$ 7,694,690

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	
	2004	2003
Operating Revenues		
Tuition & Fees (Net of $13,862,155 and $12,586,195 in Scholarship Allowance)	$ 36,331,727	$ 34,091,185
Sales & Services of Educational Departments	293,148	153,812
Sales & Services of Auxiliary Enterprises	2,455,753	2,259,154
Federal Grants and Contracts	16,142,918	15,027,765
State Grants and Contracts	10,601,438	11,321,388
Local Grants and Contracts	30,125	88,917
Operating Interest Income	211,847	255,406
Other Operating Revenues	2,883,506	2,873,062
Total Operating Revenues	68,950,462	66,070,689
Operating Expenses		
Instruction	45,878,482	46,199,168
Public Service	376,313	413,072
Academic Support	8,451,183	10,027,303
Student Services	10,768,161	11,481,899
Institutional Support	8,429,758	9,481,652
Operation of Plant	5,364,994	6,511,311
Scholarships and Fellowships	7,826,538	6,971,495
Auxiliary Enterprise Expenditures	14,932,304	14,459,808
Depreciation	926,444	898,748
Other Operating Expenses	915,791	725,003
Total Operating Expenses	103,869,968	107,169,459
Operating Income (Loss)	(34,919,506)	(41,098,770)
Non-operating Revenues (Expenses)		
State Appropriatons, non-capital	33,951,845	38,144,374
Investment and Interest Income	280,542	1,463,392
Gain (Loss) on Disposal of Fixed Assets	(23,274)	(7,056)
Non-Operating Gifts & Donations	2,655,175	2,458,090
Net Non-operating Revenue(Expenses)	36,864,288	42,058,800
Income Before Other Items	1,944,782	960,030
Mandatory & Non-mandatory Transfers		
Transfers (To)/From Other Institutions	(186,974)	274,959
Net Increase in Net Assets	1,757,808	1,234,989
Net Assets at Beginning of Year	21,456,519	20,221,530
Net Assets at End of Year	$ 23,214,327	$ 21,456,519

See accompanying notes to financial statements

Metropolitan State College of Denver Foundation, Inc .
(discretely presented component unit)
Statement of Activities
Year Ended June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	2004 Total
Revenue, Gains and Support:				
Contributions	$ 69,377	$1,857,446	$ 96,640	$2,023,463
In-kind contributions	578,622	79,859	-	658,481
College program fees	-	403,207	8,871	412,078
Investment income	128,596	-	308,680	437,276
Changes in net present values of split interest agreements	-	15,501	41,853	57,354
Other income (loss)	-	(119,040)	-	(119,040)
Net assets released from restrictions satisfaction of program requirements	2,925,185	(2,925,185)	-	-
Other reclassifications of net assets	45,499	48,336	(93,835)	-
Total revenue, gains and support	3,747,279	(639,876)	362,209	3,469,612
Expenses:				
School support	2,789,344	-	-	2,789,344
General and administrative	285,027	-	-	285,027
Fundraising	582,122	-	-	582,122
Total expenses	3,656,493	-	-	3,656,493
Change in net assets	90,786	(639,876)	362,209	(186,881)
Net assets, beginning of year	530,906	4,649,225	2,391,375	7,571,506
Net assets, end of year	$ 621,692	$4,009,349	$2,753,584	$7,384,625

See accompanying notes to financial statements.

Unrestricted	Temporarily Restricted	Permanently Restricted	2003 Total
$ 41,994	$ 982,804	$ 163,976	$ 1,188,774
611,505	177,456	-	788,961
-	332,038	-	332,038
164,473	82,549	-	247,022
-	(2,247)	(30,013)	(32,260)
(1,508)	(64)	-	(1,572)
(2,569,665)	(2,569,665)	-	-
-	226,638	(226,638)	-
3,386,129	(770,491)	(92,675)	2,522,963
2,433,549	-	-	2,433,549
275,428	-	-	275,428
611,505	-	-	611,505
3,320,482	-	-	3,320,482
65,647	(770,491)	(92,675)	(797,519)
465,259	5,419,716	2,484,050	8,369,025
$ 530,906	$ 4,649,225	$ 2,391,375	$ 7,571,506

Metropolitan State College of Denver
Statement of Cash Flows

	For the Fiscal Years Ended June 30	
	2004	2003
Cash Flows from Operating Activities:		
Cash Received:		
Tuition and Fees	$ 36,373,915	$ 33,683,331
Sales of Services	2,448,057	2,350,923
Grants and Contracts	29,241,115	29,370,491
Student Loans Collected	3,008,540	2,417,314
Other Operating Receipts	4,007,975	3,964,309
Cash Payments:		
Payments to or for Employees	(66,540,452)	(70,438,053)
Payments to Suppliers	(28,933,738)	(29,372,054)
Scholarships Disbursed	(7,920,960)	(7,067,904)
Student Loans Disbursed	(3,162,727)	(2,859,163)
Net Cash provided (used) by operating Activities	(31,478,275)	(37,950,806)
Cash Flows from Noncapital Financing Activities:		
State Appropriations, noncapital	33,951,845	38,144,374
Transfers (to)/from Other Institutions	(186,974)	274,959
Internal Transfers	-	-
Agency (Direct Lending Inflows)	43,658,590	40,882,143
Agency (Direct Lending Outflows)	(43,633,027)	(40,754,724)
Other Agency (Inflows)	4,759,659	4,891,480
Other Agency (Outflows)	(4,920,338)	-
Net Cash provided (used) by Noncapital Financing Activities	33,629,755	43,438,232
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(798,976)	(1,301,008)
Net cash provided (used) by Capital and Related Financing Activities	(798,976)	(1,301,008)
Cash Flows from Investing Activities:		
Investment Earnings	280,542	1,463,392
Investment and Interest Income on Loan Funds	211,847	255,406
Net Cash provided (used) by Investing Activities	492,389	1,718,798
Net Increase in cash	1,844,893	5,905,216
Beginning Cash Balance	17,404,912	11,499,696
Ending Cash Balance	$ 19,249,805	$ 17,404,912

Continued on next page.

Metropolitan State College of Denver
Statement of Cash Flows - Continued

	For the Fiscal Years Ended June 30	
	2004	2003
Reconciliation of net operating Income (Loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	$ (34,919,506)	$ (41,098,770)
Adjustment to reconcile:		
Depreciation Expense	926,444	898,748
Addition to Plant Fund	798,975	1,301,008
Non-Cash Operating Revenue	1,484,295	1,459,346
Non-Cash Operating Expense	(2,283,049)	(2,772,628)
Non-Operating Revenue (Expense)	2,655,175	2,458,090
Operating Interest	(211,847)	(243,132)
Decrease (Increase) in Assets:		
Accounts Receivable	(786,420)	(145,313)
Prepaid Expense	(61,939)	27,797
Other Assets	431,223	104,745
Increase (Decrease) in Liabilities:		
Accounts Payable	(170,447)	220,628
Due to Students	82,235	-
Deferred Revenue	337,545	133,847
Accrued Payroll	239,041	(325,530)
Other Liabilities	-	30,358
Net cash provided (used) by Operating Activities	$ (31,478,275)	$ (37,950,806)

See accompanying notes to financial statements

Metropolitan State College of Denver Foundation, Inc.

(discretely presented component unit)
Statement of Cash Flows
June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Change in net assets	$(186,881)	$ (797,519)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property held for investment	-	26,700
Loss on pledges receivable	119,040	437,321
Net realized and unrealized gains on investments	(256,718)	(20,368)
Amortization of discounts on contributions receivable	14,508	48,645
Amortization of discounts on split-interest agreements	(57,354)	32,260
Contributions restricted for endowments	(405,116)	(163,976)
Change in operating assets and liabilities:		
Decrease in accounts and interest receivable	-	8,615
(Increase) decrease in deposits	(5,000)	10,000
Decrease in contributions receivable	402,281	524,363
Increase (decrease) in accounts payable and accrued expenses	87,158	(34,544)
Decrease in annuity trust liabilities	(353)	(354)
Net cash (used by) provided by operating activities	(288,435)	71,143
Cash flows from investing activities:		
Net decrease (increase) in investments	(903,963)	121,655
Net cash provided by (used in) investing activities	(903,963)	121,655
Cash flows from financing activities:		
Proceeds from contributions restricted for endowments	405,116	163,976
Net cash provided by financing activities	405,116	163,976
Net increase (decrease) in cash and cash equivalents	(787,282)	356,774
Cash and cash equivalents, beginning of year	1,156,806	800,032
Cash and cash equivalents, end of year	$ 369,524	$1,156,806

See accompanying notes to financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governance

The accompanying financial statements reflect the financial activities of Metropolitan State College of Denver (the College) for the fiscal years ended June 30, 2004 and 2003. Effective July 1, 2002, Colorado Revised Statute 23-54-102 established a new independent governing board for Metropolitan State College of Denver. Following this statute, the powers, duties and functions formerly performed by the Trustees of the State Colleges in Colorado were transferred to the Board of Trustees of Metropolitan State College of Denver. The Trustees have full authority and responsibility for the control and governance of the College, including such areas as role and mission, academic programs, curriculum, admissions, finance, personnel policies, etc. To exercise their authority appropriately, the Trustees regularly establish policies designed to enable the College to perform its statutory functions in a rational and systematic manner. To assist them in meeting their responsibilities, the Trustees delegate to the President the authority to interpret and administer their policies in all areas of operations.

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 governmental units.

The College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the College is a blended component unit of the State of Colorado.

Starting in fiscal year 2004, the College has 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 Principles 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 date of acquisition or fair market value at date of donation. A physical inventory of all plant assets is taken annually with appropriate adjustments made to the financial records. Annual revisions of statements of values for insurance purposes are performed. The College follows the policy of capitalizing only those plant assets with an initial cost or fair value equal to or greater than $5,000.

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

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.

Reclassifications: Certain reclassifications have been made to the 2003 financial statements to conform to the classifications used in 2004. These reclassifications had no effect on net assets.

NOTE 2: CASH WITH THE STATE TREASURER, CASH ON HAND AND IN BANK, AND INVESTMENTS

At June 30, 2004 and 2003, the College had $17,483,697 and $14,998,934, 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 2004, cash on hand and in banks consisted of the following:

Cash on hand	$ 86,179
Cash in checking and depository accounts at bank	1,679,929
Total cash	$ 1,766,109

The carrying amount of the College's cash on deposit was $1,766,109. Of this balance $86,179 is vault cash, petty cash, and change funds, and the bank balance was $1,679,929. Of this bank balance, $310,001 was covered by federal depository insurance and the remainder by collateral held by the financial institution's agent in the institution's name.

In addition, the College has invested $190,634 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established by state statute for governmental entities in Colorado to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. At June 30, 2004 and 2003 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, 2004 and 2003. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. Unrealized losses of $427,192 at June 30, 2004 and unrealized gains of $540,377 at June 30, 2003 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, 2004 and 2003.

	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003
Depreciable Equipment	$ 7,776,724	$ 1,301,008	$ 1,100,830	$ 7,976,902
Less Accumulated Depreciation:				
Equipment	5,035,683	898,748	1,093,774	4,840,657
Net Depreciable Capital Assets	$ 2,741,041	$ 402,260	$ 7,056	$ 3,136,245

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Depreciable Equipment	$ 7,976,902	$ 798,976	$ 158,827	$ 8,617,052
Less Accumulated Depreciation:				
Equipment	4,840,657	926,444	135,331	5,631,770
Net Depreciable Capital Assets	$ 3,136,245	$(127,468)	$ 23,496	$ 2,985,282

NOTE 5: LEASE OBLIGATIONS

Operating Leases - The College leases building space and equipment under operating lease agreements. Total rental expense for the years ended June 30, 2004 and June 30, 2003 under these agreements was $674,872 and $650,851, respectively. As of June 30, 2004 minimum future rentals (excluding contingent rentals) required by the above agreements are as follows:

Years ending June 30,

2005	$ 387,308
2006	21,874
TOTAL	$ 409,182

The College has a sub-lease rental agreement for two more years totaling $181,760 at June 30, 2004. Payments made in fiscal year 2004 and 2003 totaled $154,775 and $97,520, 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, which will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, 2004 and 2003, are $222,429 and $201,020 respectively.

The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, 2004, and 2003, are $1,717,448 and $1,714,919 respectively. Fiscal Year 2004 expenses include an increase of $23,937 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 VALIC, providing a range of investment accounts for participants. The College's contribution to the ORP is 11.4 percent of covered payroll and contributions by employees is 8 percent of covered payroll.

The College's contributions to the ORP for the fiscal years ending June 30, 2004, 2003, and 2002 were $2,287,172, $2,352,722, and $2,201,504 respectively. These contributions were equal to the required contributions for each year. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and decisions made by participants for their individual investment accounts.

A. PERA PLAN DESCRIPTION

Many of the College's employees participate in a defined benefit pension plan. The PERA plan's purpose is to provide income to members and their families at retirement or in the case of death or disability. The plan is a cost sharing, multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203, by calling PERA at 303-832-9550 or 1-800-729-PERA (7372), or by visiting www.copera.org

Plan members vest after five years of service and are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more. State troopers and judges comprise a small percentage of plan members but have higher contribution rates and are eligible for retirement benefits at different ages and years of service. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit.

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

B. FUNDING POLICY

Most employees contribute 8.0 percent of their annual gross covered wages to an individual account in the plan. During FY 03-04, the College contributed 10.15 percent of the employee's gross covered wages. Effective January 1, 2003, 1.1 percent of the total contribution was allocated to the Health Care Trust Fund. Through May 31, 2004, the amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker program. (See Note 8 below.) The balance remaining after allocations to the Matchmaker program and the Health Care Trust Fund was allocated to the defined benefit plan.

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

The College's contributions to the three programs described above for the fiscal years ending June 30, 2004, 2003, and 2002 were $3,057,410, $3,151,927, and $3,042,012 respectively. These contributions met the contribution requirement for each year.

C. STUDENT RETIREMENT PLAN

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees not currently attending classes are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan for Metropolitan State College was $784,860. Employee contributions were 7.5 percent of covered payroll.

NOTE 8: VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

Beginning on January 1, 2001, the Matchmaker Program established a state match for PERA members' voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100 percent of up to 3 percent of employee's gross covered wages paid during the month. For calendar year 2003, the match was 100 percent of up to 2 percent of employee's gross covered wages paid during the month. For calendar year 2004 through May 31, 2004, the match was 100 percent of up to 1 percent of employee's gross covered wages paid during the month. The PERA Board sets the level of the match annually based on the actuarial funding of the defined benefit pension plan. Two percent of gross salary plus fifty percent of any reduction in the overall contribution rate due to over funding of the pension plan was available for the match. While the plan was not over funded, the maximum one-year change in the match rate is statutorily limited to one percent, and therefore, the match changed from 2 percent to 1 percent on January 1, 2004. Legislation passed in the 2004 session of the General Assembly terminated the match for pay periods ending after May 31, 2004. The match will resume when the actuarial value of the defined benefit plan assets are one hundred ten percent of actuarially accrued plan liabilities.

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 a 403b plan. Members who contribute to any of these plans also receive the state match.

NOTE 9: POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

PERACare (formerly known as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During FY 03-04, 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 and prescription benefit plans, and with health maintenance organizations providing services within Colorado. As of December 31, 2003, there were approximately 37,067 enrollees in the plan.

Life Insurance Program

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

NOTE 10: CONTINGENT LIABILITIES

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

The College, in the course of conducting business, is a party to various litigation and other claims. Although the final outcome of these legal actions 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	
	2004	2003
Administration of Auraria Higher Education Center and operation and maintenance of plant	$ 6,651,587	$ 8,042,234
Library and Media Center	2,974,772	2,969,659
Total	$ 9,626,359	$ 11,011,893

NOTE 12: RECONCILIATION OF APPROPRIATED REVENUES TO FINANCIAL STATEMENTS

The Colorado State Legislature establishes spending authority for the College in its annual Long Appropriations Bill. Appropriated funds include an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees, and certain other revenue sources.

	Year Ended June 30	
	2004	2003
General Fund	$ 33,951,845	$ 38,144,374
Transfers	0	0
Total General Fund	33,951,845	38,144,374
Cash Funds	29,771,440	28,356,517
Prior Year Roll-Forward	3,249,341	2,926,661
Total Revenue	66,972,626	69,427,552
Total Expenditures	63,436,887	66,178,211
Roll forward	$ 3,535,739	$ 3,249,341

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 $9,660 for fiscal 2004. During the years ended June 30, 2004 and 2003, the Foundation provided $2,789,344 and $2,387,444, respectively, of funding to the College for various purposes, such as scholarships, departmental funding, and other programs. At June 30, 2004 the College has a receivable of $159,570 due from the Foundation. The College provides four employees to the Foundation and the Foundation reimburses the College for these expenses. As of June 30, 2004 these expenses amounted to $194,519.

Following are significant accounting policies and disclosures pertaining to the Foundation.

(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, but the difference is not expected to be material.

(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.

(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 amounts have been reclassified in the prior year for comparative purposes.

(2) Contributions Receivable

Contributions receivable consist of the following at June 30:

	2004	2003
Receivables restricted for:		
Future Operations	$ 0	$ 12,000
Scholarships, departments funding, and other	412,112	948,208
Endowments	10,010	31,880
Less discount to net present value	(14,508)	(48,645)
Net contributions receivable	$ 407,614	943,443
Amounts due:		
Within one year	$ 234,132	$ 405,077
Over one through five years	144,847	499,457
Over five years	28,635	38,909
Total	$ 407,614	$ 943,443

Management believes that all contributions receivable are full collectible. Accordingly, there is no allowance for uncollectible contributions receivable.

(3) Investments

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

	2004	2003
Cash and short-term cash funds	$ 2,924,777	$ 1,385,843
Fixed-income mutual funds	1,043,450	1,110,078
Stock mutual funds and equities	1,990,870	1,589,648
Government securities	300,781	1,000,971
Corporate bonds	255,643	268,300
Other	11,501	11,501
	$ 6,527,022	5,366,341

Investment income is summarized below:

	2004	2003
Interest and dividend income	$ 193,804	$ 256,794
Net realized and unrealized gains	256,718	(9,772)
	450,522	247,022
Less investment management fees	(13,246)	(15,216)
Net investment return	$ 437,276	$ 231,806

(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:

	2004	2003
Gross amounts receivable	$ 249,633	$ 167,185
Less unamortized discount	(57,354)	(32,260)
	$ 192,279	$ 134,925

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, 2004 and 2003 the fair market value of these trusts' assets totaled $42,004 and $39,661 respectively and the corresponding liabilities related to estimated future distributions to the beneficiaries totaled $30,862 and $31,215.

(5) Assets Held for Investment

Assets held for investment consisted of the following at June 30:

	2004	2003
Art	$ 93,175	$ 93,175
Furnishings	4,969	4,969
	98,144	98,144
Less accumulated depreciation	(4,969)	(4,969)
	$ 93,175	$ 93,175

(6) 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:

	2004	2003
Department funding	$1,216,387	$ 1,366,766
Scholarships	1,314,851	1,499,137
Other	1,478,111	1,783,322
	$ 4,009,349	$ 4,649,225

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 3% 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:

	2004	2003
Original contributions plus accumulated earnings	$ 2,663,472	$ 2,321,244
Permanently restricted pledges/split-interest agreements	119,385	99,403
Less liabilities under permanently restricted annuity trust assets	(29,273)	(29,272)
	$ 2,753,584	$ 2,391,375

Net Asset Reclassification

In accordance with its spending policy, the Foundation reduced permanently restricted net assets in 2004 by $48,336 in order to make available investment earnings for scholarship distributions. In addition, permanently restricted net assets were also reduced by $45,499 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.

During 2003, the Foundation reduced permanently restricted net assets by $226,638 to give effect to investment losses that reduced the original corpus. These losses were previously recorded as a reduction of temporarily restricted net assets. This reclassification was based upon an interpretation of Colorado law made by the Foundation's outside counsel.

(7) 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 $9,660 for fiscal 2004. In addition, the College subleases office space from the Foundation as discussed in Note 8 below.

During 2004, funding provided by the Foundation to the College for various purposes such as scholarships, departmental funding and for other programs totaled $2,789,344. In addition, the Foundation reimbursed the College a total of $194,519 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 $577,122 for such donated services. The corresponding expenses are included as part of fundraising expenses.

(8) Leases

During 1998, the Foundation entered into an agreement to lease space for the Center for Visual Arts. During 2003, the lease was extended to April 14, 2005. The lease agreement provides that the Foundation can purchase the premises after April 14, 2004. 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.

Future minimum lease payments under the lease through April 15, 2005 total $73,093.

ANDERSON & WHITNEY

A Professional Corporation of
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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited the 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, 2004, and have issued our report thereon dated September 27, 2004. 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.

Compliance

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.*

Internal Control Over Financial Reporting

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

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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

September 27, 2004

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Required Auditor Communication

Members of the Legislative Audit Committee:

We have audited the financial statements of Metropolitan State College of Denver for the year ended June 30, 2004, and have issued our report thereon dated September 27, 2004. 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 or 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 account 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.

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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.

September 27, 2004

STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

ANDERSON & WHITNEY

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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, 2004. 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, 2004 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.

September 27, 2004

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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, 2004

	Total Financial Aid	CLEAP	SLEAP	Colorado Need-based Grants	Colorado Work-Study	Colorado Diversity Grants	Colorado Merit Scholarshps	Perkins Loan Match	Governor's Opportunity Scholarship
Appropriations:									
Original Official Allocation	$ 6,979,399	$ 123,104	$ 104,629	$ 3,979,625	$ 1,780,952		$ 563,526	$ 58,293	$ 369,270
Additional Allocation	140,891				37,836				103,055
Transfers				(350,000)		350,000			
Total Appropriations	7,120,290	123,104	104,629	3,629,625	1,818,788	350,000	563,526	58,293	472,325
Total Expenditures	7,119,183	123,104	104,629	3,628,518	1,818,788	350,000	563,526	58,293	472,325
Reversions to State General Fund	$ 1,107	$ -	$ -	$ 1,107	$ -	$ -	$ -	$ -	$ -

See accompanying notes to financial statement.

METROPOLITAN STATE COLLEGE OF DENVER

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

Year Ended June 30, 2004

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, 2004.

Because the statement presents only a selected portion of the activities of the College, it is not intended to and does not present either the financial position of changes in net assets of the College in conformity with 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,* as supplemented by the American Institute of Certified Public Accountants' industry audit guide *Audits of College and Universities.* Financial statement presentation and other accounting criteria are included in the *Colorado Handbook for State-Funded Student Assistance Programs.*

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

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

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

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 Assistance Partnership (SLEAP)
- Colorado Undergraduate Merit Scholarships
- Colorado Work-Study
- Governor's Opportunity Scholarships
- Loan Matching for the Perkins Loans

The total state-funded financial assistance expenditures made by the College were $7,119,183 during the year ended June 30, 2004. Of this amount, state-funded matching funds of $58,293 were transferred to the Perkins Loan program.

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, 2004, the College obtained authorization to award federal student financial aid funds of $12,584,920 in Pell Grant, $447,304 in Supplemental Educational Opportunity Grant, $655,997 in Federal Work-Study, and $174,878 of new capital contributions in the Perkins Student Loan Program.

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Independent Auditors' Report on Internal Controls

Members of the Legislative Audit Committee:

We have audited the statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Assistance Programs of the Metropolitan State College of Denver, a component unit of the State of Colorado for the year ended June 30, 2004, and have issued our report thereon dated September 27, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States and *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.

In planning and performing our audit of the statement of appropriations, expenditures, and reversions of the State-Funded Student Assistance Programs of the Metropolitan State College of Denver for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control structure.

The management of the Metropolitan State College of Denver is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Receipt and Disbursement of Funds
- Eligibility of Recipients and Award Amounts
- Reports to the Colorado Commission on Higher Education

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended 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 to be and should not be used by anyone other than these specified parties.

Anderson + Whitney P.C.

September 27, 2004

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