

Metropolitan State College of Denver

FINANCIAL AND COMPLIANCE AUDITS

Years Ended June 30, 2008 and 2007



LEGISLATIVE AUDIT COMMITTEE
2008 MEMBERS

Representative James Kerr
Chair

Representative Dianne Primavera
Vice-Chair

Senator Jim Isgar
Representative Rosemary Marshall
Representative Frank McNulty
Senator David Schultheis
Senator Jack Taylor
Senator Lois Tochtrop

Office of the State Auditor Staff

Sally Symanski
State Auditor

Dianne Ray
Deputy State Auditor

Crystal Dorsey
Legislative Auditor

Anderson & Whitney, P.C.
Contract Auditors

This page is intentionally left blank.

TABLE OF CONTENTS

Report Summary	2
Recommendation Locator	4
Organization and Function of the College	5
FINDINGS AND RECOMMENDATIONS REPORT SECTION	
Auditors' Findings and Recommendations	6
Disposition of Prior Audit Findings	7
FINANCIAL STATEMENTS REPORT SECTION	
Independent Auditors' Report	9
Management's Discussion and Analysis	11
Financial Statements:	
College Statement of Net Assets	17
Foundation Statement of Financial Position	18
College Statement of Revenues, Expenses, and Changes in Net Assets	19
Foundation Statement of Activities	20
College Statement of Cash Flows	22
Notes to Financial Statements	23
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Audit Committee Communications	48
DISTRIBUTION PAGE	51

METROPOLITAN STATE COLLEGE OF DENVER

REPORT SUMMARY Year Ended June 30, 2008

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, 2008. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the state auditor to conduct audits of all departments, institutions, and agencies of state government. Anderson & Whitney, P.C. performed these audits in accordance with auditing standards generally accepted in the United States, and *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the related field work from June to October 2008.

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, 2008. 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 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*.
- * Evaluate progress in implementing prior audit findings and recommendations.

METROPOLITAN STATE COLLEGE OF DENVER

REPORT SUMMARY — Continued **Year Ended June 30, 2008**

AUDIT OPINIONS AND REPORTS

We expressed an unqualified opinion on the College's financial statements as of and for the year ended June 30, 2008.

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, 2008, 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.

SUMMARY OF FINDINGS

ADEQUATE RECEIVABLE ALLOWANCES

There were higher student receivables at year-end because of certain grants and loans to students being reversed, due to not providing final high school transcripts. The College should monitor these receivables balances to ensure that adequate amounts are reserved for uncollectible accounts.

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

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

The audit report for the year ended June 30, 2007 included two recommendations. The recommendations were satisfactorily implemented.

METROPOLITAN STATE COLLEGE OF DENVER

RECOMMENDATION LOCATOR

Year Ended June 30, 2008

Recommendation Number	Page Number	Recommendation Summary	Agency Response	Implementation Date
--------------------------	----------------	---------------------------	--------------------	------------------------

FINANCIAL STATEMENT RECOMMENDATION

1. 6 The College should monitor student receivables balances arising from reversing certain student grants and loans due to final high school transcripts not being received from these students.

Agree October 15, 2008

METROPOLITAN STATE COLLEGE OF DENVER

DESCRIPTION OF METROPOLITAN STATE COLLEGE OF DENVER Year Ended June 30, 2008

Established in 1963 as Colorado's "College of Opportunity," Metropolitan State College of Denver is the third largest higher education institution in Colorado and one of the largest public four-year colleges in the United States. With a modified open-enrollment policy, students who are at least 20 years old need only have a high school diploma, a GED high school equivalency certificate, or the equivalent to gain admission.

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

The College offers 53 major fields of study and 82 minors through its School of Business, School of Letters, Arts and Sciences, and School of Professional Studies. Degrees include bachelor of science, bachelor of arts, bachelor of fine arts and bachelor of music. Academic programs range from the traditional, such as English, art, history, biology, and psychology, to business-related degrees in computer information systems, accounting and marketing, to professional-directed programs in nursing, health care management, criminal justice, pre-medicine, pre-law, and pre-veterinary science.

Enrollment and faculty and staff information is provided below.

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

	Resident	Nonresident	Total
2006	14,686	401	15,087
2007	14,743	431	15,174
2008	15,135	502	15,637

Full-time employees were:

	Faculty	Staff	Total
2006	737	285	1,022
2007	767	286	1,053
2008	807	306	1,113

METROPOLITAN STATE COLLEGE OF DENVER AUDITORS' FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2008

FINDING AND RECOMMENDATION RELATING TO FINANCIAL STATEMENTS

ADEQUATE RECEIVABLE ALLOWANCES ON AMOUNTS DUE FROM STUDENTS NOT PROVIDING FINAL HIGH SCHOOL TRANSCRIPTS

In May 2008, the College determined that 220 financial aid recipients had not provided final high school transcripts. The College billed the students in June 2008 approximately \$1.1 million for disqualified student loans and grants. There is an increased risk that these billings will not be collected and the allowance for uncollectible accounts should be increased due to the unanticipated increase in receivables at the end of the academic year.

The College has an admissions policy of obtaining final high school transcripts for all students entering the institution with less than 30 transferable credit hours. In January 2008, it came to the College's attention that this policy was not followed consistently for the past several years. The monitoring of this requirement had been inadvertently deleted by software updates, but was immediately reinstated in January 2008 and going forward. Upon review of available transcripts, approximately 4,000 students did not have final high school transcripts on file.

All of these students were mailed a letter from the Office of Admissions requesting high school transcripts. Students may not be eligible for federal financial aid if they do not meet admission policies, so approximately 2,150 financial aid recipients were also e-mailed from the Office of Financial Aid. Financial aid recipients were e-mailed every two weeks, called by telephone and sent letters indicating the transcript must be received by April 29, 2008 or the College would consider the student ineligible for financial aid, reverse the financial aid awarded, and bill the student the resulting balance.

Most of the final high school transcripts were eventually provided by students. However, in June 2008, it was determined that 220 financial aid recipients had not complied and they were billed for approximately \$779,000 in student loans and \$366,000 in assistance grants for a total of \$1,145,000, due to ineligibility. The primary federal compliance aspect of this transaction was prompt return of the funds to the federal grant and loan programs. In late June 2008, the grant funds were returned to the grant to be reallocated to other eligible students and the loan funds were returned to the student lender to be applied against the student's loan balance in compliance with Federal requirements.

Recommendation No. 1

The College should continue to monitor these receivable balances to ensure that adequate amounts are reserved for uncollectible accounts.

Metropolitan State College of Denver Response

Agree. We will continue to monitor these receivables and the impact they may have on our allowance for uncollectible accounts. (Implementation Date: October 15, 2008)

METROPOLITAN STATE COLLEGE OF DENVER

DISPOSITION OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2008

The following is a summary of the prior year audit recommendations and their disposition as of June 30, 2008:

<u>Record No.</u>	<u>Finding</u>	<u>Disposition</u>
<u>FINANCIAL STATEMENT RECOMMENDATION</u>		
1.	The College should strengthen its internal controls over procurement cards by requiring follow-up if documentation received in Accounting Services does not include signatures of both the card holder and the approving official.	Implemented
<u>FEDERAL PROGRAM RECOMMENDATION</u>		
2.	The College should improve internal controls over the Teacher Quality Enhancement Grant by regularly documenting the steering committee's oversight in meeting minutes and by reviewing time and effort reports at a supervisory level.	Implemented

**INDEPENDENT AUDITORS' REPORTS,
MANAGEMENT'S DISCUSSION AND ANALYSIS,
AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**



Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the Metropolitan State College of Denver (the College) and its discretely presented component unit, collectively a blended component unit of the State of Colorado, as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Metropolitan State College of Denver Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Metropolitan State College of Denver Foundation, Inc. is based on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Metropolitan State College of Denver Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan State College of Denver and its discretely presented component unit at June 30, 2008 and 2007, and their respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 11 through 16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Anderson + Whitney P.C.

November 14, 2008

**METROPOLITAN STATE COLLEGE OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2008 AND 2007**

This section of the Metropolitan State College of Denver (Metro State) financial report presents management's discussion and analysis of the financial performance of Metro State during the years ended June 30, 2008 and 2007. This discussion focuses on current activities and known facts and provides an overview of Metro State's financial activities in comparison with the prior year. It should, therefore, be read in conjunction with the accompanying comparative financial statements and notes.

Understanding the Comparative Financial Report

The financial statements adhere to Governmental Accounting Standards Board (GASB) Statement No. 35. This annual report consists of a series of financial statements: the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. The presentation of financial information is in a format 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.

The Financial Statements of the Metropolitan State College Foundation are attached to Metro State's Financial Statements as required by GASB 39, *Determining Whether Certain Organizations are Component Units*.

Financial Highlights

- Metro State's financial position, as a whole, improved during the years ended June 30, 2008 and 2007. The combined net assets increased \$2.3 million and \$1.7 million, respectively over the previous year.
- In fiscal year 2008 the level of funding for Metro State's College Opportunity Fund (COF) stipends was set by the General Assembly at \$89 per eligible credit hour. In fiscal year 2007 it was set at \$86 per eligible credit hour. This revenue is recorded in the Tuition and Fee line under Operating Revenue.
- Metro State's June 30, 2008 current assets of \$39 million were sufficient to cover current liabilities of approximately \$19 million. The current ratio of 2.05 (current assets/current liabilities) reflects the liquidity of Metro State's assets and the availability of funds for current operations.
- Metro State's enrollment improved slightly for each semester. Summer enrollment increased by 2.9 percent, Fall increased 1.8 percent, and Spring increased 1.3 percent over the previous year's terms.

**METROPOLITAN STATE COLLEGE OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2008 AND 2007**

Statement of Net Assets

The Statement of Net Assets reports on assets, liabilities, and net assets (net assets represent the excess of total assets over total liabilities) as of June 30, 2008 and 2007. Over time, increases or decreases in net assets are one indicator of Metro State's financial health when considered in conjunction with non-financial facts such as student enrollment.

**Condensed Statement of Net Assets
(in thousands)**

	2008	2007	2006
ASSETS			
Current Assets	\$39,130	\$38,038	\$35,793
Non-Current Assets	14,801	12,249	10,932
TOTAL ASSETS	<u>53,931</u>	<u>50,287</u>	<u>46,725</u>
LIABILITIES			
Current Liabilities	18,962	17,900	16,085
Non-Current Liabilities	2,153	1,894	1,849
TOTAL LIABILITIES	<u>21,115</u>	<u>19,794</u>	<u>17,934</u>
NET ASSETS			
Invested in Capital Assets	6,600	4,191	2,891
Restricted for Expendable Purposes	9,122	9,016	9,048
Unrestricted	17,094	17,286	16,852
TOTAL NET ASSETS	<u>\$32,816</u>	<u>\$30,493</u>	<u>\$28,791</u>

At June 30, 2008 and 2007, Metro State's total assets were \$53.9 million and \$50.3 million, respectively, which are increases of \$3.6 million each year. The largest asset category was Cash & Cash Equivalents at \$30.1 and \$30.7 million, respectively. The primary reason for the increase in current assets in fiscal years 2008 and 2007 were slight increases in tuition and enrollment.

Metro State's financial position improved during fiscal year 2008 as evidenced by the \$2.3 million increase in net assets for a total of \$32.8 million. Of this total, \$6.6 million is invested in capital assets net of accumulated depreciation of \$8.4 million. Depreciation amortizes the cost of an asset over its expected useful life and represents the utilization of long-lived assets. In fiscal year 2008, \$9.1 million of net assets was externally restricted for student loans and \$17.1 million was unrestricted and available for any lawful purpose of Metro State.

**METROPOLITAN STATE COLLEGE OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2008 AND 2007**

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 Metro State. Non-Operating revenues and expenses are those other than Operating and include but are not limited to Investment and Interest Income, and Private Grants and Gifts.

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

	2008	2007	2006
Operating Revenues			
Tuition & Fees, net	\$ 78,784	\$ 73,537	\$ 69,011
Fee for Service	3,757	4,164	5,895
Sales & Services	3,147	3,073	3,071
Grants & Contracts	31,852	29,880	26,012
Other Operating Revenues	3,699	3,482	3,776
Total Operating Revenues	<u>121,239</u>	<u>114,136</u>	<u>107,765</u>
Operating Expenses	<u>124,623</u>	<u>116,531</u>	<u>107,882</u>
Operating Income (Loss)	<u>(3,384)</u>	<u>(2,395)</u>	<u>(117)</u>
Non-Operating Revenues (Expenses)			
Interest Income	2,015	1,907	956
Other Non-Operating	3,692	2,190	2,440
Net Non-Operating Revenues (Expenses)	<u>5,707</u>	<u>4,097</u>	<u>3,396</u>
Increase in Net Assets	2,323	1,702	3,279
Net Assets at Beginning of Year	30,493	28,791	25,512
Net Assets at End of Year	<u>\$ 32,816</u>	<u>\$ 30,493</u>	<u>\$ 28,791</u>

Tuition and Fee revenue accounted for \$78.8 million of \$121.2 million in Operating Revenue in 2008. This Tuition and Fee amount is net of Scholarship Allowance of \$24.7 million in 2008. Scholarship Allowance is defined as the difference between the stated charge of tuition and fees and the amount that is paid by students or third parties making payment on behalf of students. Scholarship Discounts and Allowances increased \$2.1 million from the previous year due to an increase in tuition, as well as enrollment increases and an overall increase in scholarships and fellowships.

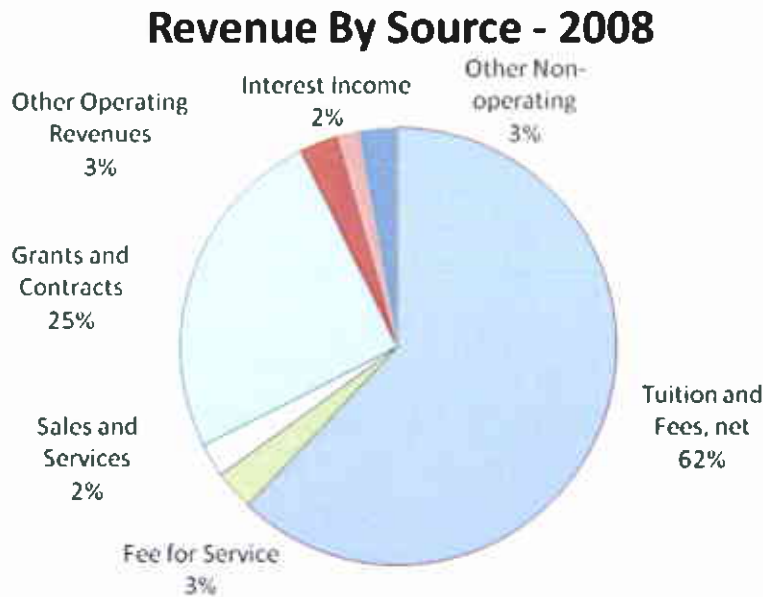
**METROPOLITAN STATE COLLEGE OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2008 AND 2007**

Operating expenses totaled \$124.6 million in 2008. Of this total, \$60.9 million was for Instruction, \$10.9 million for Academic Support, \$12.4 million for Student Services, \$13.4 million for Institutional Support, \$6.2 million for Operation of Plant, and \$17.8 million for Auxiliary Enterprises. The remaining \$3.0 million was for scholarships and other miscellaneous operating expenses.

Overall Operating Expenses show an increase of \$8.1 million over last year due to a combination of several factors, including:

- Salary and Benefit expenditures increased approximately \$6.8 million resulting from a net increase of 20 Faculty and 15 Classified employees, as well as average salary increases of 3.6 percent for Faculty and Administrators as well as 4 percent for Classified Staff.
- Materials and Supplies increased approximately \$1.3 million, which was mainly the result of Information Technology projects, including a new data warehouse and an Oracle advanced security option.

The following is a graphic illustration of Total Revenue (Operating and Non-Operating) by source for Metro State. Each major Revenue component is displayed relative to its proportionate share of total Revenue.



**METROPOLITAN STATE COLLEGE OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2008 AND 2007**

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 Metro State's ability to generate cash flows and meet financial obligations as they mature.

**Condensed Statement of Cash Flows
(in thousands)**

	2008	2007	2006
Net Cash Provided (Used) by:			
Operating Activities	\$(1,243)	\$1,090	\$5,982
Non-capital Financing Activities	652	654	553
Capital and Related Financing Activities	(2,162)	(2,257)	(1,120)
Investing Activities	2,109	2,015	1,081
Net Increase (Decrease) in Cash	(644)	1,502	6,496
 Cash & Cash Equivalents			
Beginning of Year	30,740	29,238	22,742
End of Year	<u>30,096</u>	<u>30,740</u>	<u>29,238</u>

Metro State's overall liquidity decreased slightly by \$644,000 in fiscal year 2008; whereas, fiscal year 2007 experienced a \$1.5 million increase in Cash and Cash Equivalents. The small decrease in fiscal year 2008 is mainly the result of a one-time purchase of modular units. The major sources of cash inflows in fiscal year 2008 are \$78 million from Tuition and Fees, and \$33.9 million from Federal and State Grants and Contracts. The primary outflows are \$85.1 million for payments to or for employees and \$38.6 million for payments to suppliers.

Economic Outlook and Metropolitan State College of Denver's Future

During the 2008 legislative session Metro State was awarded an 11.2 percent increase in general fund monies. This increase allowed Metro State to increase its departmental operating budget for the first time since 1998. This additional funding will be used in part to support faculty pay for performance; new initiatives to become a Hispanic Serving Institution; the new Urban Center for Civic Engagement; the First Year Program, and 20 new faculty positions.

The new Science Building broke ground in December 2007, and with the passage of Senate Bills SB08-218 and SB08-233 the project's funding was secured. This building will be owned by the Auraria Higher Education Center (AHEC) but will be shared by the Community College of Denver (CCD), the University of Colorado at Denver Health Sciences Center (UCD), and Metro State. The 200,000 square foot building is scheduled to be completed by the Fall of 2009 and will allow Metro State to continue its growth while providing technologically advanced student labs.

**METROPOLITAN STATE COLLEGE OF DENVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2008 AND 2007**

In June 2007, AHEC approved a Master Plan that will restructure the campus. The new vision for the campus will help ensure space needs will be met in the future, but it also serves to integrate Denver communities into the campus as well as establish neighborhoods, or areas that are specific to each institution: CCD, UCD, and Metro State. Metro State, in turn, began creating its Master Plan to develop its neighborhood. Metro State is working toward breaking ground on its first Neighborhood building in the next two years. Moreover, Metro State is working on plans to develop a new 200 room hotel that will help provide real life experience for our Hospitality students via a relationship with a private entity.

Metro State implemented a new "2 plus 2" program that allows students at the Community Colleges to earn their bachelor's degrees from Metro State while remaining at their community college. Metro State has already partnered with Front Range and Aurora Community Colleges, and plans on partnering with Arapahoe and Red Rocks next year.

Metro State retained its Enterprise status in fiscal year 2008 by receiving less than 10% in State funding. Metro State's College Opportunity Fund (COF) stipends were set by the General Assembly in fiscal year 2008 at \$89 per semester hour per resident undergraduate student and \$92 in fiscal year 2009. In addition to stipends, Metro State received \$3.8 million in Fee for Service in fiscal year 2008 and is scheduled to receive \$5.7 million in fiscal year 2009.

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

**Metropolitan State College of Denver
Statement of Net Assets**

	June 30	
	2008	2007
Assets		
Current Assets		
Cash & Cash Equivalents	\$ 30,096,372	\$ 30,739,519
Accounts Receivable-Student (Net of \$1,537,063 and \$1,359,104 in Allowance for Doubtful Accounts)	6,053,093	4,722,846
Accounts Receivable-Other	1,776,405	1,581,285
Loans Receivable	1,039,178	917,924
Prepaid Expense	165,543	77,223
Total Current Assets	39,130,591	38,038,797
Non-Current Assets		
Investments	190,634	190,634
Loans Receivable (Net of \$1,036,080 and \$1,215,318 in Allowance for Doubtful Accounts)	8,009,619	7,866,767
Equipment (Net of \$8,408,796 and \$7,534,728 in Accumulated Depreciation)	5,759,524	4,191,388
Buildings (Net of \$20,176.90 and \$0 in Accumulated Depreciation)	840,834	-
Total Non-Current Assets	14,800,611	12,248,789
Total Assets	53,931,202	50,287,586
Liabilities		
Current Liabilities		
Accounts Payable	1,210,329	1,354,269
Accrued Payroll	8,505,076	8,199,572
Deferred Revenue	5,249,303	4,967,667
Compensated Absences	221,188	246,059
Due to Students	231,856	266,056
Deposits Held in Custody for Others	3,544,260	2,866,539
Total Current Liabilities	18,962,011	17,900,162
Non-Current Liabilities		
Compensated Absences	2,152,929	1,894,056
Total Non-Current Liabilities	2,152,929	1,894,056
Total Liabilities	21,114,940	19,794,218
Net Assets		
Invested in Capital Assets	6,600,358	4,191,388
Restricted for Expendable Purposes	9,122,259	9,015,697
Unrestricted	17,093,644	17,286,283
Total Net Assets	\$ 32,816,261	\$ 30,493,368

See accompanying notes to the financial statements

Metropolitan State College of Denver Foundation, Inc.
Statement of Financial Position

<i>June 30</i>	2008	2007
Assets		
Cash and cash equivalents	\$ 706,408	\$ 454,196
Contributions receivable, net	348,593	393,612
Note receivable	-	200,000
Beneficial interests in charitable trusts administered by others	182,727	183,832
Contributed art objects held for investment	93,175	93,175
Investments	7,293,806	7,790,006
Total assets	\$ 8,624,709	\$ 9,114,821
Liabilities and Net Assets		
Accounts payable	293,162	406,524
Liability under charitable gift annuities	31,768	29,458
Total liabilities	324,930	435,982
Commitments		
Net assets:		
Unrestricted	925,260	1,096,042
Temporarily restricted	3,554,642	3,463,506
Permanently restricted	3,819,877	4,119,291
Total net assets	8,299,779	8,678,839
Total liabilities and net assets	\$ 8,624,709	\$ 9,114,821

See accompanying notes to the financial statements

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

	For the Fiscal Years Ended June 30	
	2008	2007
Operating Revenues		
Tuition & Fees (Net of \$24,662,170 and \$22,642,182 in Scholarship Allowance)	\$ 78,784,310	\$ 73,536,686
Fee For Service	3,756,773	4,163,555
Sales & Services of Educational Departments	616,928	646,799
Sales & Services of Auxiliary Enterprises	2,529,604	2,426,299
Federal Grants and Contracts	21,837,303	20,948,183
State Grants and Contracts	9,917,127	8,862,189
Local Grants and Contracts	13,735	-
Private Grants and Contracts	83,581	69,476
Operating Interest Income	94,363	107,034
Other Operating Revenues	3,604,633	3,375,645
Total Operating Revenues	121,238,357	114,135,866
Operating Expenses		
Instruction	60,918,353	55,961,330
Public Service	216,125	199,936
Academic Support	10,943,404	8,765,196
Student Services	12,360,331	11,826,882
Institutional Support	13,425,560	13,006,385
Operation of Plant	6,239,138	6,233,564
Scholarships and Fellowships	1,269,136	1,727,013
Auxiliary Enterprise Expenditures	17,848,062	17,853,453
Depreciation	1,365,047	955,243
Other Operating Expenses	37,612	1,992
Total Operating Expenses	124,622,768	116,530,994
Operating Income (Loss)	(3,384,411)	(2,395,128)
Non-Operating Revenues (Expenses)		
Investment and Interest Income	2,015,088	1,907,289
Gain (Loss) on Disposal of Fixed Assets	(52,691)	(7,559)
Non-Operating Gifts and Donations	3,744,907	2,197,963
Net Non-Operating Revenues (Expenses)	5,707,304	4,097,693
Net Increase in Net Assets	2,322,893	1,702,565
Net Assets at Beginning of Year	30,493,368	28,790,803
Net Assets at End of Year	\$ 32,816,261	\$ 30,493,368

See accompanying notes to the financial statements

Metropolitan State College of Denver Foundation, Inc.
Statement of Activities

<i>Year Ended June 30</i>	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support, Revenue and Gains				
Support:				
Contributions	\$ 44,723	\$ 1,607,533	\$ 246,695	\$ 1,898,951
In-kind contributions	604,700	1,832,787	-	2,437,487
College program fees	-	396,128	1,750	397,878
Net assets released from restrictions	3,782,663	(3,782,663)	-	-
Net investment return	162,036	-	(329,791)	(167,755)
Change in value of beneficial interest in charitable trusts	-	9,070	(12,962)	(3,892)
Other reclassifications of net assets	69,050	136,056	(205,106)	-
Total support, revenue and gains	4,663,172	198,911	(299,414)	4,562,669
Expenses and Losses				
Program services:				
School support	3,881,394	-	-	3,881,394
Total program services	3,881,394	-	-	3,881,394
Supporting services:				
General and administrative	348,060	-	-	348,060
Fundraising	604,500	-	-	604,500
Total supporting services	952,560	-	-	952,560
Total expenses	4,833,954	-	-	4,833,954
Losses:				
Contribution returned to donor	-	100,000	-	100,000
Uncollectible pledge loss	-	7,775	-	7,775
Total losses	-	107,775	-	107,775
Total expenses and losses	4,833,954	107,775	-	4,941,729
(Decrease) increase in net assets	(170,782)	91,136	(299,414)	(379,060)
Net assets, beginning of year	1,096,042	3,463,506	4,119,291	8,678,839
Net assets, end of year	\$ 925,260	\$ 3,554,642	\$ 3,819,877	\$ 8,299,779

See accompanying notes to the financial statements

Metropolitan State College of Denver Foundation, Inc.
Statement of Activities

<i>Year Ended June 30</i>	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support, Revenue and Gains				
Support:				
Contributions	\$ 43,961	\$ 2,137,182	\$ 312,565	\$ 2,493,708
In-kind contributions	488,997	173,585	-	662,582
College program fees	-	308,910	2,208	311,118
Net assets released from restrictions	2,292,568	(2,292,568)	-	-
Net investment return	241,210	-	556,275	797,485
Change in value of beneficial interest in charitable trusts	-	-	10,132	10,132
Other reclassifications of net assets	61,305	116,142	(177,447)	-
Total support, revenue and gains	3,128,041	443,251	703,733	4,275,025
Expenses and Losses				
Program services:				
School support	2,194,973	-	-	2,194,973
Total program services	2,194,973	-	-	2,194,973
Supporting services:				
General and administrative	318,312	-	-	318,312
Fundraising	488,997	-	-	488,997
Total supporting services	807,309	-	-	807,309
Total expenses	3,002,282	-	-	3,002,282
Losses:				
Uncollectible pledge loss	-	1,025	-	1,025
Total losses	-	1,025	-	1,025
Total expenses and losses	3,002,282	1,025	-	3,003,307
Increase in net assets	125,759	442,226	703,733	1,271,718
Net assets, beginning of year	970,283	3,021,280	3,415,558	7,407,121
Net assets, end of year	\$ 1,096,042	\$ 3,463,506	\$ 4,119,291	\$ 8,678,839

See accompanying notes to the financial statements

**Metropolitan State College of Denver
Statement of Cash Flows**

	For the Fiscal Years Ended June 30	
	2008	2007
Cash Flows from Operating Activities:		
<u>Cash Received:</u>		
Tuition and Fees	\$ 77,999,579	\$ 74,439,257
Fee for Service	3,756,773	4,163,555
Sales and Services	2,998,945	3,064,112
Grants and Contracts	33,923,096	31,598,896
Student Loans Collected	1,143,466	1,981,463
Other Operating Receipts	5,593,183	5,505,332
<u>Cash Payments:</u>		
Payments to or for Employees	(85,060,192)	(78,253,727)
Payments to Suppliers	(38,630,866)	(37,314,112)
Scholarships Disbursed	(1,589,293)	(1,921,019)
Student Loans Disbursed	(1,377,405)	(2,173,840)
<i>Net Cash Provided (Used) by Operating Activities</i>	(1,242,714)	1,089,917
Cash Flows from Non-capital Financing Activities:		
Agency (Direct Lending Inflows)	61,430,161	56,235,608
Agency (Direct Lending Outflows)	(60,906,018)	(56,146,078)
Other Agency (Inflows)	5,661,757	5,410,988
Other Agency (Outflows)	(5,533,966)	(4,846,221)
<i>Net Cash Provided (Used) by Non-Capital Financing Activities</i>	651,934	654,297
Cash Flows from Capital & Related Financing Activities:		
Acquisition of Capital Assets	(2,161,818)	(2,257,033)
<i>Net Cash Provided (Used) by Capital and Related Financing Activities</i>	(2,161,818)	(2,257,033)
Cash Flows from Investing Activities:		
Investment Earnings	2,015,088	1,907,289
Investment and Interest Income on Loan Funds	94,363	107,035
<i>Net Cash Provided (Used) by Investing Activities</i>	2,109,451	2,014,324
Net Increase (Decrease) in Cash		
Beginning Cash Balance	30,739,519	29,238,014
Ending Cash Balance	\$ 30,096,372	\$ 30,739,519
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(3,384,411)	(2,395,128)
Adjustments to Reconcile:		
Depreciation Expense	1,365,047	955,243
Expended for Plant Facilities	(7,203)	
Addition to Plant Fund	2,161,818	2,257,033
Non-Cash Operating Revenue	2,272,053	2,253,765
Non-Cash Operating Expense	(4,433,871)	(4,510,798)
Non-Operating Revenue (Expenses)	2,087,220	2,192,028
Operating Interest	(94,363)	(107,035)
Decrease (Increase) in Assets:		
Accounts Receivable	(905,228)	(468,398)
Prepaid Expense	(88,321)	(19,558)
Other Assets	(588,278)	35,865
Increase (Decrease) in Liabilities:		
Accounts Payable	(150,421)	675,564
Deferred Revenue	281,635	829,080
Accrued Payroll	72,631	278,631
Other Liabilities	168,978	(886,375)
<i>Net Cash Provided (Used) by Operating Activities</i>	\$ (1,242,714)	\$ 1,089,917

See accompanying notes to the financial statements

**METROPOLITAN STATE COLLEGE OF DENVER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

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, 2008 and 2007. Effective July 1, 2002, Colorado Revised Statute 23-54-102 established the Board of Trustees of Metropolitan State College of Denver to serve as the College's governing board. The Trustees have full authority and responsibility for the control and governance of the College, including such areas as role and mission, academic programs, curriculum, admissions, finance, personnel policies, etc. To exercise their authority appropriately, the Trustees regularly establish policies designed to enable the College to perform its statutory functions in a rational and systematic manner. To assist them in meeting their responsibilities, the Trustees delegate to the President the authority to interpret and administer their policies in all areas of operations.

Reporting Entity

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

The College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the College is included as part of the State of Colorado's primary government.

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

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

The College applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, regardless of issue date, as well as the following pronouncements issued on or before November 30, 1989: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents: For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, and certificates of deposit with financial institutions, pooled cash with the state treasurer and all highly liquid investments with an original maturity of three months or less, except those deposits and investments representing endowments.

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

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

Depreciation: Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3-5 years for capitalized computers and software, 12-25 years for musical and scientific equipment, 3-50 years for other equipment, and 12 years for modular buildings.

Classification of Revenue: The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

- Operating revenues – Operating revenues generally result from providing goods and services for instruction, public service, or related support services to an individual or entity separate from the College.
- Non-operating revenues – Non-operating revenues are those revenues that do not meet the definition of operating revenues. Non-operating revenues include 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.

Pell Grants: The Governmental Accounting Standards Board's implementation guide issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have administrative requirements for these funds. Historically, the College has recorded this Pell grant activity as operating revenue. The Colorado State Controller's Office also recommended that public institutions in the state continue to reflect Pell grant activity as operating revenue. Consequently, since implementation guidance and industry practice are both level D GAAP and there are differences in practice, the College has decided to continue reporting Pell grant activity as operating revenue in its 2008 financial statements.

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

At June 30, 2008 and 2007, the College had \$27,608,686 and \$28,718,013, 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 2008, cash on hand and in banks consisted of the following:

Cash on hand	\$	37,110
Cash in checking and depository accounts at bank		2,450,577
Total cash	\$	<u>2,487,687</u>

This year the College issued disbursements on the last business day of June, which resulted in a one day delay in posting to the State Treasurer's cash balance. This timing issue is the reason for the carrying amount of the College's cash on deposit being (\$83,693). This negative status does not indicate the absence of funds, but rather the use of the College's outstanding float. As of June 30, 2008, \$37,110 of the (\$83,693) balance is vault cash, petty cash, and change funds, and the reconciled bank balance was (\$120,803). Finally, \$100,000 of the cash in checking and depository accounts at bank was covered by federal depository insurance and the remainder by collateral held by the financial institution's agent in the institution's name.

Beginning in fiscal year 2005, the College was required to follow the requirement of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosure*. The standard primarily requires disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for any public entity's investments. The College has invested \$190,634 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established by state statute for government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is a 2a7-like investment pool, and the college's investment is rated as AAA by Standard and Poor's. COLOTRUST pooled

investments are excluded from the 5 percent and interest rate risk disclosure requirements. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. At June 30, 2008 and 2007 the fair value of the College's investment was \$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, 2008 and 2007. 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 \$312,251 at June 30, 2008, and \$204,816 at June 30, 2007 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, 2008 and 2007.

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Depreciable Equipment	\$ 9,772,952	\$ 2,262,968	\$ 309,804	\$ 11,726,116
Less: Accumulated Depreciation Equipment	6,881,731	955,243	302,246	7,534,728
Net Depreciable Capital Assets	\$ 2,891,221	\$ 1,307,725	\$ 7,558	\$ 4,191,388
	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Depreciable Equipment	\$ 11,726,116	\$ 2,965,697	\$ 523,493	\$ 14,168,320
Depreciable Building	0	861,011		861,011
Less: Accumulated Depreciation Equipment	7,534,728	1,344,870	470,802	8,408,796
Buildings	0	20,177	0	20,177
Net Depreciable Capital Assets	\$ 4,191,388	\$ 2,461,661	\$ 52,691	\$ 6,600,358

NOTE 5: LEASE OBLIGATIONS

Operating Leases - The College leases building space and equipment under operating lease agreements. Total rental expense for the year ended June 30, 2008 and June 30, 2007 under these agreements was \$683,852 and \$666,263, respectively. As of June 30, 2008 minimum future rentals (excluding contingent rentals) required by the above agreements are as follows:

Years ending June 30,

2009	\$	896,972
2010		512,331
2011		190,318
2012		160,549
2013		159,949
Total	\$	<u>1,920,119</u>

The College has a sub-lease rental agreement for one more year totaling \$304,594 at June 30, 2008. Payments made in fiscal year 2008 and 2007 totaled \$161,864 and \$157,451, respectively.

NOTE 6: COMPENSATED ABSENCES

GASB 34/35 requires that compensated absences be broken out into current and non-current liabilities. Employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount, will be paid upon termination. The estimated costs of current compensated absences for which employees are vested for the years ended June 30, 2008 and 2007, are \$221,188 and \$246,059, respectively.

The estimated costs of non-current compensated absences for which employees are vested for the years ended June 30, 2008, and 2007, are \$2,152,929 and \$1,894,056, respectively. Fiscal Year 2008 expenses include an increase of \$234,002 for the estimated compensated absence liability.

NOTE 7: PENSION PLAN OBLIGATIONS

On September 10, 1993 the Board of Trustees of the State Colleges in Colorado adopted an Optional Retirement Plan (ORP) for faculty and exempt administrative staff under the authority of Senate Bill 92-127. The implementation date was May 1, 1994. Eligible employees were offered the choice of remaining in Public Employees Retirement Association (PERA) or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

The ORP is a defined contribution pension plan with three vendors, Fidelity Investments, TIAA-CREF, and AIG-VALIC, providing a range of investment accounts for participants. The College's contribution to the ORP is 11.4 percent of covered payroll, and contribution by employees is 8 percent of covered payroll.

The College's contributions to the ORP for the fiscal years ending June 30, 2008, 2007, and 2006 were \$3,204,354, \$2,755,747, and \$2,506,342, respectively. These contributions were

equal to the required contributions for each year. All ORP contributions are immediately vested in the employee's account. Normal retirement for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and investment decisions made by participants for their individual accounts.

A. PERA PLAN DESCRIPTION

Approximately half of the College's employees participate in a defined benefit pension plan. The PERA plan's purpose is to provide income to members and their families at retirement or in the case of death or disability. The plan is a cost sharing, multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2008, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case they are required to remain in the PERA plan in which they participated previously.

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

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

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

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

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

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

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

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

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

B. FUNDING POLICY

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

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2007, to December 31, 2007, the state contributed 11.15 percent (13.85 percent for state troopers and 14.66 percent for the Judicial Branch) of the employee's salary. From January 1, 2008, through June 30, 2008, the state contributed 12.05 percent (14.75 percent for state troopers and 15.56 percent for the Judicial Branch). During all of Fiscal Year 2007-08, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2007, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

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

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

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

The College's contributions to PERA for the fiscal years ending June 30, 2008, 2007, and 2006 were \$4,348,477, \$4,025,185, and \$3,565,730, respectively. These contributions met the contribution requirement for each year.

C. Student Retirement Plan

Beginning in fiscal year 1993, in accordance with the provision of Section 24-54.6-101, Colorado Revised Statute (C.R.S.), and as provided in section 403 (b) of the Internal Revenue Code, the State of Colorado Department of Higher Education established the Colorado Student Employees Defined Contribution Plan. Student employees taking fewer than six hours each semester are required to participate. The plan requires a 7.5 percent contribution on the employee's part with no employer contribution. Total current year payroll covered by the plan for Metropolitan State College was \$1,020,379. Employee contributions were 7.5 percent of covered payroll in the amount of \$76,530.

NOTE 8: VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan, and certain agencies and institutions of the state offer 403(b) or 401(a) plans.

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

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year fewer than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 7B. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The College contributed \$382,366, \$376,669, and \$349,716 as required by statute in fiscal years 2008, 2007, and 2006, respectively. In each year the amount contributed was 100 percent of the required contribution. The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2007, there were 44,214 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2007, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.045 billion, a funded ratio of 19.9 percent, and a 38-year amortization period.

Colorado Higher Education Insurance Benefits Alliance (CHEIBA)

College faculty and exempt administrative staff receive health insurance through the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare at age 65. As of June 30, 2008 there were 55

participants in post retirement coverage from the eight member higher education institutions. For fiscal year 2008, the College has 9 retired faculty and administrative participants choosing CHEIBA. Retirees pay the entire premium which is approximately 127 percent of the premiums charged to active employees.

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

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

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 effect 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	
	2008	2007
Administration of Auraria Higher Education Center and operation and maintenance of plant	\$ 7,672,617	7,715,228
Library and Media Center	3,570,771	3,362,467
Total	<u>\$ 11,243,388</u>	<u>11,077,695</u>

NOTE 12: LEGISLATIVE APPROPRIATIONS

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

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

	Year Ended June 30	
	2008	2007
Total Appropriation	\$ 93,656,775	\$ 87,667,235
Actual Appropriated Revenues	93,351,477	87,650,037
Actual Appropriated Expenditures And Transfers	93,351,477	86,684,896
Net Increase in Appropriated Net Assets	\$ 0	\$ 965,141

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

For the years ended June 30, 2008 and 2007, appropriated expenses were within the authorized spending authority.

NOTE 13: COMPONENT UNIT DISCLOSURES

Metropolitan State College Foundation, Incorporated (the Foundation) is a not-for-profit corporation formed to promote the welfare, development, growth, and well-being of the College. The Foundation is a separate legal entity, which is fully independent from the College, is not financially dependent upon the College, has a separately elected Board of Directors and, as such, has substantial autonomy and separate government entity characteristics. The financial statements of the Foundation are prepared on the accrual basis and follow SFAS No. 117.

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

NOTE 14: RELATED PARTY TRANSACTIONS

The College leased office space to the Foundation for \$10,976 for fiscal year 2008. During the years ended June 30, 2008 and 2007, the Foundation provided \$1,809,896 and \$1,983,170, respectively, of funding to the College for various purposes, such as scholarships, departmental funding, and other programs. In addition to the amount that was paid to the college directly, there was \$38,710 and \$38,220 paid through the Foundation directly for the years ended June 30, 2008 and 2007, respectively. At June 30, 2008 and 2007 the College had a receivable of \$171,078 and \$395,021 due from the Foundation. The College provides employees to the Foundation and the Foundation reimburses the College for these expenses. For the years ended June 30, 2008 and 2007 these expenses were \$223,468 and \$174,626, respectively. In addition, the College provides development and other personnel to the Foundation at no cost.

Metropolitan State College of Denver Foundation, Inc.

Summary of Significant Accounting Policies

Organization	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").
Basis of Accounting	The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting.
Cash and Cash Equivalents	The Foundation considers all highly liquid investments which are to be used for current operations and which have an original maturity of three months or less to be cash and cash equivalents. All other highly liquid instruments, which are to be used for the long-term purposes of the Foundation, are classified as investments.
Investments	<p>Investment purchases are initially recorded at cost or, when contributed to the Foundation, at the fair values of the investment assets received at the date of contribution. Equity securities and all debt securities are carried at readily determinable fair values. Realized and unrealized gains and losses are included in the statements of activities.</p> <p>Net investment return consists of the Foundation's distributive share of interest and dividends and realized and unrealized capital gains and losses generated from the Foundation's investments, less investment management and custodial fees.</p>
Contributions Receivable	<p>Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.</p> <p>Management considers all promises to give at June 30, 2008 and 2007 to be fully collectible; therefore, no allowance for doubtful accounts has been established.</p>

Metropolitan State College of Denver Foundation, Inc.

Summary of Significant Accounting Policies

Impairment of Long-Lived Assets

The Foundation reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statement of activities, to its current fair value. There were no such impairments at June 30, 2008 and 2007.

Unrestricted Net Assets

Unrestricted net assets are available for use in general operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts that are subject to donor restrictions that may or will be met by expenditures or actions of the Foundation and/or the passage of time, and certain income earned on permanently restricted net assets.

Donor restricted support, including pledges, is recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of their restriction. When a donor 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 reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreement.

Revenue Recognition

Revenue is recognized when earned. Contributions are reported when an unconditional promise to give is received.

Metropolitan State College of Denver Foundation, Inc.

Summary of Significant Accounting Policies

Donated Services and Materials

The Foundation records donated professional services at the respective fair values of the services received. In addition, a number of volunteers donate time to the Foundation's program services, administration, and development activities. Although the value of these services is significant, the Foundation does not recognize the amount in its statements of activities because the particular jobs performed by these volunteers do not fall into the criteria established by the Financial Accounting Standards Board. Donated materials are recorded at fair value at the date of donation and, except for materials specified for the Foundation's use, are transferred to the College.

Expenses

Expenses are recognized by the Foundation in the period incurred. Expenses paid in advance but not yet incurred are deferred to the applicable period.

Functional Allocation of Expenses

The costs of providing the various program and supporting activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, expenses, and distributions during the reporting period. Actual results could differ from those estimates and such differences could be material.

Financial Instruments and Credit Risk

The Foundation has financial instruments which potentially subject it to concentrations of credit risk. The Foundation manages cash deposit concentration risk by placing its temporary cash and money market accounts with creditworthy, high-quality financial institutions. At times, a significant portion of the funds exceeds FDIC or other insurance limits.

Credit risk associated with contributions receivable is limited due to the large number and creditworthiness of contributors comprising the Foundation's contributor base, and based on historical collections experience.

Metropolitan State College of Denver Foundation, Inc.

Summary of Significant Accounting Policies

The Foundation has significant investments in fixed income and equity mutual funds. Investments are made by investment managers engaged by the Foundation, and the investments are monitored by the Foundation's Board of Directors and management. Though the fair 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.

The Foundation is the beneficiary of certain charitable remainder trusts administered by third parties. Trustees of the trusts determine the investments of the trusts.

Reclassifications

Certain accounts in the 2007 financial statements have been reclassified to conform to the current year financial statement presentation.

Metropolitan State College of Denver Foundation, Inc.

Notes to Financial Statements

1. Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv) and has been classified as an organization other than a private foundation under Section 509(a)(1). Income from activities not directly related to Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation had no unrelated business income for the years ended June 30, 2008 and 2007.

2. Contributions Receivable

Contributions receivable consisted of the following at:

<i>June 30,</i>	2008	2007
Restricted for:		
Scholarships, departmental funding, and other	\$ 339,911	\$ 435,075
Endowments	36,100	3,125
Less discount to net present value	(27,418)	(44,588)
	\$ 348,593	\$ 393,612
Amounts receivable in:		
Less than one year	\$ 108,585	\$ 102,174
One to five years	218,455	268,115
Over five years	21,553	23,323
	\$ 348,593	\$ 393,612

The discounts to net present value were computed using discount rates ranging from 1.7% - 5.0% for 2008 and 1.7% - 3.3% for 2007.

3. Conditional Promises to Give

The Foundation received a conditional promise to give in the amount of \$425,000 toward the cost of purchasing a permanent site for the Center for Visual Art. The conditional promise will be recognized as a contribution in the statement of activities when the conditions of the grant have been satisfied, namely, exercise of the option to purchase the currently leased location as discussed in Note 8, or purchase of an alternate permanent site for the Center for Visual Art.

Metropolitan State College of Denver Foundation, Inc.

Notes to Financial Statements

3. Conditional Promises to Give (Continued)

The Foundation has been informed that it has been named beneficiary under certain wills. No amounts have been included in the financial statements relating to potential distributions under these wills because they may be revoked or amended during the makers' lifetimes, and because the amounts of such distributions were not determinable.

4. Investments

Investments, stated at their fair values, consisted of the following at:

<i>June 30,</i>	2008	2007
Cash and cash equivalents	\$ 3,514,587	\$ 3,586,849
Fixed income mutual funds	1,425,763	1,209,057
Equity mutual funds and equities	2,341,955	2,982,599
Other	11,501	11,501
	\$ 7,293,806	\$ 7,790,006

Net investment return is summarized as follows for the years ended:

<i>June 30,</i>	2008	2007
Interest and dividend income	\$ 306,885	\$ 319,357
Net realized and unrealized (loss) gain	(453,752)	498,370
Less: Investment management fees	(20,888)	(20,242)
	\$ (167,755)	\$ 797,485

5. Note Receivable

During fiscal year 2005, the Foundation loaned \$200,000 to the newly hired College President. The loan was to be forgiven upon fulfillment by the President of the terms of his employment agreement with the College. The Foundation received interest of \$7,080 annually for the years ended June 30, 2008 and 2007.

Effective June 30, 2008, the Foundation received notification from the College Board of Trustees verifying that the President fulfilled the terms of his employment agreement with the College. Accordingly, the loan was written off and recorded in the statement of activities as school support.

Metropolitan State College of Denver Foundation, Inc.

Notes to Financial Statements

6. Beneficial Interest in Charitable Remainder Trusts Administered by Others

The Foundation is the beneficiary of several irrevocable charitable remainder trusts administered by financial institutions. The trust agreements provide for the payment of distributions to the grantor or another designated beneficiary over their respective lifetimes. At the end of the trust's term, the remaining assets will be available for the Foundation's unrestricted use or for the establishment of an endowment as specified by the donors. At the inception of each trust, the Foundation recorded a contribution equal to the estimated discounted present value of the distribution expected to be received upon the termination of each trust. Thereafter, the Foundation has been recording adjustments to that estimate based on changes in the fair value of trust assets, changes in actuarial assumptions, and amortization of the discount to net present value. The net present value of the Foundation's beneficial interest in these trusts is as follows at:

<i>June 30,</i>	2008	2007
Gross value of beneficial interests	\$ 270,044	\$ 291,641
Less: unamortized discount	(87,317)	(107,809)
	\$ 182,727	\$ 183,832

No distributions were received during the years ended June 30, 2008 or 2007.

7. Gift Annuities

The Foundation has entered into several charitable gift annuity contracts. These contracts require the Foundation to make fixed payments to the beneficiaries over their lifetimes. Under a charitable gift annuity contract, the assets received by the Foundation are immediately available for use by the Foundation and, as such, are not held in trust separately from other investments of the Foundation. The obligation to make periodic disbursements to the beneficiaries becomes a general obligation of the Foundation. On the date each charitable gift annuity was established, the Foundation recorded a contribution equal to the difference between the amount transferred from the donor and the present value of the future cash flows expected to be paid to the specified beneficiaries using discount rates ranging from 7% - 8%.

Metropolitan State College of Denver Foundation, Inc.

Notes to Financial Statements

8. Leases

The Foundation leases space in Denver for the College's Center for Visual Art under a non-cancelable lease expiring in April 2009, at which time the Foundation may purchase the space at market value. The College sub-leases this space from the Foundation under the same terms as the Foundation's lease agreement, with the exception that the College can terminate its sub-lease with the Foundation.

Minimum future lease payments due under the lease through April 2009 are \$69,436, the amount due to the Foundation from the College under the sub-lease.

**9. Donated
Materials and
Services**

The Foundation received donations of materials and professional services comprised of the following during the years ended:

<i>June 30,</i>	2008	2007
Materials, including aerospace science educational software licenses valued at \$1,540,687 in 2008*	\$ 1,832,787	\$ 157,453
Salaries – fundraising	604,700	488,997
Other services	-	16,132
	\$ 2,437,487	\$ 662,582

*Fair value has been estimated based upon the regular sales price offered to educational institutions.

**10. Temporarily
Restricted Net
Assets**

Temporarily restricted net assets are comprised of the following at:

<i>June 30,</i>	2008	2007
Scholarships	\$ 992,792	\$ 848,725
Departmental funding	1,221,630	1,115,199
Student, alumni and other activities	1,261,230	1,429,662
Beneficial interest in charitable remainder trusts administered by others (Note 6)	78,990	69,920
	\$ 3,554,642	\$ 3,463,506

Metropolitan State College of Denver Foundation, Inc.

Notes to Financial Statements

**10. Temporarily
Restricted Net
Assets
(Continued)**

Temporarily restricted net assets were released from restrictions as follows during the years ended:

<i>June 30,</i>	2008	2007
Scholarships	\$ 771,699	\$ 911,945
Departmental funding	2,386,944	640,386
Student, alumni and other activities	624,020	740,237
	\$ 3,782,663	\$ 2,292,568

**11. 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, was 4.5% during 2008 and 2007. 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 is computed based on their proportionate fair market values as of the preceding distribution date.

Permanently restricted net assets consisted of the following at:

<i>June 30,</i>	2008	2007
Original contributions plus accumulated earnings of \$76,796 and \$611,817 at June 30, 2008 and 2007, respectively	\$ 3,711,631	\$ 4,031,182
Less liabilities under permanently restricted annuity trust assets	(31,591)	(28,928)
Contributions receivable and beneficial interest in charitable remainder trusts administered by others (Note 6)	139,837	117,037
	\$ 3,819,877	\$ 4,119,291

Metropolitan State College of Denver Foundation, Inc.

Notes to Financial Statements

**11. Permanently
Restricted Net
Assets
(Continued)**

In accordance with its spending policy, the Foundation recorded the following net asset reclassifications during the years ended:

<i>June 30, 2008</i>	Unrestricted	Temporarily Restricted	Permanently Restricted
Investment earnings available for scholarships	\$ -	\$ 136,056	\$ (136,056)
2% administrative fee on endowment fund	69,177	-	(69,177)
Other	(127)	-	127
	\$ 69,050	\$ 136,056	\$ (205,106)

and:

<i>June 30, 2007</i>	Unrestricted	Temporarily Restricted	Permanently Restricted
Investment earnings available for scholarships	\$ -	\$ 117,914	\$ (117,914)
2% administrative fee on endowment fund	61,430	-	(61,430)
Other	(125)	(1,772)	1,897
	\$ 61,305	\$ 116,142	\$ (177,447)

**12. Related Party
Transactions**

The Foundation leases office space from the College at an annual rate of \$14.83 per square foot under an agreement that automatically renews for one-year terms at the beginning of each fiscal year. Rent expense under this lease was \$10,976 and \$10,904 for the years ended June 30, 2008 and 2007, respectively.

The College sub-leases space for the Center for Visual Art from the Foundation (Note 8).

Metropolitan State College of Denver Foundation, Inc.

Notes to Financial Statements

12. Related Party Transactions (Continued)

Funding provided by the Foundation directly to the College for scholarships, departmental funding, and other programs totaled \$1,809,896 and \$1,983,170 for the years ended June 30, 2008 and 2007, respectively. In addition, the Foundation paid other costs on behalf of the College directly to vendors in the amounts of \$38,710 and \$38,220 during the years ended June 30, 2008 and 2007, respectively. The Foundation owed the College \$171,078 and \$395,021 at June 30, 2008 and 2007, respectively, for June funding.

The Foundation paid the College \$223,468 and \$174,626 for salaries and benefits of certain College personnel provided to the Foundation during the years ended June 30, 2008 and 2007, respectively.

In addition, the College provided development and other personnel to the Foundation at no cost. The Foundation recorded donated professional services in the amount of \$604,500 and \$488,997 for the years ended June 30, 2008 and 2007, respectively. The corresponding expenses have been reflected in the accompanying statements of activities as Fundraising.

In the normal course of the Foundation's operations, transactions arise with companies whose directors, officers and/or owners are also directors of the Foundation. During the years ended June 30, 2008 and 2007, \$9,452 and \$33,936, respectively, was paid to a placement agency owned by a director for contract employment services.



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

Members of the Legislative Audit Committee:

We have audited the financial statements of the Metropolitan State College of Denver, a blended component unit of the State of Colorado as of and for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Metropolitan State College of Denver's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Legislative Audit Committee, the Board of Trustees and management of the Metropolitan State College of Denver, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson & Whitney P.C.

November 14, 2008



Required Auditor Communications

Members of the Legislative Audit Committee:

We have audited the financial statements of Metropolitan State College of Denver for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

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

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

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

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

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.

The Governmental Accounting Standards Board's implementation guide issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have administrative requirement for these funds. Historically, the College has recorded this Pell grant activity as operating revenue. The Colorado State Controller's Office also recommended that public institutions in the state continue to reflect Pell grant activity as operating revenue. Consequently, since implementation guidance and industry practice are both level D GAAP and there are differences in practice, the College has decided to continue reporting Pell grant activity as operating revenue in its 2008 financial statements.

- 48 -

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

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.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

AUDIT ADJUSTMENTS

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

MANAGEMENT REPRESENTATIONS

We have received certain representations from management that are included in the management representation letter dated November 14, 2008.

DISAGREEMENTS WITH MANAGEMENT

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

CONSULTATIONS WITH OTHER ACCOUNTANTS

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

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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



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

Anderson & Whitney P.C.

November 14, 2008

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

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

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

Report Control Number 1953