

STATE OF COLORADO

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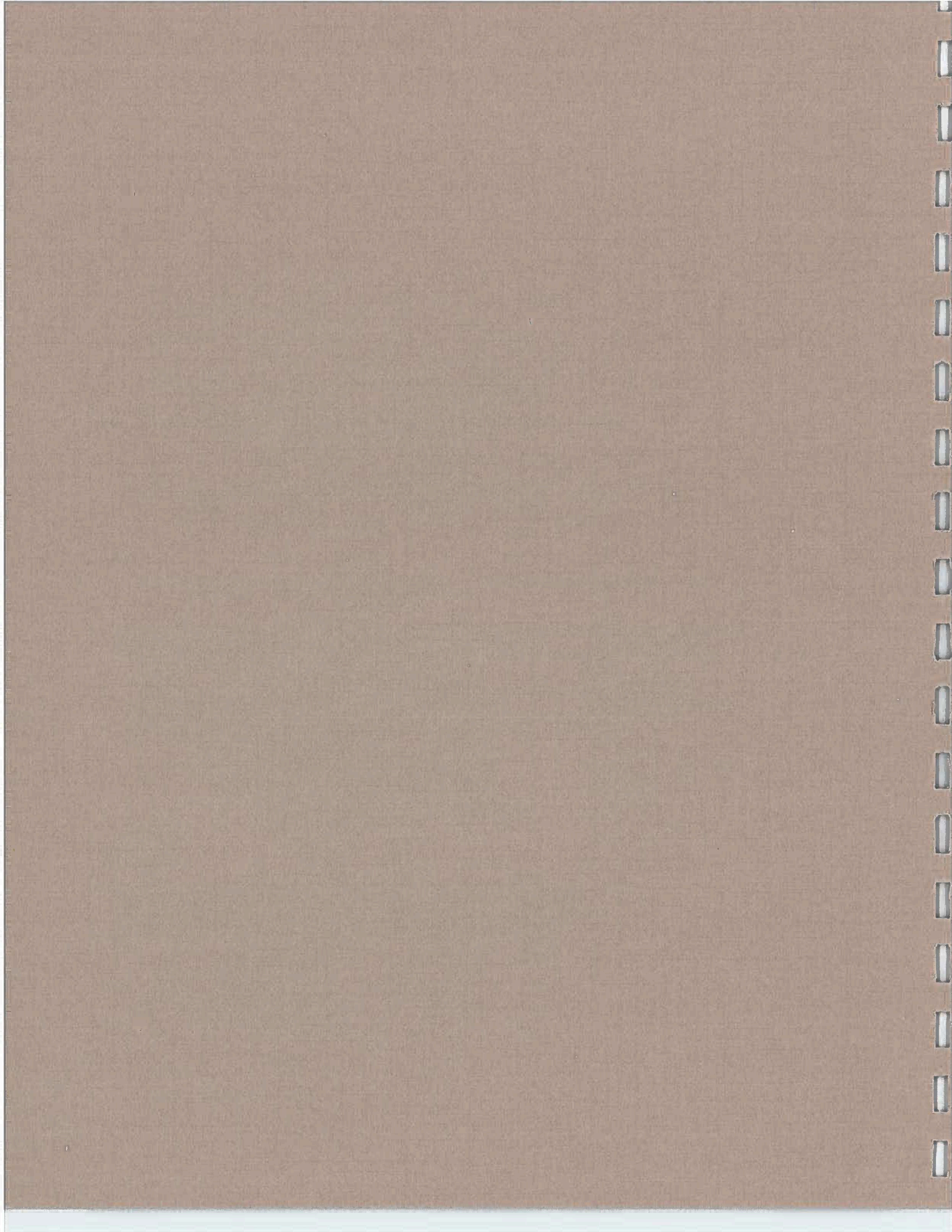
METROPOLITAN STATE COLLEGE  
DENVER, COLORADO

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REPORT ON EXAMINATION  
OF  
FINANCIAL STATEMENTS  
AND  
LETTER OF RECOMMENDATIONS

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YEARS ENDED JUNE 30, 1982 AND 1981





STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1982 AND 1981

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STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

AUDIT REPORT DIGEST

YEARS ENDED JUNE 30, 1982 AND 1981

Purpose and Scope of Audit

The purpose of this audit was to express an opinion on the financial statements of Metropolitan State College for the years ended June 30, 1982 and 1981. In addition, we reviewed compliance with relevant laws and regulations pertaining to the financial activities of the College.

Summary of Current-Year Finding

The College has no formal backup and recovery plan at the present time, in the unlikely event of a catastrophe occurring to the in-house computer hardware.

Disposition of Prior-Year Recommendations

There were no prior-year recommendations.





October 28, 1982

Legislative Audit Committee  
State Capitol  
Denver, Colorado 80203

We have examined the balance sheets of Metropolitan State College as of June 30, 1982 and 1981, and the related statements of changes in fund balances and current fund revenues, expenditures and other changes for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Metropolitan State College at June 30, 1982 and 1981, and the changes in its fund balances and its current fund revenues, expenditures and other changes for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Touche Ross & Co.*  
Certified Public Accountants







STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

BALANCE SHEETS

ASSETS

	<u>JUNE 30,</u>	
	<u>1982</u>	<u>1981</u>
CURRENT FUNDS:		
Unrestricted:		
Cash and certificates of deposit	\$ 441,030	\$ 652,107
Cash on deposit with State Treasurer	1,304,082	777,030
Amounts to be provided by State		
General Fund	370,957	61,742
Accounts receivable, less allowance		
of \$1,133,035 and \$878,951 for		
doubtful accounts	471,282	549,237
Interest receivable	8,505	5,606
Inventories and supplies	1,296,693	1,147,215
Deposits and prepaid expenses	<u>11,077</u>	<u>12,626</u>
Total unrestricted	3,903,626	3,205,563
Restricted:		
Cash on deposit with State Treasurer	337	1,618
Amounts to be provided by State		
General Fund	27,616	--
Accounts receivable, no allowance for		
doubtful accounts considered		
necessary	<u>93,287</u>	<u>75,582</u>
Total restricted	<u>121,240</u>	<u>77,200</u>
 TOTAL CURRENT FUNDS	 <u>\$4,024,866</u>	 <u>\$3,282,763</u>

See notes to financial statements.

LIABILITIES AND FUND BALANCES

	JUNE 30,	
	<u>1982</u>	<u>1981</u>
CURRENT FUNDS:		
Unrestricted:		
Accounts payable	\$ 432,916	\$ 339,820
Accrued expenses	41,710	38,094
Due to other state agencies and funds	105,103	410,684
Due to State Treasurer (Note B)	--	884,519
Notes payable to State Treasurer (Note C)	757,008	--
Deferred revenue	1,533,725	1,154,945
Due to other funds (Note G)	162,809	138,738
Due to the Consortium of State Colleges	296,712	--
Fund balances (deficits):		
Unrestricted	797,388	475,754
Auxiliary enterprise:		
Auraria Book Center	(223,745)	(236,991)
Total fund balances	<u>573,643</u>	<u>238,763</u>
Total unrestricted	3,903,626	3,205,563
Restricted:		
Accounts payable	14,592	9,321
Accrued expenses	55,989	9,286
Due to State Treasurer (Note B)	23,933	50,219
Fund balance	<u>26,726</u>	<u>8,374</u>
Total restricted	<u>121,240</u>	<u>77,200</u>
TOTAL CURRENT FUNDS	<u>\$4,024,866</u>	<u>\$3,282,763</u>







STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

BALANCE SHEETS

ASSETS

	<u>JUNE 30,</u>	
	<u>1982</u>	<u>1981</u>
LOAN FUNDS:		
Cash on deposit with State Treasurer	\$ 12,344	\$ 9,319
Due from U. S. government	9,223	--
Loans receivable, less allowance of \$721,662 and \$804,885 for doubtful loans	<u>3,094,323</u>	<u>3,053,165</u>
TOTAL LOAN FUNDS	<u>\$3,115,890</u>	<u>\$3,062,484</u>
PLANT FUND:		
Leasehold improvements	\$ 54,316	\$ 34,100
Equipment	2,796,826	2,717,516
Land and buildings	<u>59,900</u>	<u>59,900</u>
TOTAL PLANT FUND	<u>\$2,911,042</u>	<u>\$2,811,516</u>
AGENCY FUNDS:		
Cash on deposit with State Treasurer	\$ 5,105	\$ 4,171
Due from other funds (Note G)	<u>162,809</u>	<u>149,927</u>
TOTAL AGENCY FUNDS	<u>\$ 167,914</u>	<u>\$ 154,098</u>

See notes to financial statements.



## STATE OF COLORADO

## METROPOLITAN STATE COLLEGE

## STATEMENTS OF CHANGES IN FUND BALANCES

YEARS ENDED JUNE 30, 1982 AND 1981

	CURRENT FUND						LOAN FUND		PLANT FUND	
	STATE- APPROPRIATED FUNDING	AUXILIARY AND SELF- FUNDED	1982		1981		1982	1981	INVESTMENT IN FUND	
			TOTAL UNRESTRICTED	RESTRICTED	TOTAL	TOTAL			1982	1981
REVENUES AND OTHER ADDITIONS:										
Unrestricted Current Fund revenues	\$24,109,439	\$6,821,453	\$30,930,892	\$ --	\$30,930,892	\$26,141,626	\$ --	\$ --	\$ --	\$ --
Federal grants and contracts - restricted	--	--	--	2,839,111	2,839,111	2,665,131	--	--	--	--
State grants and contracts - restricted	--	--	--	1,114,911	1,114,911	807,106	20,334	29,428	--	--
Private gifts, grants and contracts - restricted	--	--	--	22,291	22,291	11,693	5,142	1,657	--	--
U. S. government advances:										
National Defense Education Act	--	--	--	--	--	--	183,004	264,856	--	--
Law enforcement loans	--	--	--	--	--	--	--	1,872	--	--
Interest income	--	--	--	--	--	--	65,094	58,336	--	--
Expended for plant facilities	--	--	--	--	--	--	--	--	198,151	307,376
Total revenues and other additions	24,109,439	6,821,453	30,930,892	3,976,313	34,907,205	29,625,556	273,574	356,149	198,151	307,376
EXPENDITURES AND OTHER DEDUCTIONS:										
Educational and general expenditures	19,057,641	1,009,659	20,067,300	3,845,789	23,913,089	20,298,162	--	--	--	--
Auxiliary enterprise expenditures	--	5,420,837	5,420,837	--	5,420,837	4,489,743	--	--	--	--
Campus Shared Costs (Note D)	4,617,250	--	4,617,250	--	4,617,250	4,311,575	--	--	--	--
Indirect costs recovered	--	--	--	70,519	70,519	66,514	--	--	--	--
Cancellation of loan principal and interest	--	--	--	--	--	--	187,988	468,591	--	--
Administrative costs reimbursed	--	--	--	37,415	37,415	27,653	24,160	28,321	--	--
Collection costs	--	--	--	--	--	--	18,898	15,329	--	--
Law enforcement loans to be collected by federal government	--	--	--	--	--	--	--	1,872	--	--
Disposal of equipment	--	--	--	--	--	--	--	--	98,625	33,436
Additions to equipment	137,836	56,077	193,913	4,238	198,151	307,376	--	--	--	--
Transfer to Consortium of State Colleges	296,712	--	296,712	--	296,712	--	--	--	--	--
Repayment to federal government	--	--	--	--	--	--	--	18,000	--	--
Total expenditures and other deductions	24,109,439	6,486,573	30,596,012	3,957,961	34,553,973	29,501,023	231,046	532,113	98,625	33,436
Net increase (decrease) for year	--	334,880	334,880	18,352	353,232	124,533	42,528	(175,964)	99,526	273,940
Fund balances at beginning of year	--	238,763	238,763	8,374	247,137	122,604	3,051,295	3,227,259	2,811,516	2,537,576
Fund balances at end of year	\$ --	\$ 573,643	\$ 573,643	\$ 26,726	\$ 600,369	\$ 247,137	\$3,093,823	\$3,051,295	\$2,911,042	\$2,811,516

See notes to financial statements.

STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

STATEMENTS OF CURRENT FUND REVENUES,  
EXPENDITURES AND OTHER CHANGES

YEARS ENDED JUNE 30, 1982 AND 1981

	UNRESTRICTED			RESTRICTED		TOTAL	
	1982	1981		1982	1981	1982	1981
	STATE- APPROPRIATED FUNDING	AUXILIARY AND SELF- FUNDED	TOTAL	TOTAL			
REVENUES:							
Tuition	\$ 7,953,593	\$ --	\$ 7,953,593	\$ 6,868,362	\$ --	\$ 7,953,593	\$ 6,868,362
Fees	--	694,575	694,575	510,050	--	694,575	510,050
State appropriations	16,085,327	--	16,085,327	13,573,963	--	16,085,327	13,573,963
Federal grants and contracts	70,519	70,669	141,188	150,083	2,767,740	2,908,928	2,759,593
State grants and contracts	--	17,408	17,408	24,003	1,089,699	1,107,107	831,881
Private gifts, grants and contracts	--	366,234	366,234	232,572	30,003	396,237	240,196
Augmenting revenue received from other colleges	--	--	--	41,651	--	--	41,651
Other sources	--	188,209	188,209	200,301	--	188,209	200,301
Total educational and general	24,109,439	1,337,095	25,446,534	21,600,985	3,887,442	29,333,976	25,025,997
Sales and services of auxiliary enterprises (Note G)	--	5,484,358	5,484,358	4,540,641	--	5,484,358	4,540,641
Total revenues	24,109,439	6,821,453	30,930,892	26,141,626	3,887,442	34,818,334	29,566,638
EXPENDITURES AND TRANSFERS (Note F):							
Education and general:							
Instruction	13,233,547	81,018	13,314,565	10,618,378	943,898	14,258,463	11,362,566
Research	--	--	--	--	19,873	19,873	4,253
Public service	80,171	55,513	135,684	138,169	233,983	369,667	390,560
Academic support	1,585,615	22,115	1,607,730	1,719,468	5,273	1,613,003	1,719,649
Student services	1,490,975	769,708	2,260,683	1,899,685	388,163	2,648,846	2,267,357
Administration	2,654,355	81,305	2,735,660	2,481,293	54,696	2,790,356	2,524,818
Operation and maintenance of plant	12,978	--	12,978	56,907	--	12,978	56,907
Scholarships and grants	--	--	--	--	2,237,317	2,237,317	1,999,705
Total educations and general	19,057,641	1,009,659	20,067,300	16,913,900	3,883,203	23,950,503	20,325,815
Additions to equipment	137,836	56,077	193,913	297,142	4,239	198,152	307,376
Campus Shared Costs (Note D)	4,617,250	--	4,617,250	4,311,575	--	4,617,250	4,311,575
Auxiliary enterprise (Note G)	--	5,420,837	5,420,837	4,486,880	--	5,420,837	4,489,743
Total expenditures and transfers	23,812,727	6,486,573	30,299,300	26,009,497	3,887,442	34,186,742	29,434,509
Other transfers and other additions (deductions):							
Excess (deficiency) of restricted receipts over transfer to revenues	--	--	--	--	18,352	18,352	(7,596)
Transfer to Consortium of State Colleges	(296,712)	--	(296,712)	--	--	(296,712)	--
Net increase (decrease) in fund balances	\$ --	\$ 334,880	\$ 334,880	\$ 132,129	18,352	\$ 353,232	\$ 124,533

See notes to financial statements.

LIABILITIES AND FUND BALANCES

	<u>JUNE 30,</u>	
	<u>1982</u>	<u>1981</u>
LOAN FUNDS:		
Due to State Treasurer (Note B)	\$ 22,067	\$ --
Due to other funds	--	11,189
Fund balances:		
U. S. government grants refundable	2,449,278	2,430,049
Other loan funds	<u>644,545</u>	<u>621,246</u>
TOTAL LOAN FUNDS	<u>\$3,115,890</u>	<u>\$3,062,484</u>
 PLANT FUND		
Investment in plant	<u>\$2,911,042</u>	<u>\$2,811,516</u>
 AGENCY FUNDS		
Deposits held in custody for others	<u>\$ 167,914</u>	<u>\$ 154,098</u>



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1982 AND 1981

A. Summary of Significant Accounting Policies:

The financial statements of the College are presented in accordance with fund accounting guidelines in the American Institute of Certified Public Accountants' guide, Audits of Colleges and Universities, as modified in 1975 by the National Association of Colleges and University Business Officers' publication, College and University Business Administration.

The College is an agency of the State of Colorado. Its operations and activities are funded primarily through state appropriations. Earned revenues in excess of related appropriated amounts are transferred to the Consortium of State Colleges.

Inventories consist of the Auraria Book Center inventory valued at the lower of cost or market, utilizing the retail inventory method, and supplies which are valued at cost.

Summer session tuition is deferred to the subsequent year's operations.

Revenues from sponsored programs are recognized to the extent of expenditures incurred. Amounts received in excess of expenditures are included as additions to fund balances during the year and may be subject to repayment if additional program expenditures are not made (see Note I). Funds relating to sponsored programs restricted by the State of Colorado and its agencies have been classified as Current Restricted Funds.

Interest on loans to students is recognized as income when received.

Plant Fund assets are recorded at acquisition cost or fair value at date of gift. Depreciation on these assets is not recorded. When Current Funds are used to finance additions and normal replacement of movable equipment in Plant Fund assets, the amounts so provided are accounted for as expenditures in Current Funds.

Certain reclassifications have been made in the 1981 financial statements to conform to the classifications used in 1982.



## STATE OF COLORADO

## METROPOLITAN STATE COLLEGE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1982 AND 1981

B. Due to State Treasurer:

Included in due to State Treasurer at June 30, 1982 and 1981 are approximately \$46,000 and \$933,000, respectively, representing the outstanding balances of various interest-free short-term borrowings with the State of Colorado. The majority of the June 30, 1981 borrowings were repaid from the proceeds of the notes discussed in Note C.

C. Notes Payable to State Treasurer:

Under credit arrangements with the State of Colorado, the College had \$757,008 in short-term notes outstanding at June 30, 1982. The notes were to finance the book and supply inventories and working capital needs of the Auraria Book Center. Average outstanding loans during the years ended June 30, 1982 and 1981 were approximately \$414,000 and \$154,000, respectively. The average interest rate was 12.7% and 10.5% for 1982 and 1981, respectively.

**D. Campus Shared Costs:**

Details of the College's portion of Campus Shared Costs for the fiscal years ended June 30, 1982 and 1981, respectively, were as follows:

	<u>YEAR ENDED JUNE 30,</u>	
	<u>1982</u>	<u>1981</u>
Expenditures:		
Administration of Auraria Higher Education Center and operation and maintenance of plant	\$2,516,750	\$2,513,869
Library and Media Center	1,545,549	1,181,659
Computer services	<u>554,951</u>	<u>616,047</u>
	<u>\$4,617,250</u>	<u>\$4,311,575</u>





STATE OF COLORADOMETROPOLITAN STATE COLLEGENOTES TO FINANCIAL STATEMENTSYEARS ENDED JUNE 30, 1982 AND 1981D. Campus Shared Costs (Continued):

The financial statements for the year ended June 30, 1981 have been restated to include the College's portion of Shared Costs and the corresponding appropriation for these costs which were previously appropriated to other state agencies.

E. Retirement Program:

All regular employees of the College are enrolled in the Colorado Public Employees Retirement Association (PERA) as a condition of employment. Costs of this program were \$1,873,448 and \$1,565,191 for the years ended June 30, 1982 and 1981, respectively.

F. Compensated Absences for Annual and Sick Leave:

State college/university employees accrue annual and sick leave based on the length of service, subject to certain limitations on the amount which will be paid upon termination. The estimated cost of compensated absence for which employees are vested is as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>ANNUAL LEAVE</u>	<u>SICK LEAVE</u>	<u>COMBINED</u>
1982	\$415,922	\$5,834	\$421,756
1981	<u>467,400</u>	<u>5,900</u>	<u>473,300</u>
Decrease	<u>\$ (51,478)</u>	<u>\$ (66)</u>	<u>\$ (51,544)</u>

Statement of Financial Accounting Standard No. 43, Accounting for Compensated Absences, effective for fiscal years beginning July 1, 1981, requires that compensated absences be recorded on an accrual basis.

The above costs are not recorded because they are not material to total unrestricted funds and will be recorded as expense when paid. They will be funded by state appropriation, federal funds, or other fund sources available for the applicable year.



STATE OF COLORADO  
METROPOLITAN STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1982 AND 1981

G. Contractual Commitments:

The College operates the Auraria Book Center on behalf of the Auraria Higher Education Center (AHEC) and for the benefit of its constituent institutions (University of Colorado at Denver, Community College of Denver-Auraria, and Metropolitan State College). Terms of the contract, which became effective July 1, 1978, provide for management of the bookstore by the College as an independent contractor with certain performance requirements. As of June 30, 1982, AHEC terminated the contract with the College as the independent contractor for operation of the Auraria Book Center.

Rental payments of \$67,000 and \$60,000 and AHEC's share of profits of \$5,138 and \$8,186 for the years ended June 30, 1982 and 1981, respectively, are reflected as expenditures in the accompanying financial statements. Profits were adequate during 1982 and 1981 to meet contract requirements for scheduled elimination of deficits.

The College's unrecovered start-up costs and deficits of \$114,781 will be reimbursed by AHEC in accordance with the terms of the contract.

The financial activities for the Auraria Book Center are included in the Current Unrestricted Fund in the accompanying financial statements. More detailed Auraria Book Center activity is shown in the "Additional Information" section of this report.

The following represents the amounts due to other funds from the Book Center at June 30, 1982:

Special projects (unrestricted funds)	\$347,623
Agency Fund	<u>162,809</u>
	<u>\$510,432</u>



STATE OF COLORADO

METROPOLITAN STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1982 AND 1981

H. Metropolitan State College Foundation, Incorporated:

Metropolitan State College Foundation, Incorporated (the Foundation) is a not-for-profit corporation formed to promote the welfare, development, growth and well-being of Metropolitan State College. The Foundation engages in activities that may be beyond the scope of the Trustees of the Consortium of State Colleges in Colorado.

The Foundation is a separate entity from Metropolitan State College and no public funds are allocated directly for budgetary support. Affairs and management of the Foundation are controlled by a Board of Directors and an executive committee. Accounting records of the Foundation are maintained by the College's accounting personnel.

The accompanying financial statements do not include the accounts of the Foundation, whose accumulated total assets were approximately \$115,000 and \$81,000 at June 30, 1982 and 1981, respectively.

I. Contingencies:

Amounts expended under the terms of certain federal grants are subject to audit and possible adjustment by agencies of the federal government.



ADDITIONAL INFORMATION

Our examination was made for the purpose of forming an opinion on the basic financial statements of Metropolitan State College for the year ended June 30, 1982, taken as a whole. The information on the following pages is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Touche Ross & Co.*

Certified Public Accountants





STATE OF COLORADO

METROPOLITAN STATE COLLEGE

RECONCILIATION OF ALLOCATED APPROPRIATION FUNDING  
TO FINANCIAL STATEMENT REVENUES

YEAR ENDED JUNE 30, 1982

	<u>GENERAL FUND</u>	<u>CASH FUND</u>	<u>TOTAL UNRESTRICTED FUNDS</u>	<u>SPONSORED PROGRAMS AND OTHER RESTRICTED FUNDS</u>	<u>TOTAL</u>
Allocated appropriation funding	\$15,622,091	\$ 7,830,895	\$23,452,986	\$ --	\$23,452,986
Sponsored-program allocation from Consortium of State Colleges	18,836	--	18,836	--	18,836
State controller (potted funds)	6,000	--	6,000	--	6,000
General Fund and augmenting revenue supplemental appropriations	438,400	150,000	588,400	--	588,400
State grants and contracts	--	17,408	17,408	1,089,699	1,107,107
Federal contracts and grants	--	70,669	70,669	2,767,740	2,838,409
Over-realized augmenting revenue	--	43,217	43,217	--	43,217
Student fees	--	694,575	694,575	--	694,575
Other student activity sources	--	188,209	188,209	--	188,209
Private gifts, grants and contracts	--	366,234	366,234	30,003	396,237
Sales and services of auxiliary enterprises	--	5,484,358	5,484,358	--	5,484,358
Financial statement revenues	<u>\$16,085,327</u>	<u>\$14,845,565</u>	<u>\$30,930,892</u>	<u>\$3,887,442</u>	<u>\$34,818,334</u>

STATE OF COLORADO

METROPOLITAN STATE COLLEGE

SCHEDULE OF ALLOCATED APPROPRIATIONS,  
EXPENDITURES AND TRANSFERS

YEAR ENDED JUNE 30, 1982

	ALLOCATED APPROPRIATION	SUPPLEMENTAL APPROPRIATION POTTED FUNDS AND ADJUSTMENTS	TOTAL APPROPRIATION	EXPENDITURES
Professional staff	\$13,009,818	\$304,090	\$13,313,908	\$13,310,764
Support staff	1,277,959	48,910	1,326,869	1,307,401
Other current expenses	663,464	30,000	693,464	660,741
Travel	52,884	--	52,884	39,126
Administration	1,321,564	127,000	1,448,564	1,447,101
Student services	1,548,186	102,500	1,650,686	1,649,168
ADP operations	529,284	10,000	539,284	537,952
Public services	92,040	(10,000)	82,040	80,171
Consortium programs	--	18,836	18,836	12,239
Capital outlay	288,329	(117,100)	171,229	150,814
Campus Shared Costs	4,669,458	99,000	4,768,458	4,617,250
Total allocated appropriations	<u>\$23,452,986</u>	<u>\$613,236</u>	<u>\$24,066,222</u>	
Total appropriated expenditures				23,812,727
Non-appropriated expenditures:				
Student activities				733,991
Sponsored programs				281,471
Auxiliary enterprise				5,471,111
Transfers to the Consortium of State Colleges				<u>296,712</u>
Total expenditures and transfers - Current Unrestricted Fund				<u>\$30,596,012</u>

AURARIA BOOK CENTER

STATEMENT OF FINANCIAL CONDITION

JUNE 30, 1982

ASSETS

CURRENT ASSETS:

Cash and temporary investments	\$ 27,380
Accounts receivable, net of allowance of \$30,362 for doubtful accounts	268,751
Inventories	1,296,693
Prepaid expenses	<u>10,441</u>

TOTAL CURRENT ASSETS	1,603,265
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Equipment, net of accumulated depreciation of \$59,581 (see Note A next page)	<u>108,964</u>
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TOTAL ASSETS	<u><u>\$1,712,229</u></u>
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LIABILITIES AND FUND BALANCE (DEFICIT)

CURRENT LIABILITIES:

Accounts payable	\$ 222,655
Accrued expenses	25,234
Due to other funds	510,432
Notes payable to State Treasurer	<u>1,068,689</u>

TOTAL CURRENT LIABILITIES	1,827,010
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FUND BALANCE (DEFICIT)	<u>(114,781)</u>
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TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u><u>\$1,712,229</u></u>
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See notes to financial statements  
of Metropolitan State College.

AURARIA BOOK CENTER

STATEMENT OF REVENUES, EXPENSES AND FUND BALANCES

YEAR ENDED JUNE 30, 1982

Net sales	\$5,452,083
Cost of goods sold	<u>3,995,737</u>
Gross margin on sales	1,456,346
Operating expenses:	
Salaries and employee benefits	956,947
Other operating expenses	435,714
Depreciation expense (Note A below)	<u>26,894</u>
Total operating expenses	<u>1,419,555</u>
Income from operations	36,791
Other income	32,127
Interest expense	<u>30,280</u>
Net income	38,638
Fund balance (deficit), beginning of year	<u>(153,419)</u>
Fund balance (deficit), end of year	<u>\$ (114,781)</u>

Note A: The Auraria Book Center supplementary schedules include the acquisition of equipment as an asset and the related depreciation expense, accumulated depreciation and the gain or loss on the disposal of equipment, according to generally accepted accounting principles for commercial enterprises. These items do not appear in the body of the College's financial statements which are prepared on the basis of generally accepted accounting principles applicable to colleges and universities. The fund balance and net income of the bookstore, when adjusted for these items, are as follows:

June 30, 1982 fund balance (deficit)	
per supplementary schedule	\$(114,781)
Less accumulated depreciation	59,581
Plus equipment at cost	<u>(168,545)</u>
Adjusted fund balance (deficit)	<u>\$(223,745)</u>
June 30, 1982 net income per	
supplementary schedule	\$ 38,638
Add depreciation expense	26,894
Add loss on disposal of equipment	148
Deduct purchase of equipment	<u>(52,433)</u>
Adjusted net income	<u>\$ 13,247</u>

See notes to financial statements of Metropolitan State College.

AURARIA BOOK CENTERSTATEMENT OF CHANGES IN FINANCIAL POSITIONYEAR ENDED JUNE 30, 1982

## SOURCE OF WORKING CAPITAL:

Net income	\$38,638
Add item not requiring the use of working capital - depreciation	<u>26,894</u>
Working capital provided by operations	<u>65,532</u>

## USE OF WORKING CAPITAL:

Purchases of equipment, net	<u>52,285</u>
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## INCREASE IN WORKING CAPITAL

\$13,247

See notes to financial statements  
of Metropolitan State College.

October 28, 1982

Legislative Audit Committee  
State Capitol  
Denver, Colorado

Re: Metropolitan State College

We have examined the financial statements of Metropolitan State College for the year ended June 30, 1982, and have issued our report thereon dated October 28, 1982. As part of our examination, we made a study and evaluation of the College's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the College's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Metropolitan State College is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objective of a system is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Metropolitan State College taken as a whole. Our study and evaluation disclosed no material weaknesses.

*Touche Ross & Co.*  
Certified Public Accountants

CURRENT-YEAR RECOMMENDATIONSFindings:

The College has no formal backup and recovery plan at the present time, in the unlikely event of a catastrophe occurring to the in-house computer hardware.

Recommendation:

- A. Written contingency plans should be prepared for processing on an interim basis and recovery of processing capability in the event of a catastrophe.
- B. Contingency plans should include user department procedures during interrupted service, controls to be in effect during the interim, and controls to be used to establish that recovery is complete and accurate.
- C. Contingency plans should be received and approved by user department management.
- D. Contingency plans should be updated and tested annually.
- E. The backup site should be tested at least annually.

College's Response:

- A. Chapter 2, Part V, of MSC's Computer Services manual, Policies, Procedures, and Automated Data Systems Documentation Standards, contains written procedures for disaster recovery plans for Data Entry and Remote Job Entry service. A copy was provided Touche Ross & Company during the 1981 EDP review, but will be updated by March 1983.
- B. To be implemented by March 1, 1983.
- C. To be implemented by March 1, 1983.
- D. To be implemented by March 1, 1983.
- E. Concur with annual testing. To be implemented by March 1, 1983.



PRIOR-YEAR RECOMMENDATIONS AND THEIR DISPOSITION

No conditions requiring comment were noted during our prior year's examination.

STATE OF COLORADOMETROPOLITAN STATE COLLEGEYEARS ENDED JUNE 30, 1982 AND 1981ORGANIZATION AND FUNCTIONSROLE AND MISSION OF THE COLLEGE

Colorado Revised Statutes 1963, Section 23, Article 54, paragraphs 1-5, provide for the creation of Metropolitan State College (MSC) as part of the State's college system. The Statutes clearly define MSC as a four-year, undergraduate institution offering degree programs in a variety of arts and sciences and professional and semi-professional areas. They also stipulate that the institution is "to serve the needs for higher education in the Denver metropolitan area, as well as the State of Colorado generally."

Since its original chartering, MSC has become a large-scale, comprehensive, urban undergraduate college that offers, in addition to its traditional programs in the arts, sciences and professional fields, an opportunity for the non-traditional student to further his or her education. Together with the Community College of Denver-Auraria, Metropolitan State College continues to develop levels so these students may be able to overcome their particular learning disabilities and to perform at college level.

It is the College's role and mission to provide a variety of academic opportunities to the urban student, and to offer both enrichment and special courses as a member of both the Consortium of State Colleges - the governing Board of the College, and the Auraria Higher Education Center. Further, the College is called upon to provide resident instruction throughout the four counties that comprise metropolitan Denver.