

**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

FINANCIAL STATEMENTS

JUNE 30, 1986

TOGETHER WITH

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

AND

AUDITORS' COMMENTS ON INTERNAL CONTROL

DATED

NOVEMBER 20, 1986

**ASHBY, ARMSTRONG & Co.**

CERTIFIED PUBLIC ACCOUNTANTS

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DISTRIBUTED: January 28, 1987



**STATE OF COLORADO  
METROPOLITAN STATE COLLEGE**

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JUNE 30, 1986

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**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

CONTENTS  
JUNE 30, 1986

	<u>Page</u>
Distribution Page	i
Contents	ii
Audit Report Digest	iii
Auditors' Opinion	1
Financial Statements	
Balance Sheets, All Funds	2
Statements of Current Fund Revenues, Expenditures and Other Changes	4
Statements of Changes in Fund Balances	5
Notes to Financial Statements	7
Supplementary Information	
Auditors' Report on Supplementary Information	12
Reconciliation of Allocated Appropriation	
Funding Sources to Financial Statement Revenues	13
Schedule of Allocated Appropriations, Expenditures and Transfers	14
Auditors' Report on Internal Accounting Control	15
Auditors' Comments and Recommendations Regarding	
Internal Accounting and Administrative Controls and Compliance	17
Disposition of Prior Year Recommendations	22
Exhibit I - Current Year Recommendations, Auditee Response	24
Auditors' Report on Exhibit "K-2"	26
Exhibit "K-2" - Schedule of Changes in Federal Award Fund Balances	27
Auditors' Report on Compliance for Single Audit	28
Schedule of Findings and Questioned Costs - Single Audit	30
Auditors Report on Internal Accounting Control - Single Audit	31
Auditors' Comments and Recommendations Regarding	
Internal Accounting and Administrative Controls	
and Compliance - Single Audit	33
Disposition of Prior Year Recommendations - Single Audit	34
Exhibit II - Current Year Recommendations,	
Auditee Response - Single Audit	35
Organization and Functions	36



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

AUDIT REPORT DIGEST

JUNE 30, 1986 AND 1985

**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 year ended June 30, 1986. In addition, we reviewed compliance with relevant laws and regulations pertaining to the financial activities of the College.

We did not audit the Federal awards and Student Financial Assistance programs at June 30, 1986. That examination is performed biannually. The next examination will be for fiscal year ending June 30, 1987. The purpose of that examination is to formulate an opinion on the basic financial statements taken as a whole and to determine if the programs were administered in accordance with applicable laws, regulations, terms of agreements and Office of Education directives.

**Summary of Major Audit Comments**

The current year findings include problems with control of physical assets, data processing procedures and such other matters as came to our attention during the course of our work.

**Summary of Progress in Implementing Prior Audit Recommendations**

The disposition of the eleven recommendations (and their two additional subparts) made at June 30, 1985 was as follows:

Implemented	4
Not Implemented, But:	
In Process of Implementing	5
Will Be Implemented	1
Will Implement If Budget Approved	<u>1</u>
Subtotal	11
Rejected/Not Implemented	<u>2</u>
Total	<u><u>13</u></u>



ASHBY, ARMSTRONG & Co.  
CERTIFIED PUBLIC ACCOUNTANTS

600 GRANT STREET, SUITE 200  
DENVER, COLORADO 80203  
(303) 832-6700

November 20, 1986

Members of the Legislative Audit Committee,  
State of Colorado and  
Trustees of the Consortium of State Colleges in Colorado

We have examined the balance sheets of METROPOLITAN STATE COLLEGE as of June 30, 1986, and the related statements of current fund revenues, expenditures and other changes and changes in fund balances for the year then ended. Our examination was 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. The financial statements for the year ended June 30, 1985, were examined by us and we expressed an unqualified opinion on them in our report dated November 1, 1985.

As discussed in Note 5 to the financial statements, the College is defendant in a lawsuit alleging actions in violation of Title VII of the Civil Rights Act of 1964. The ultimate outcome of the lawsuit cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the aforementioned financial statements present fairly the financial position of Metropolitan State College as of June 30, 1986, and the current fund revenues, expenditures and other changes and the changes in its fund balances for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination has been made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information at pages 13 through 14 and at page 27 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 financial statements taken as a whole.

*Ashby, Armstrong & Co.*  
ASHBY, ARMSTRONG & CO.



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

BALANCE SHEETS, ALL FUNDS

JUNE 30, 1986

WITH COMPARATIVE TOTALS AS OF JUNE 30, 1985

<u>ASSETS</u>	<u>1986</u>	<u>1985</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>1986</u>	<u>1985</u>
<b>CURRENT FUNDS</b>			<b>CURRENT FUNDS</b>		
Unrestricted			Unrestricted		
Cash and Certificates of Deposit	\$ 366,202	\$ 440,555	Accounts Payable	\$ 225,126	\$ 521,010
Cash on Deposit with State Treasurer	2,102,959	2,533,024	Payable to Banks	184,266	298,306
Accounts Receivable			Accrued Expenses	51,286	33,050
(less allowance for doubtful accounts			Due to Other State Agencies and Funds	8,224	4,934
of \$1,129,756 and \$1,325,188			Deferred Revenue	2,207,738	2,067,361
for 1986 and 1985, respectively)	523,725	415,686	Compensated Absence Liability	568,515	568,515
Prepaid Expense	127,708	176,000	Fund Balances (Deficits)		
Other Assets	3,879	3,994	Allocated for Compensated		
			Absence Liability	(568,515)	(568,515)
			Unallocated	447,833	644,598
Total Unrestricted Fund	<u>3,124,473</u>	<u>3,569,259</u>	Total Unrestricted Fund	<u>3,124,473</u>	<u>3,569,259</u>
Restricted			Restricted		
Cash on Deposit with State Treasurer	-	9,529	Accounts Payable	29,019	73,510
Accounts Receivable	189,877	102,124	Accrued Expenses	65,220	23,627
			Due to State Treasurer	16,091	-
			Due to CCHE	788	-
			Fund Balance	78,759	14,516
Total Restricted Fund	<u>189,877</u>	<u>111,653</u>	Total Restricted Fund	<u>189,877</u>	<u>111,653</u>
TOTAL CURRENT FUNDS	<u><u>\$3,314,350</u></u>	<u><u>\$3,680,912</u></u>	TOTAL CURRENT FUNDS	<u><u>\$3,314,350</u></u>	<u><u>\$3,680,912</u></u>



(continued)

**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

BALANCE SHEETS, ALL FUNDS

JUNE 30, 1986

WITH COMPARATIVE TOTALS AS OF JUNE 30, 1985

<u>ASSETS</u>	<u>1986</u>	<u>1985</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>1986</u>	<u>1985</u>
<b>LOAN FUNDS</b>			<b>LOAN FUNDS</b>		
Cash on Deposit with State Treasurer	\$ 36,251	\$ 24,656	Accounts Payable	\$ -	\$ 160
Loans Receivable (less allowance for doubtful loans of \$630,805 and \$592,524 for 1986 and 1985, respectively)	3,673,834	3,560,685	Fund Balances		
Due From Agency Fund	39,848	-	U.S. Government Grants Refundable	3,196,035	3,052,654
			Other Loan Funds	553,898	532,527
<b>TOTAL LOAN FUNDS</b>	<u><u>\$3,749,933</u></u>	<u><u>\$3,585,341</u></u>	<b>TOTAL LOAN FUNDS</b>	<u><u>\$3,749,933</u></u>	<u><u>\$3,585,341</u></u>
<b>PLANT FUNDS</b>			<b>PLANT FUNDS</b>		
Unexpended			Unexpended		
Cash	\$ -	\$ 55,516	Accounts Payable	\$ -	\$ 54,540
			Fund Balance	-	976
<b>Total Unexpended</b>	<u>-</u>	<u>55,516</u>	<b>Total Unexpended</b>	<u>-</u>	<u>55,516</u>
Investment in Plant			Investment in Plant		
Equipment	5,461,024	4,669,073	Capital Lease Payable	450,643	578,351
Land and Buildings	59,900	59,900	Investment in Plant	5,070,281	4,150,622
<b>Total Investment in Plant</b>	<u>5,520,924</u>	<u>4,728,973</u>	<b>Total Investment in Plant</b>	<u>5,520,924</u>	<u>4,728,973</u>
<b>TOTAL PLANT FUNDS</b>	<u><u>\$5,520,924</u></u>	<u><u>\$4,784,489</u></u>	<b>TOTAL PLANT FUNDS</b>	<u><u>\$5,520,924</u></u>	<u><u>\$4,784,489</u></u>
<b>AGENCY FUNDS</b>			<b>AGENCY FUNDS</b>		

**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**  
STATEMENTS OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 1986  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1985

	Unrestricted			Restricted		Total		
	1986		Total	1985		Total	1986	1985
	State Appropriated Funding	Auxiliary and Self-Funded		Total				
<b>REVENUES</b>								
Tuition and Fees	\$11,609,759	\$ 787,974	\$12,397,733	\$11,613,793	\$ -	\$ -	\$12,397,733	\$11,613,793
State Appropriations	19,998,771	-	19,998,771	18,687,701	-	-	19,998,771	18,687,701
Federal Grants and Contracts	68,588	103,262	171,850	184,380	3,575,605	3,808,566	3,747,455	3,992,946
State Grants and Contracts	-	21,634	21,634	21,267	1,817,585	1,677,457	1,839,219	1,698,724
Private Gifts, Grants and Contracts	-	629,556	629,556	173,454	4,939	84,075	634,495	257,529
Other Sources	175,875	228,896	404,771	259,221	-	-	404,771	259,221
<b>Total Revenues</b>	<b>31,852,993</b>	<b>1,771,322</b>	<b>33,624,315</b>	<b>30,939,816</b>	<b>5,398,129</b>	<b>5,570,098</b>	<b>39,022,444</b>	<b>36,509,914</b>
<b>EXPENDITURES AND MANDATORY TRANSFERS</b>								
Expenditures								
Instruction	18,677,734	418,291	19,096,025	17,947,596	1,149,877	1,265,080	20,245,902	19,212,676
Research	-	1,000	1,000	-	-	11,424	1,000	11,424
Public Service	151,282	66,519	217,801	200,868	176,629	327,836	394,430	528,704
Academic Support	2,378,903	42,396	2,421,299	2,586,372	3,834	13,724	2,425,133	2,600,096
Student Services	2,323,402	1,304,689	3,628,091	3,129,148	550,883	446,013	4,178,974	3,575,161
Institutional Support	4,178,592	133,192	4,311,784	3,855,000	270,016	658,233	4,581,800	4,513,233
Operation and Maintenance of Plant	3,656,003	-	3,656,003	3,438,709	-	-	3,656,003	3,438,709
Scholarships and Grants	-	-	-	-	3,281,399	2,826,491	3,281,399	2,826,491
<b>Total Expenditures</b>	<b>31,365,916</b>	<b>1,966,087</b>	<b>33,332,003</b>	<b>31,157,693</b>	<b>5,432,638</b>	<b>5,548,801</b>	<b>38,764,641</b>	<b>36,706,494</b>
Mandatory Transfers								
Loan Fund Matching Grant	-	-	-	-	31,973	21,297	31,973	21,297
Restricted Fund Matching	66,482	-	66,482	-	(66,482)	-	-	-
Transfer to the Consortium of State Colleges	1,020,994	-	1,020,994	599,423	-	-	1,020,994	599,423
<b>Total Mandatory Transfers</b>	<b>1,087,476</b>	<b>-</b>	<b>1,087,476</b>	<b>599,423</b>	<b>(34,509)</b>	<b>21,297</b>	<b>1,052,967</b>	<b>620,720</b>
<b>Total Expenditures and Mandatory Transfers</b>	<b>32,453,392</b>	<b>1,966,087</b>	<b>34,419,479</b>	<b>31,757,116</b>	<b>5,398,129</b>	<b>5,570,098</b>	<b>39,817,608</b>	<b>37,327,214</b>
<b>OTHER ADDITIONS (DEDUCTIONS)</b>								
Transfer from the Consortium of State Colleges	599,423	-	599,423	615,616	-	-	599,423	615,616
Transfer to Loan Fund	-	(2,000)	(2,000)	(2,500)	-	-	(2,000)	(2,500)



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**  
STATEMENTS OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1986  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1985

	Current Funds			
	1986			
	<u>State Appropriated Funding</u>	<u>Auxiliary and Self-Funded</u>	<u>Total Unrestricted</u>	<u>Restricted</u>
Revenues and Other Additions				
Unrestricted Current Fund Revenues	\$31,784,405	\$1,016,870	\$32,801,275	\$ -
Federal Grants and Contracts	68,588	103,262	171,850	3,659,716
State Grants and Contracts	-	21,634	21,634	1,867,319
Private Gifts, Grants and Contracts	-	629,556	629,556	3,925
U.S. Government Advances	-	-	-	-
Investment Income	-	-	-	-
Interest Income	-	-	-	-
Provision for Doubtful Student Loans	-	-	-	-
Donated Property	-	-	-	-
Expended for Plant Facilities	-	-	-	-
Total Revenues and Other Additions	<u>31,852,993</u>	<u>1,771,322</u>	<u>33,624,315</u>	<u>5,530,960</u>
Expenditures and Other Deductions				
Education and General Expenditures	31,365,916	1,966,087	33,332,003	5,397,080
Indirect Costs Recovered	-	-	-	68,588
Cancellation of Loan Principal and Interest	-	-	-	-
Provision for Doubtful Student Loans	-	-	-	-
Administrative Costs Reimbursed	-	-	-	35,558
Collection Costs	-	-	-	-
Disposal of Equipment	-	-	-	-
Refunded to Grantors	-	-	-	-
Total Expenditures and Other Deductions	<u>31,365,916</u>	<u>1,966,087</u>	<u>33,332,003</u>	<u>5,501,226</u>

Current Funds		Loan Funds		Plant Funds		
1986	1985	1986	1985	1986	1985	
Total	Total	Total	Total	Unexpended	Investment in Plant	Investment in Plant
\$32,801,275	\$30,560,715	\$ -	\$ -	\$ -	\$ -	\$ -
3,831,566	4,074,647	-	-	-	-	-
1,888,953	1,688,958	-	-	-	-	-
633,481	255,372	202	105	-	-	-
-	-	294,186	209,608	-	-	-
-	-	4,952	22,986	-	-	-
-	-	92,837	72,784	-	-	-
-	-	-	12,389	-	-	-
-	-	-	-	-	90,180	29,900
-	-	-	-	-	898,608	786,798
<u>39,155,275</u>	<u>36,579,692</u>	<u>392,177</u>	<u>317,872</u>	<u>-</u>	<u>988,788</u>	<u>816,698</u>
38,729,083	36,672,459	-	-	-	-	-
68,588	89,694	-	-	-	-	-
-	-	165,147	46,065	-	-	-
-	-	53,246	-	-	-	-
35,558	34,035	-	7,185	-	-	-
-	-	37,783	34,105	-	-	-
-	-	-	-	-	69,129	96,882
-	-	5,222	8,299	-	-	-
<u>38,833,229</u>	<u>36,796,188</u>	<u>261,398</u>	<u>95,654</u>	<u>-</u>	<u>69,129</u>	<u>96,882</u>

The accompanying notes are an integral part of these financial statements.

(continued)





**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**  
STATEMENTS OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1986  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1985

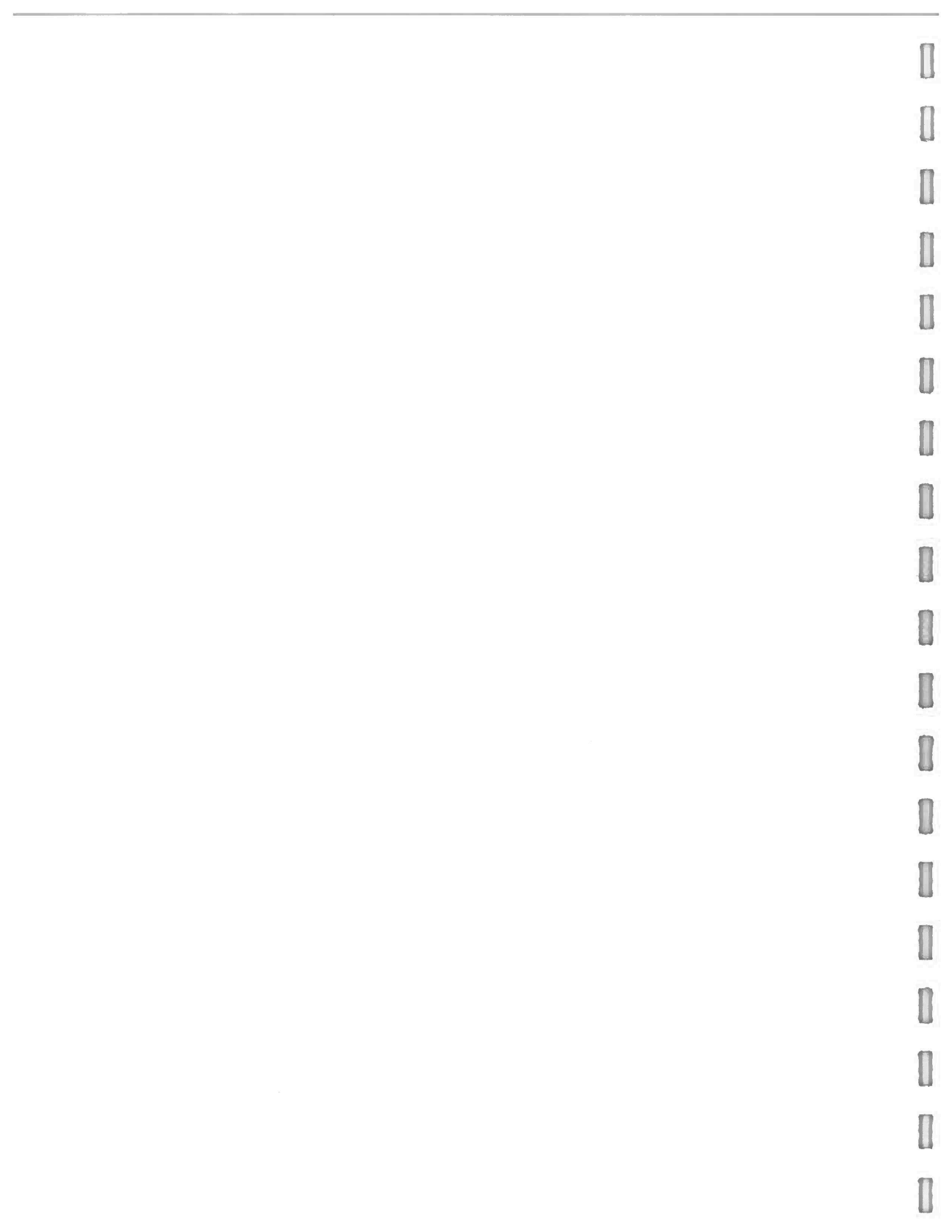
	Current Funds			
	1986			
	State Appropriated Funding	Auxiliary and Self-Funded	Total Unrestricted	Restricted
Transfers Among Funds and Other Additions (Deductions)				
Mandatory Transfers				
Loan Fund Matching Grant	-	-	-	(31,973)
Transfer to Consortium of State Colleges	(1,020,994)	-	(1,020,994)	-
Restricted Fund Matching	(66,482)	-	(66,482)	66,482
Total Mandatory Transfers	<u>(1,087,476)</u>	<u>-</u>	<u>(1,087,476)</u>	<u>34,509</u>
Non-mandatory Transfers				
Transfers from Current Unrestricted Fund	-	(2,000)	(2,000)	-
Transfer from Plant Fund	976	-	976	-
Transfer to CCHE of Excess Loan Matching	-	-	-	-
Transfers from Consortium of State Colleges	<u>599,423</u>	<u>-</u>	<u>599,423</u>	<u>-</u>
Total Non-mandatory Transfers	<u>600,399</u>	<u>(2,000)</u>	<u>598,399</u>	<u>-</u>
Net Increase (Decrease) for Year	-	(196,765)	(196,765)	64,243
Fund Balances (Deficit) at Beginning of Year	<u>(568,515)</u>	<u>644,598</u>	<u>76,083</u>	<u>14,516</u>
Fund Balances (Deficit) at End of Year	<u>\$ (568,515)</u>	<u>\$ 447,833</u>	<u>\$ (120,682)</u>	<u>\$ 78,759</u>



(continued)

Current Funds		Loan Funds		Plant Funds		
1986	1985	1986	1985	1986	1985	
Total	Total	Total	Total	Unexpended	Investment in Plant	Investment in Plant
(31,973)	(21,297)	31,973	21,297	-	-	-
(1,020,994)	(599,423)	-	-	-	-	-
-	-	-	-	-	-	-
<u>(1,052,967)</u>	<u>(620,720)</u>	<u>31,973</u>	<u>21,297</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,000)	(2,500)	2,000	2,500	-	-	-
976	-	-	-	(976)	-	-
-	-	-	(19,437)	-	-	-
<u>599,423</u>	<u>615,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>598,399</u>	<u>613,116</u>	<u>2,000</u>	<u>(16,937)</u>	<u>(976)</u>	<u>-</u>	<u>-</u>
(132,522)	(224,100)	164,752	226,578	(976)	919,659	719,816
<u>90,599</u>	<u>314,699</u>	<u>3,585,181</u>	<u>3,358,603</u>	<u>976</u>	<u>4,150,622</u>	<u>3,430,806</u>
<u>\$ (41,923)</u>	<u>\$ 90,599</u>	<u>\$3,749,933</u>	<u>\$3,585,181</u>	<u>\$ -</u>	<u>\$5,070,281</u>	<u>\$4,150,622</u>

The accompanying notes are an integral part of these financial statements.



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 1986

WITH COMPARATIVE TOTALS AS OF JUNE 30, 1986

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. The financial statements of the College are presented in accordance with fund accounting guidelines set forth in the American Institute of Certified Public Accountants' (AICPA) industry audit guide, Audits of Colleges and Universities, and the National Association of Colleges and University Business Officers' publication, College and University Business Administration.
- b. The financial statements of the College have been prepared on the accrual basis. The statement of current fund revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.
- c. Accounting and reporting activities for resources are performed within funds established based upon the activities and purposes for which the resources are to be used. A separate group of self-balancing accounts is used for each fund; however, in the accompanying financial statements, funds having similar characteristics and purposes have been combined and reported upon as groups of funds.
- d. Within each group of funds, fund balances restricted by outside sources have been identified. Externally restricted funds may only be utilized in accordance with the restrictions placed upon the resources by the external source. Within the restricted group of funds, revenue is recognized only to the extent that expenditures are made. Resources received in excess or deficiency of expenditures made are recorded as "Excess (Deficiency) of Restricted Receipts Over Transfer to Revenue" in the Statement of Current Fund Revenues, Expenditures and Other Changes.
- e. Plant Fund assets are recorded at acquisition cost or fair value at date of acquisition. 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 acquisition costs are accounted for as expenditures in Current Funds.
- f. Summer session tuition and expenditures are deferred to the subsequent year's operations.
- g. Interest on loans to students is recognized as income when received.
- h. The College is an agency of the State of Colorado. A significant portion of the College's operations and activities are funded through state appropriations. Earned revenues in excess of augmenting revenue earning requirements are transferred to the Consortium of State Colleges.



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 1986

WITH COMPARATIVE TOTALS AS OF JUNE 30, 1986

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- i. Recording the liability for compensated absences results in fund balance deficits which will be funded by state appropriations, Federal funds or other funding sources available in future years when the liability is to be paid. There was no material increase in the estimated compensated absence liability for the year ended June 30, 1986. As a result, no change occurred in fund balance for the year ended June 30, 1986.

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

	<u>Annual Leave</u>	<u>Sick Leave</u>	<u>Combined</u>
June 30, 1986	\$553,643	\$14,872	\$568,515
June 30, 1985	\$553,643	\$14,872	\$568,515

- j. Certain June 30, 1985 account balances have been reclassified for consistent presentation with June 30, 1986 account balances.

**2. CAMPUS SHARED COSTS**

The College's portion of Campus Shared Costs for the Auraria Campus where the College is located is as follows:

	<u>Year Ended June 30,</u>	
	<u>1986</u>	<u>1985</u>
Administration of Auraria Higher Education		
Center and Operation and Maintenance of Plant	\$3,616,724	\$3,260,250
Library and Media Center	1,918,535	1,846,087
Computer Services	-	451,093
	<u>\$5,535,259</u>	<u>\$5,557,430</u>



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 1986

WITH COMPARATIVE TOTALS AS OF JUNE 30, 1986

**2. CAMPUS SHARED COSTS (continued)**

These Campus Shared Costs have been included in the functional expenditure categories of the statements of current fund revenues, expenditures and other changes as follows:

	<u>Year Ended June 30,</u>	
	<u>1986</u>	<u>1985</u>
Operation and Maintenance of Plant	\$3,616,724	\$3,260,250
Academic Support	1,918,535	1,846,087
Institutional Support	-	451,093
	<u>\$5,535,259</u>	<u>\$5,557,430</u>

**3. RETIREMENT PROGRAM COSTS**

All qualifying employees of the College are enrolled in the Colorado Public Employees Retirement Association (PERA) as a condition of employment. Costs of this program were \$2,299,043 and \$2,237,281 for the years ended June 30, 1986 and 1985, respectively.

**4. METROPOLITAN STATE COLLEGE FOUNDATION, INCORPORATED - A RELATED PARTY**

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.

During 1985 and 1986 the Foundation was under the direct control of Metropolitan State College. Commencing July 1, 1986, the affairs and management of the Foundation will be controlled by a separate Board of Governors. The Foundation receives donated services from the College to cover the cost of College accounting personnel maintaining the Foundation's financial records.

The accompanying financial statements do not include the accounts of the Foundation, whose accumulated total assets were approximately \$232,000 and \$210,000 at June 30, 1986 and 1985, respectively, net of interfund receivables and payables of approximately \$197,000 and \$174,000 at June 30, 1986 and 1985, respectively.

**5. CONTINGENT LIABILITIES**

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





**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 1986

WITH COMPARATIVE TOTALS AS OF JUNE 30, 1986

**5. CONTINGENT LIABILITIES (continued)**

The College is currently defendant in a lawsuit which alleges unlawful termination of employment. In the action the plaintiff seeks reinstatement as well as specific, compensatory and punitive damages approximating \$1,000,000. The ultimate impact of this action is not determinable at this time. In the opinion of management, the outcome of the above action is not expected to have a material adverse effect upon the financial position of the College.

**6. CAPITAL LEASE PAYABLE**

The following is a schedule by year of future minimum lease payments for equipment being acquired under capital leases, together with the present value of the net minimum lease payments as of June 30, 1986:

Year Ending <u>June 30,</u>	
1987	\$176,000
1988	176,000
1989	175,903
1990	<u>-</u>
Total minimum lease payments	527,903
Less amount representing interest	<u>77,260</u>
Present value of net minimum lease payments	<u>\$450,643</u>

**7. OPERATING LEASES**

The College leases various equipment under operating lease agreements. Total rental expense for the year ended June 30, 1986, under these agreements was approximately \$68,000.

Approximate minimum future rentals (excluding contingent rentals) required by the above agreements are as follows:

Year Ending <u>June 30,</u>	
1987	\$ 77,000
1988	15,000
1989	8,500
1990	8,000
1991	<u>-</u>



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1986

WITH COMPARATIVE TOTALS AS OF JUNE 30, 1986

**8. PROPERTY AND EQUIPMENT**

Property and equipment assets are recorded in the plant fund at cost or fair market value at the date of acquisition. The expenditures for property and equipment are accounted for as capital expenditures in the current funds.

In accordance with the Industry Audit Guide for Audits of Colleges and Universities, depreciation on these assets is not recorded.

Had depreciation been recorded using the below estimated useful lives, the following proforma illustrates the depreciation expenses, accumulated depreciation and net book values for the years ended June 30, 1986 and 1985, that would have been reported.

<u>Description</u>	1986		
	<u>Depreciation/ Amortization Expense</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net Book Value</u>
Building	\$ 1,496	\$ 17,211	\$ 27,689
Equipment	388,404	2,889,542	1,846,634
Equipment Held Under Capital Lease	<u>144,970</u>	<u>217,456</u>	<u>507,392</u>
Totals	<u>\$534,870</u>	<u>\$3,124,209</u>	<u>\$2,381,715</u>

<u>Description</u>	1985		
	<u>Depreciation/ Amortization Expense</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net Book Value</u>
Building	\$ 1,496	\$ 15,715	\$ 29,185
Equipment	321,875	2,401,997	1,542,228
Equipment Held Under Capital Lease	<u>72,486</u>	<u>72,486</u>	<u>652,362</u>
Totals	<u>\$395,857</u>	<u>\$2,490,198</u>	<u>\$2,223,775</u>

	<u>Estimated Useful Lives</u>	<u>Acquisition Cost</u>	
		<u>1986</u>	<u>1985</u>
Land	N/A	\$ 15,000	\$ 15,000
Building	30 yr.	44,900	44,900
Equipment	7 yr.	4,736,176	3,944,225
Equipment Held Under Capital Lease	5 yr.	<u>724,848</u>	<u>724,848</u>
Totals		<u>\$5,520,924</u>	<u>\$4,728,973</u>



ASHBY, ARMSTRONG & CO.  
CERTIFIED PUBLIC ACCOUNTANTS

600 GRANT STREET, SUITE 200  
DENVER, COLORADO 80203  
(303) 832-6700

November 20, 1986

Members of the Legislative Audit Committee,  
State of Colorado and  
Trustees of the Consortium of State Colleges in Colorado

Our examination of the accompanying financial statements of METROPOLITAN STATE COLLEGE for the year ended June 30, 1986, was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on pages 13 through 14 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.

*Ashby, Armstrong & Co.*  
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**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

RECONCILIATION OF ALLOCATED APPROPRIATION FUNDING

SOURCES TO FINANCIAL STATEMENT REVENUES

FOR THE YEAR ENDED JUNE 30, 1986

	General Fund	Cash Fund	Total Unrestricted Funds	Sponsored Programs and Other Restricted Funds	Total
Allocated Appropriation Funding	\$20,030,279	\$11,854,222	\$31,884,501	\$ -	\$31,884,501
Supplemental Appropriations	(31,508)	-	(31,508)	-	(31,508)
State Grants and Contracts	-	21,634	21,634	1,817,585	1,839,219
Federal Grants and Contracts	-	103,262	103,262	3,575,605	3,678,867
Student Fees	-	787,974	787,974	-	787,974
Other Student Activity Sources	-	228,896	228,896	-	228,896
Private Gifts, Grants and Contracts	-	629,556	629,556	4,939	634,495
Financial Statement Revenues	<u>\$19,998,771</u>	<u>\$13,625,544</u>	<u>\$33,624,315</u>	<u>\$5,398,129</u>	<u>\$39,022,444</u>





**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

SCHEDULE OF ALLOCATED APPROPRIATIONS, EXPENDITURES AND TRANSFERS  
FOR THE YEAR ENDED JUNE 30, 1986

	Allocated Appropriation	Supplemental Appropriations and Adjustments	Total Appropriation	Expenditures
Professional Staff	\$16,286,269	\$(124,292)	\$16,161,977	\$16,004,562
Support Staff	1,903,025	-	1,903,025	1,895,430
Other Current Expenses	826,115	(7,100)	819,015	802,350
Travel	65,284	-	65,284	56,964
Administration	2,170,474	536,267	2,706,741	2,702,003
Student Services	2,169,145	133,844	2,302,989	2,294,759
ADP Operations	1,435,735	(25,000)	1,410,735	1,402,381
Consortium Programs	-	18,770	18,770	14,849
Capital Outlay	532,000	79,000	611,000	572,560
Campus Shared Costs	5,658,748	(43,574)	5,615,174	5,535,259
Professional Development	220,000	-	220,000	151,281
Total Allocated Appropriations	<u>\$31,266,795</u>	<u>\$ 567,915</u>	<u>\$31,834,710</u>	
Total Appropriated Expenditures				31,432,398
Non-Appropriated Expenditures:				
Student Activities				1,145,429
Sponsored Programs				820,658
Transfers to Consortium of State Colleges				<u>1,020,994</u>
Total Expenditures and Transfers - Current Unrestricted Fund				<u>\$34,419,479</u>



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November 20, 1986

Members of the Legislative Audit Committee,  
State of Colorado and  
Trustees of the Consortium of State Colleges in Colorado

We have examined the accompanying financial statements of METROPOLITAN STATE COLLEGE for the year ended June 30, 1986, and have issued our report thereon dated November 20, 1986. 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 and the standards for financial and compliance audits contained in the Governmental Standards for Audit of Governmental Organizations, Programs, Activities and Functions. For the purpose of this report we have classified the significant internal accounting controls as cycles of the College's activity including: revenues and cash receipts, expenditures (including payrolls) and cash disbursements, asset protection, general ledger maintenance, gifts and grants systems, student loans systems and financial reporting. Our study included all of the control categories listed above. 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 or on any of the categories of controls identified above.

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 objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with 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 the 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 or on any of the categories of controls identified in the first paragraph. Our study and evaluation disclosed no condition that we believed to be a material weakness. The comments presented on pages 17 through 21 do not represent instances of material weaknesses in internal controls, but are presented to the College with the purpose of providing the College with information which may enable it to further strengthen internal controls in certain areas.

This report is intended solely for the use of Metropolitan State College, Members of the State of Colorado Legislative Audit Committee, Trustees of the Consortium of State Colleges in Colorado, the cognizant Federal agency(s) and other Federal agencies and should not be used for any other purpose. This restriction is not intended to limit distribution of this report which, upon release by the Legislative Audit Committee, is a matter of public record.

*Ashby, Armstrong & Co.*  
ASHBY, ARMSTRONG & CO.



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
REGARDING INTERNAL ACCOUNTING AND ADMINISTRATIVE  
CONTROLS AND COMPLIANCE  
JUNE 30, 1986

**1. Batch Controls Over Payroll**

**Finding**

Payroll time cards for hourly College employees are submitted to data processing without batch control.

**Recommendation**

To prevent possible loss of payroll time cards or incorrectly posted data, we suggest the batching of hourly payroll time cards by payroll department personnel. Batch control data should be maintained in a control log and verified to the Payroll Edit Report received after the time cards have been keypunched and processed.

**College's Response**

The College is in the process of acquiring a new payroll computer software system. The new system will provide the proper controls for the entry of payroll time cards.

**2. Need for Internal Auditor**

**Finding**

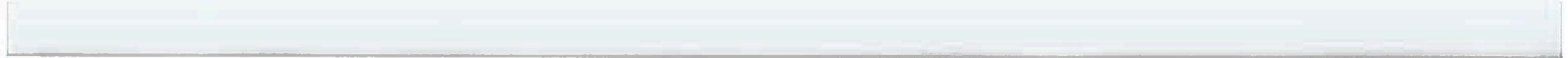
During our review of internal accounting controls we noted that the College currently does not utilize an internal auditor.

**Recommendation**

The College should implement an internal auditor function. An internal auditor could assist in the preparation of year-end closing documentation, including schedules for the outside auditing firm. During the year the internal auditor could monitor the taking of equipment inventory and assist the Vice President of Finance with various internal control review procedures.

**College's Response**

As funds become available for new positions, this recommendation will be one of the College's priorities.





### **3. Accounts Payable Review and Approval**

#### **Finding**

The accounts payable department uses a block stamp on all invoices and check requests to document the review by accounts payable personnel of proper account distribution, authorized signatures, proper supporting documentation and clerical accuracy. The block stamp provides space for the initials of the individual(s) completing the applicable review. Our review indicates that the block stamp is not being completely signed off by accounts payable personnel.

#### **Recommendation**

Require accounts payable personnel to initial the entire block stamp or design a new block stamp that documents all the necessary checks performed before a check voucher is issued.

#### **College's Response**

A new liquidation block stamp is being designed which documents the checks performed by the accounts payable person who initially reviews the voucher. Subsequent reviews are indicated on batch control forms which are being used in conjunction with the new accounting system.

### **4. Improve Controls Over Equipment**

#### **Finding**

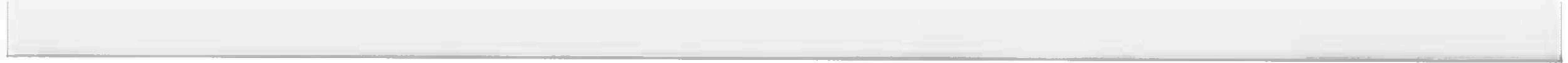
During our review of internal accounting controls used to account for and safeguard the College's equipment, we noted several weaknesses:

- a. During our observation test of a sample of equipment, we noted several items that were either missing, not tagged or located in a department different than the description included on the detailed equipment ledger.
- b. Several items noted during our review were identified by College personnel as "no longer in use."
- c. The College uses seven different classes of disposal methods. During our review of equipment disposed of during the year, we noted that apparently 75% of the items were identified as disposed of using the "other" disposal classification. The College's procedural documentation does not provide for an adequate description of the "other" method of disposal.

#### **Recommendation**

Our general observation suggests that the College review in detail the entire set of internal control procedures utilized to account for and safeguard its equipment. Specifically, we recommend the following procedures to improve the lack of controls noted above:

- a. In addition to providing the individual user departments with worksheets and instructions for the taking of equipment inventory, the College's proposed internal auditor should independently test the inventory by selecting a sample of departments and actively observing the equipment on-site, agreeing tag numbers, descriptions and locations.



- b. The College should make a concerted effort to identify all equipment that is no longer in use due to technical obsolescence, damage or age. This equipment should be disposed of and the carrying value removed from the College's financial records.
- c. We recommend that the College modify its property control procedures to delete the "other" disposal classification.

#### **College's Response**

- a. If an internal auditor position is funded then that person will be required to perform the recommended equipment inventory testing.
- b. Certain scientific, laboratory and other equipment purchased by the College is being shared by three different institutions. This has shortened the equipment's useful life and contributed to the damage rate. The equipment inventory worksheets will be redesigned to more specifically identify equipment that is no longer in use due to technical obsolescence, damage or age. This worksheet will then be used as the basis to remove the carrying value from the College's financial records.
- c. The "other" disposal classification will be removed from the redesigned equipment inventory worksheet.

### **5. Proper Support for Donated Property**

#### **Finding**

During our review of equipment purchases, we noted that equipment had been donated to the College by outside third parties. We were unable to examine adequate documentation to support the fair market value of this donated equipment.

#### **Recommendation**

We recommend that the College implement a policy to obtain documentation for fair market value (FMV) of items donated to the College. Minimum values should be set for items that would require documentation for support of FMV.

#### **College's Response**

The College will obtain documentation for the fair market value of all individual items donated that have a value of \$5,000 or more.

### **6. Space Utilization in Business Office**

#### **Finding**

During our review much time was spent in the College's business office. We noted a significant lack of space to facilitate required staff meetings, and accommodate outside auditors and students visiting the business office to resolve matters of concern.

#### **Recommendation**

We recommend that the College implement a space needs requirements study for its business office operations. This study should consider current needs as well as long-term requirements.



### **College's Response**

A study is being conducted and will be completed by March 1, 1987.

## **7. Computer Room Physical Security/Fire Safety**

### **Finding**

- a. Physical security in the computer room is not adequate. Physical access can be gained (via an adjacent roof) through an office window located in the computer room.
- b. The main computer room currently has a chemical fire extinguisher available for use in case of fire. Such chemicals can be damaging to computer equipment.

### **Recommendation**

- a. We recommend that this window be secured with bars or, at a minimum, wire mesh or effective alarm system.
- b. We recommend that a "halon" fire extinguisher be installed in the main computer room and the chemical extinguisher be removed.

### **College's Response**

- a. A work order will be submitted to AHEC to install wire mesh on the window.
- b. The hand fire extinguishers will be replaced with Halon fire extinguishers.

## **8. Overall Comments Pertaining to Data Processing**

The conversion to the Financial Reporting System (FRS) has been very difficult and involved much more management and staff time than was originally anticipated. The result has been that less than planned attention has been devoted to the implementation of our prior year recommendations.

A second observation is that the addition of a Technical Writer in the Data Processing Department would greatly speed up the development of appropriate documentation for both old and new systems. This position is reasonable for a department the size of Metropolitan State College and **we recommend** that it be created.

### **College's Response**

A Technical Writer would assist in the development of appropriate documentation and will be considered along with other budget priorities.

## **9. Disaster Planning**

### **Finding**

The College has made no significant progress toward developing a disaster plan.



### **Recommendation**

We recommend that a formal disaster plan be developed. This plan, at a minimum, should identify the critical applications and times when backup is necessary. Alternatives should be arranged for and planned. This could include both EDP and manual alternatives as circumstances warrant.

### **College's Response**

Disaster planning has been discussed with the Division of Automated Data Processing, State of Colorado. A letter will be forwarded to the DADP requesting a designated site to serve as our disaster recovery location. A plan is being developed to identify critical applications and times when backup is necessary.





**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

DISPOSITION OF PRIOR YEAR RECOMMENDATIONS

JUNE 30, 1986

Recommendations	Disposition
1. AHEC should take over purchasing for the Self Maintaining Funds and the College Service Funds.	Not implemented.
2. The College should develop computer system program specifications.	Continuing to work on specifications. Target date is still January 1, 1988.
3. The College should establish computer programming quality control/review procedures.	Working on this. Target date slipped from 12/86 to 12/87.
4. The College's computer center should have a systems group and a programming group, each with its own supervisor. The systems supervisor would be responsible for developing programming specifications. The programming supervisor would be responsible for review of programmer code and evaluation of program operations and the user instructions.	Positions requested but not approved in budget. Will implement when budget is approved.
5. The College needs to develop a disaster plan for back-up of its computer center.	Presently attempting to locate a back-up and have made preliminary contacts with state agencies, but no real progress.
6a. The College should review its computer system development plan. In-house versus outside software vendor costs should be considered.	Recommendation implemented.
6b. The College should place computer personnel located in the Admissions and Records area under the control of the Computer Services Department.	Rejected due to organizational philosophy differences.
7a. The College should rewrite the position qualifications/job descriptions for each data processing position.	Recommendation implemented.
7b. The College should evaluate its data processing staff to develop a plan to replace or train staff members where deficiencies are noted.	Partially implemented, but limited by budget considerations.



Recommendations	Disposition
8. The College should improve its computer security systems by full implementation of its "Top Secret" software package.	Recommendation implemented.
9. The College should develop programming standards for its computer operations.	Making good progress. June 1987 still looks like a good target date for completion.
10. The College's computer operations should subject all modified programs to the same quality control standards as a new program.	Making good progress. The continuing integration of systems requires that this be done in order to process data.
11. The College's computer department users and the computer department itself need to develop policies and procedures to control the data that is being processed and to assure that the data is properly processed.	Recommendation implemented.



Recommendations			Check Appropriate Boxes (* Include Date) (** If Checked - Explain in Comments)					
ort re f.	No.	Metropolitan State College Current Year Recommendations	See Comments	Requires Legislative Action**	Imple- mented*	To Be Imple- mented*	Deferred **	Rejected **
7	1.	The College should batch hourly payroll time cards and verify using a control log.	X			1/1/88		
7	2.	The College should implement an internal auditor function.	X				X	
8	3.	Accounts payable personnel should initial the entire block stamp or design a new block stamp that documents all the necessary checks performed before a check voucher is issued.	X			1/31/87		
8	4a.	Independent tests of equipment inventory should be made during the fiscal year.	X				X	
8	4b.	The College should adjust from its records the carrying value of equipment no longer in use.	X			2/28/87		
8	4c.	The College should modify its property control procedures to delete the "other" disposal classification.	X			2/28/87		
9	5.	The College should obtain proper documentation for the fair market value of donated assets	X		12/1/86			
9	6.	The College should implement a space needs requirements study for its business office operations.	X			3/1/87		
0	7a.	Computer room window should be secured with bars, wire mesh or an effective alarm system.	X			3/1/87		



Recommendations		Check Appropriate Boxes (* Include Date) (** If Checked - Explain in Comments)						
Report Page Ref.	No.	Metropolitan State College Current Year Recommendations	See Comments	Requires Legislative Action**	Imple- mented*	To Be Imple- mented*	Deferred **	Rejected **
20	7b.	Replace computer room "chemical" fire extinguisher with a "halon" fire extinguisher.	X			1/31/87		
20	8.	Technical writer should be added to data processing staff.	X				X	
20	9.	A formal EDP disaster plan should be developed.	X			12/31/87		





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November 20, 1986

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We have examined the financial statements of METROPOLITAN STATE COLLEGE for the year ended June 30, 1986, and have issued our report thereon dated November 20, 1986. Our examination of such financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, (1981 revision) issued by the U.S. General Accounting Office, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Exhibit K-2, Statement of Changes in Federal Award Fund Balances, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule 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.

*Ashby, Armstrong & Co.*  
ASHBY, ARMSTRONG & CO.



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

EXHIBIT "K2"

SCHEDULE OF CHANGES IN FEDERAL AWARD FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 1986

Federal Agency Administering the Grants	Grant or Contract Title	CFDA Program Number	Fund Balance 6/30/85	Fund Additions		Deductions Deductions	Fund Balance 6/30/86
				Federal Funds	Other		
DIRECT FEDERAL GRANTS, CONTRACTS OR OTHER AGREEMENTS							
Education	Bilingual Education Program	84.003	\$ -	\$ 64,437	\$ -	\$ 64,437	\$ -
Education	Veteran's Cost of Instruction Payments	84.064	-	15,689	-	15,689	-
Education	Program for Cooperative Education	84.055	-	2,496	-	2,496	-
Education	Upward Bound Program	84.047	-	255,790	-	255,790	-
HHS	Adult/Geriatric Nurse Practitioner		-	31	-	31	-
Education	Special Services for Disadvantaged Students	84.042	-	102,133	-	102,133	-
Education	Bilingual Vocational Training	84.077	-	307,789	1,070	308,859	-
HHS	Resource Access Project		-	105,269	-	105,269	-
HHS	Nurse Practitioner Training	13.298	-	494	-	494	-
Education	Institutional Aid - Special Need Program	84.031	-	155,183	66,482	205,063	16,60
Justice	Federal Correctional Industries		921	72,994	-	73,915	-
	Total Direct Federal Grants		921	1,082,305	67,552	1,134,176	16,60
FEDERAL STUDENT FINANCIAL AID							
Education	Supplemental Educational Opportunity Grants		-	366,782	-	366,782	-
Education	Pell Grant Program		-	1,678,078	-	1,678,078	-
Education	College Work-Study Program		-	335,409	78,949	414,358	-
Education	National Direct Student Loan Program		3,535,744	294,186	127,655	255,226	3,702,35
HHS	Nursing Student Loan Program		34,049	-	1,038	1,912	33,17
	Total Federal Student Aid		3,569,793	2,674,455	207,642	2,716,356	3,735,51
FEDERAL GRANTS RECEIVED AS SUB-RECIPIENTS FROM OTHER AGENCIES OR ORGANIZATIONS							
NCAA	National Youth Sports Program		-	70,563	-	70,563	-
CEH	Cultural Conflicts in the Contemporary World		-	733	-	733	-
DARC	Handicapped Personnel Preparation	84.029	-	21,388	-	21,388	-
CCHE	Supplemental Student Incentive Grant		-	113,836	113,836	227,672	-
	Total Sub-recipient Grants		-	206,520	113,836	320,356	-
	TOTAL FEDERAL GRANTS		\$3,570,714	\$3,963,280	\$389,030	\$4,170,888	\$3,752,11



ASHBY, ARMSTRONG & Co.  
CERTIFIED PUBLIC ACCOUNTANTS

600 GRANT STREET, SUITE 200  
DENVER, COLORADO 80203  
(303) 832-6700

November 20, 1986

Members of the Legislative Audit Committee,  
State of Colorado and  
Trustees of the Consortium of State Colleges in Colorado

We have examined the financial statements of METROPOLITAN STATE COLLEGE for the year ended June 30, 1986, and have issued our report thereon dated November 20, 1986. Our examination was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audits of Governmental Organizations, Programs, Activities and Functions (1981 Revision), issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of Metropolitan State College is responsible for the College's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that Metropolitan State College had, in all material respects, administered major programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

Our testing of transactions and records selected from major federal financial assistance programs disclosed no instances of noncompliance with those laws and regulations.

In our opinion, for the year ended June 30, 1986, Metropolitan State College administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records



tested, Metropolitan State College complied with the laws and regulations referred to in the second paragraph of our report, except as noted in the accompanying schedule of findings and questioned costs (none noted). Our testing was more limited than would be necessary to express an opinion on whether Metropolitan State College administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that Metropolitan State College had not complied with laws and regulations other than those laws and regulations for which we noted violations in our testing referred to above (none noted).

*Ashby, Armstrong & Co.*  
ASHBY, ARMSTRONG & CO.

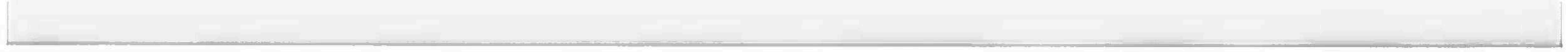




**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SINGLE AUDIT

**NONE**



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November 20, 1986

Members of the Legislative Audit Committee,  
State of Colorado and  
Trustees of the Consortium of State Colleges in Colorado

We have examined the financial statements of METROPOLITAN STATE COLLEGE for the year ended June 30, 1986, and have issued our report thereon dated November 20, 1986. As part of our examination, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions, (1981 revision) issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

**Cycles of the College's Activity**

- . Treasury
- . Revenue/Cash Receipts (including gifts and grants)
- . Purchases/Cash Disbursements (including payroll)
- . Financial Reporting

**Accounting Applications**

- . Student Fees
- . Student Accounts and Loans Receivables
- . Property and Equipment/Asset Protection
- . Deferred Tuitions
- . Payables and Accrued Liabilities
- . Debt
- . Fund Balances

The management of the College is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations and policies; resources are



safeguarded against waste, loss and misuse; and reliable data are obtained, maintained and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems 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 included all of the applicable control categories listed above. During the year ended June 30, 1986, the College believes that most of the funds it expended from federal financial assistance were expended under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the College, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of the College did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the College. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the College. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the College.

Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

Our study and evaluation and our examination disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the College.

This report is intended solely for the use of Metropolitan State College, Members of the State of Colorado Legislative Audit Committee, Trustees of the Consortium of State Colleges in Colorado, the cognizant Federal agency(s) and other Federal agencies and should not be used for any other purpose. This restriction is not intended to limit distribution of this report which, upon release by the Legislative Audit Committee, is a matter of public record.

  
ASHBY, ARMSTRONG & CO.



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
REGARDING INTERNAL ACCOUNTING AND ADMINISTRATIVE  
CONTROLS AND COMPLIANCE - SINGLE AUDIT  
JUNE 30, 1986

**NONE**





Recommendations		Check Appropriate Boxes (* Include Date) (** If Checked - Explain in Comments)					
No.		Requires Legislative Action **	See Comments	Imple- mented*	To Be Imple- mented*	Deferred **	Rejected **
	Metropolitan State College Current Year Recommendations Single Audit						

NONE



**STATE OF COLORADO**  
**METROPOLITAN STATE COLLEGE**

ORGANIZATION AND FUNCTIONS

YEAR ENDED JUNE 30, 1986

**Role 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 traditional programs in the arts and 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, MSC continues to develop programs 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.

