

KELLEY, GALLOWAY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

1200 Bath Avenue - Post Office Box 990

Ashland, Kentucky 41105-0990

PIKEVILLE, KENTUCKY 41501
606-437-7389

606-329-1811

MOREHEAD, KENTUCKY 40351
606 784-6334

Members of the Board of Regents
and Dr. Herb F. Reinhard, President
Morehead State University
Morehead, Kentucky

SCOPE OF OUR EVALUATION

We have examined the financial statements of Morehead State University for the year ended June 30, 1985, and have issued our report thereon dated September 20, 1985. As a part of our examination, we have made a study and evaluation of the University'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 University'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 the University 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 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 Morehead State University taken as a whole.

OUR FINDINGS

Our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Morehead State University may occur and not be detected within a timely period.

Electronic Data Processing

In connection with our study and evaluation of systems for electronic data processing performed to assist in planning and performing our examination of the University's financial statements, our Firm prepared a nine-page report dated May 16, 1984, entitled "Preliminary Study and Evaluation of Systems for Automated Data Processing". Our findings and recommendations were presented to you in 1984 and the Director of the Office of Computing Services prepared an October 29, 1984 memorandum to the University Administration setting forth that office's responses to our comments.

In June, 1985, we updated our EDP review in connection with the 1985 examination of the University's financial statements and found that steps had been taken to adopt many of our recommendations. However, because of the resignation or transfer of certain EDP personnel, some of which have not yet been replaced at this date, several of the recommendations still have not been adequately addressed at the date of this letter. Also because of personnel changes, a programmer is presently serving as operator of the system, creating a deficiency in the basic premise of segregation of duties between programming and operating functions. While progress has been achieved, even with the shortage of personnel, we recommend that:

1. the search for the Director of Computing Services be concluded and that position filled as soon as possible,
2. the new Director of Computing Services, when named, have prepared under his or her guidance an updated detailed response to our May 16, 1984, recommendations, since many of those recommendations have not been fully implemented. We would then like to review with the new Director and the Vice-President for Administrative and Fiscal Services the detailed status of each recommendation to help assure that progress is continuing.

Again, continuous progress has been achieved with respect to required strengthening of the EDP functions, but manpower shortages in 1984-85 have delayed needed improvements.

Controllership Function

We understand that, subsequent to June 30, 1985, the University has commenced a search for a Controller who would oversee the accounting function of the University and report to the Director of Business Services. We commend this action since there is currently an inadequate number of experienced accountants to enable adequate supervision and review of daily accounting functions.

This situation was complicated in August, 1985, by the resignation of one accountant and the transfer to another department of a second accountant. We strongly recommend that a Controller be hired as soon as possible to help assure that more close supervision is given to existing accounting personnel and to help the Director of Business Services reduce the amount of time spent by him on routine daily accounting functions in order that he may perform needed administrative functions.

Accounts Receivable Collections

In our September 7, 1984 letter of recommendations to the Administration, we stated that we perceived a lack of uniformity in understanding and support of University policies for extending credit to students and believed that more strenuous collection efforts should be implemented if existing policies were continued. We believe that recommendation remains valid at this date.

The accounting system provides for an aged trial balance of accounts receivable. For the period April, 1985, through September, 1985, due in part to the previously-mentioned turnover in accounting personnel, the aged trial balance was not being utilized to highlight credit problems and, therefore, collection efforts were restricted during that period.

The University charged off approximately \$119,000 in uncollectible student accounts receivable during the year ended June 30, 1985 and established a further allowance for doubtful accounts of \$76,000. At September 20, 1985, the unaudited aged accounts receivable trial balance reflected accounts receivable (exclusive of NDSL and NSL amounts) over 90 days old totalling \$296,000.

We again recommend that credit policies be reviewed, that collection follow-up on a current basis be emphasized and enforced and that consideration be given to hiring an in-house collections person to pursue collection of delinquent student accounts receivable. We understand that a collection agency was retained by the University effective July 1, 1985 to collect delinquent accounts after University collection efforts have been exhausted. The University should also develop a formula for adequately adjusting the allowance for doubtful accounts on an interim basis.

Accounting for Grants and Contracts

As discussed in our 1984 recommendations, hand-prepared subsidiary records are now used to determine the amount of revenue receivable or unearned for Federal, state and private grants and contracts. The present manual method is too time consuming and could result in inaccuracies and over-expenditures of grant monies, then requiring subsidy from unrestricted funds.

We recommend that consideration be given to establishing an automated subsidiary ledger to account for unearned revenue on grants and contracts in progress.

Budgeting

The University has an excellent system for authorization requirements for budget transfers among the various departments and this represents a significant internal control factor in controlling revenues and expenditures. Because of the 1985 reorganization requiring many reallocations of personnel, and the shortage of personnel in the Office of Budgets and Information Systems, some departmental budget allocations were not reallocated.

We recommend that budget item transfers be reflected in the system in the future as they have in prior years.

OTHER RECOMMENDATIONS

In addition to the matters disclosed above which we deem to present material weaknesses, we further present the following suggestions. While the following recommendations are not related to conditions which we believe to represent material weaknesses as defined by the American Institute of CPA's Statement on Auditing Standards No. 20, as amended in July, 1980, we offer these additional suggestions for the consideration of the Administration as part of the ongoing process of modifying and improving accounting control and other financial and administrative practices and procedures.

Other Prior-Year Recommendations

Substantial progress has been achieved with respect to implementation of our prior years' management recommendations. Some examples of areas where substantial improvements have been accomplished during the last two fiscal years are as follows:

1. Detailed property and equipment physical inventories were updated in July and August, 1985, and procedures for implementing the reporting of property purchases and movement of equipment have been accomplished. The last remaining step is to commence monthly updating of the computerized detailed inventory listings, based on activity currently being reported.
2. Major accounting and administrative functions were placed on a new computer system. This represented a significant improvement over prior systems.
3. Substantial improvements were accomplished in accounting for student accounts receivable and housing deposits.
4. Several reassignments of job functions were made in the Business Services Office resulting in a strengthening of internal control by creating a better segregation of duties.

Numerous other improvements have been made. We also suggest that additional consideration be given to the following prior years' recommendations:

1. Preparation of a detailed accounting manual has been promised for several years. Production of the proposed accounting manual should be coordinated and integrated with the preparation of EDP systems logic manuals also suggested in prior years.
2. Establish an internal audit function. The person hired should desirably have EDP audit experience.
3. Perform periodic surprise departmental payroll check distributions to help protect against payroll disbursements to non-authorized personnel. This is particularly important in departments where employee turnover is frequent.

Materials and Supplies Inventory

In 1984, the University began a warehouse operation for inventories of physical plant materials and supplies. All of the accounting for perpetual activity on a moving-average-cost basis is being done by physical plant personnel. We encountered great difficulty in testing the pricing of selected items and in tracking the additions to and deletions from the perpetual records, since many required detailed records were not generated or not retained to account for changes during the year.

We recommend that the Director of Physical Plant revise the materials and supplies perpetual inventory system to help assure that materials and supplies inventories are properly updated on the basis of invoices supported by receiving reports and by requisitions and stores return receipts. We suggest that the Director of Business Services provide technical assistance in development of this system.

Other Matters

1. Until recently, no reliable statistics were maintained to provide a basis to review cafeteria food costs to enable the use of analytical review procedures to help assure that meals were paid for and that food costs were reasonable. Meals-served statistics are now being maintained and we suggest that they be supplemented by a monthly report of food and labor costs on a per-meal-served basis. Variances should be investigated and explained.
2. Consideration should be given to utilizing the retail inventory accounting method and a micro computer to track some or all of the inventory departments in the University store. This will help to highlight shortages and will give better management control over this important area.
3. Informal methods were used for communicating physical inventory instructions in 1985. We recommend that written physical inventory instructions be developed and a formal review of those instructions be held with all persons involved with physical inventory.
4. Review of monthly bank account reconciliations should be documented by affixing the reviewer's initials and the date reviewed on the respective bank reconciliations.

CLOSING

The above conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our examination of the 1985 financial statements, and this report does not affect our report on those financial statements dated September 20, 1985.

The above suggestions should not be construed as criticism of any individual; rather, they are offered as a by-product of our examination as constructive suggestions for the consideration of management as a part of the ongoing process of modifying and improving accounting control and financial practices and procedures.

This report is intended solely for the use of the University Administration, the members of the Board of Regents and, at the Board's discretion, the Office of the Auditor of Public Accounts and Secretary of Finance of the Commonwealth of Kentucky, and should not be used for any other purpose.

Kelley, Gallaway & Company

September 20, 1985

TABLE OF CONTENTS

	<u>PAGE</u>
AUDITORS' REPORT	2
BALANCE SHEETS	3-4
STATEMENTS OF CHANGES IN FUND BALANCES	5-7
STATEMENTS OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES	8-9
NOTES TO FINANCIAL STATEMENTS	10-12
SUPPLEMENTAL INFORMATION:	
AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION	13
SCHEDULES OF CURRENT FUNDS REVENUES	14
SCHEDULES OF CURRENT FUNDS EXPENDITURES AND MANDATORY TRANSFERS	15-17
SCHEDULES OF CHANGES IN FUND BALANCES - LOAN FUNDS	18
SCHEDULE OF INVESTMENTS BY FUNDS	19
SUMMARY SCHEDULE OF BONDS PAYABLE	20
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES - SINKING FUNDS	21
SCHEDULE OF BOND RETIREMENT AND INTEREST PAYMENTS- HOUSING AND DINING SYSTEM REVENUE BONDS	22-24
SCHEDULE OF BOND RETIREMENT AND INTEREST PAYMENTS- CONSOLIDATED EDUCATIONAL BUILDING REVENUE BONDS	25-26
RECONCILIATION OF ACCOUNTS WITH DEPARTMENT OF FINANCE.....	27

KELLEY, GALLOWAY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

1200 Bath Avenue - Post Office Box 990

Ashland, Kentucky 41105-0990

PIKEVILLE, KENTUCKY 41501
606-437-7389

606-329-1811

MOREHEAD, KENTUCKY 40351
606 784-6334

Members of the Board of Regents and
President Herb F. Reinhard
Morehead State University
Morehead, Kentucky
and
The Commissioner of Finance
Commonwealth of Kentucky
Frankfort, Kentucky

We have examined the balance sheets of Morehead State University, Morehead, Kentucky, as of June 30, 1985 and 1984, and the related statements of changes in fund balances and current funds 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 Morehead State University at June 30, 1985 and 1984, and the changes in fund balances and the current funds revenues, expenditures and other changes for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Kelley, Galloway & Company

September 20, 1985

MOREHEAD STATE UNIVERSITY

BALANCE SHEETS

JUNE 30, 1985 AND 1984

	<u>ASSETS</u>	
	<u>1985</u>	<u>1984</u>
CURRENT FUNDS:		
Unrestricted:		
Cash	\$ 4,619,002.87	\$ 3,383,423.66
10.5% certificate of deposit (Note 1)	-	700,000.00
Accounts receivable, less allowance for doubtful accounts of \$76,000.00 at 1985 and \$139,078.55 at 1984	468,171.65	521,679.41
Inventories (Notes 1 and 4)	1,207,782.93	1,021,576.15
Due from restricted Current Funds	341,981.43	240,378.05
Due from Agency Funds	84,979.49	-
Due from Plant Funds	45,416.00	-
	<u>6,767,334.37</u>	<u>5,867,057.27</u>
Total unrestricted		
Restricted:		
Cash	405,621.22	182,591.05
Federal and State grants receivable	263,598.83	470,302.79
Due from Agency Funds	2,750.88	2,750.88
	<u>671,970.93</u>	<u>655,644.72</u>
Total restricted		
Total current funds	<u>\$ 7,439,305.30</u>	<u>\$ 6,522,701.99</u>
LOAN FUNDS:		
Cash	\$ 232,638.15	\$ 159,321.62
Loans to students, less allowance for doubtful accounts of \$698,395.59 at 1985 and \$618,049.03 at 1984	3,014,731.73	3,121,729.03
Accounts receivable	49,397.90	106,217.01
Due from unrestricted Current Funds	-	1,203.00
	<u>\$ 3,296,767.78</u>	<u>\$ 3,388,470.66</u>
Total loan funds		
ENDOWMENT FUNDS:		
Cash	\$ 1,641.92	\$ 1,581.92
Investments - at cost (Note 1)	702.58	702.58
Total endowment funds	<u>\$ 2,344.50</u>	<u>\$ 2,284.50</u>

LIABILITIES AND FUND BALANCES

	1985	1984
CURRENT FUNDS:		
Unrestricted:		
Accounts payable	\$ 752,375.45	\$ 390,258.27
Accrued vacation pay	570,308.64	521,397.59
Accrued salaries and related liabilities	1,060,977.78	986,208.08
Due to Loan Funds	-	1,203.00
Due to Agency Funds	-	2,137.75
	2,383,661.87	1,901,204.69
Fund balance (Note 4) -		
Allocated	3,408,509.93	3,372,629.47
Unallocated	975,162.57	593,223.11
	4,383,672.50	3,965,852.58
Total unrestricted	6,767,334.37	5,867,057.27
Restricted:		
Accounts payable	74,873.91	128,510.88
Accrued wages	36,783.45	38,427.28
Due to unrestricted Current Funds	341,981.43	240,378.05
Unearned revenue for Federal and State grants	123,347.36	138,261.39
Fund balance	94,984.78	110,067.12
	671,970.93	655,644.72
Total restricted	671,970.93	655,644.72
Total current funds	\$ 7,439,305.30	\$ 6,522,701.99
LOAN FUNDS:		
Accounts payable	\$ 246.21	\$ 2,189.94
Due to Agency Funds	-	151.46
Fund balance -		
U.S. Government contributions	4,858,946.00	4,858,946.00
Institutional contributions	539,912.27	539,912.27
Deficit	(2,102,336.70)	(2,012,729.01)
	3,296,521.57	3,386,129.26
Total loan funds	\$ 3,296,767.78	\$ 3,388,470.66
ENDOWMENT FUNDS--fund balance	\$ 2,344.50	\$ 2,284.50

MOREHEAD STATE UNIVERSITY

BALANCE SHEETS (CONCLUDED)

JUNE 30, 1985 AND 1984

	<u>ASSETS</u>	
	<u>1985</u>	<u>1984</u>
PLANT FUNDS:		
Unexpended--cash	<u>\$ 1,200,256.07</u>	<u>\$ 2,207,830.40</u>
Renewal and Replacement:		
Cash and certificates of deposit (Note 1)	415,384.83	348,619.86
Investments in U.S. Treasury securities, at cost (Note 1)	<u>79,535.00</u>	<u>79,535.00</u>
Total renewal and replacement	<u>494,919.83</u>	<u>428,154.86</u>
Retirement of Indebtedness:		
Cash and certificates of deposit (Note 1)	1,232,622.30	1,574,072.07
Investments in U.S. Treasury securities, at cost (Note 1)	1,602,815.47	1,609,691.36
Accounts receivable	<u>5,731.83</u>	<u>5,731.83</u>
Total retirement of indebtedness	<u>2,841,169.60</u>	<u>3,189,495.26</u>
Investment in Plant (Notes 1 and 2):		
Land and improvements	3,600,453.77	3,562,160.00
Buildings	71,115,522.08	70,695,411.53
Library	5,210,842.22	4,868,669.74
Charles M. Derrickson Agricultural Complex	93,054.00	95,023.00
Vehicles	385,422.40	281,201.00
Equipment	9,586,702.15	8,466,690.59
Construction in progress	<u>839,363.71</u>	<u>188,555.59</u>
Total investment in plant	<u>90,831,360.33</u>	<u>88,157,711.45</u>
Total plant funds	<u>\$95,367,705.83</u>	<u>\$93,983,191.97</u>
AGENCY FUNDS:		
Cash	\$ 806,577.84	\$ 400,400.61
7.7-8.15% certificates of deposit (Note 1)	321,873.10	487,277.00
Due from unrestricted Current Funds	-	2,137.75
Due from Loan Funds	-	<u>151.46</u>
	<u>\$ 1,128,450.94</u>	<u>\$ 889,966.82</u>

LIABILITIES AND FUND BALANCES

	<u>1985</u>	<u>1984</u>
PLANT FUNDS:		
Due to unrestricted Current Funds	\$ 45,416.00	\$ -
Unexpended--fund balances:		
Reserve for encumbrances	-	539,443.00
Restricted	1,154,840.07	1,668,387.40
	<u>1,154,840.07</u>	<u>2,207,830.40</u>
Total unexpended	<u>1,200,256.07</u>	<u>2,207,830.40</u>
Renewal and Replacement--fund balance	<u>494,919.83</u>	<u>428,154.86</u>
Retirement of Indebtedness--restricted fund balance	<u>2,841,169.60</u>	<u>3,189,495.26</u>
Investment in Plant:		
Bonds payable (Note 2)	25,770,000.00	27,015,000.00
Net investment in plant	<u>65,061,360.33</u>	<u>61,142,711.45</u>
Total investment in plant	<u>90,831,360.33</u>	<u>88,157,711.45</u>
Total plant funds	<u>\$95,367,705.83</u>	<u>\$93,983,191.97</u>
AGENCY FUNDS:		
Accounts payable	\$ 273,257.41	\$ -
Due to unrestricted Current Funds	84,979.49	-
Due to restricted Current Funds	2,750.88	2,750.88
Deposits held in custody for others	<u>767,463.16</u>	<u>887,215.94</u>
Total agency funds	<u>\$ 1,128,450.94</u>	<u>\$ 889,966.82</u>

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

MOREHEAD STATE UNIVERSITY

STATEMENTS OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	1985	
	Unrestricted	Restricted
CURRENT FUNDS:		
BALANCE, beginning of year--as previously reported	\$ 3,628,467.42	\$ 110,067.12
RESTATEMENT ADJUSTMENT, for inventory not previously reported (Note 4)	337,385.16	-
BALANCE, beginning of year--as restated	3,965,852.58	110,067.12
REVENUES AND OTHER ADDITIONS:		
Unrestricted Current Funds revenue	37,323,687.63	-
Federal and State grants and contracts	-	4,571,341.79
	37,323,687.63	4,571,341.79
EXPENDITURES AND OTHER DEDUCTIONS:		
Educational and general expenditures	28,878,229.14	4,545,192.90
Auxiliary enterprises expenditures	5,590,507.45	273,135.23
	34,468,736.59	4,818,328.13
TRANSFERS AMONG FUNDS -		
ADDITIONS (DEDUCTIONS):		
Mandatory -		
Transfer to Plant Funds-unexpended	(311,034.90)	-
Transfers to Plant Funds-retirement of indebtedness (Note 2)	(2,039,608.00)	-
Transfers to Plant Funds-renewal and replacement (Note 2)	(29,500.00)	-
Transfers to restricted Current Funds	(231,904.00)	231,904.00
Transfers to Loan Funds	(15,030.49)	-
Transfers from Plant Funds	189,946.27	-
Transfers from Agency Fund	-	-
	(2,437,131.12)	231,904.00
NET INCREASE FOR THE YEAR	417,819.92	(15,082.34)
BALANCE, end of year	\$ 4,383,672.50	\$ 94,984.78

1984

<u>Unrestricted</u>	<u>Restricted</u>
\$ 3,102,575.98	\$ 14,102.06
<u>321,319.20</u>	<u>-</u>
3,423,895.18	14,102.06
<u>36,285,311.90</u>	<u>-</u>
-	4,772,481.37
36,285,311.90	4,772,481.37
<u>27,929,221.31</u>	<u>4,708,271.39</u>
4,979,802.83	267,785.60
<u>32,909,024.14</u>	<u>4,976,056.99</u>
(373,000.00)	-
(2,485,773.75)	-
(29,500.00)	-
(195,294.40)	195,294.40
-	-
249,237.79	-
-	104,246.28
<u>(2,834,330.36)</u>	<u>299,540.68</u>
<u>541,957.40</u>	<u>95,965.06</u>
<u>\$ 3,965,852.58</u>	<u>\$ 110,067.12</u>

MOREHEAD STATE UNIVERSITY

STATEMENTS OF CHANGES IN FUND BALANCES (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	<u>1985</u>	<u>1984</u>
LOAN FUNDS:		
BALANCE, beginning of year	\$ 3,386,129.26	\$ 3,396,388.80
REVENUES AND OTHER ADDITIONS:		
Interest on loans receivable	44,937.24	42,485.38
Cancellation reimbursement	41,635.00	52,842.00
Miscellaneous interest income	8,840.39	9,988.58
Other	540.04	-
	<u>95,952.67</u>	<u>105,315.96</u>
EXPENDITURES AND OTHER DEDUCTIONS:		
Loan principal and interest cancelled	40,311.92	36,871.08
Administrative and collection expense	11,143.94	11,831.25
Provision for doubtful accounts	95,377.05	66,119.68
Assigned to Office of Education for collection	53,757.94	753.49
	<u>200,590.85</u>	<u>115,575.50</u>
TRANSFERS AMONG FUNDS--		
from unrestricted Current Funds	<u>15,030.49</u>	-
NET DECREASE FOR THE YEAR	<u>89,607.69</u>	<u>10,259.54</u>
BALANCE, end of year	<u>\$ 3,296,521.57</u>	<u>\$ 3,386,129.26</u>
ENDOWMENT FUNDS:		
BALANCE, beginning of year	\$ 2,284.50	\$ 2,284.50
INVESTMENT INCOME	<u>60.00</u>	-
NET INCREASE IN FUND BALANCE	<u>60.00</u>	-
BALANCE, end of year	<u>\$ 2,344.50</u>	<u>\$ 2,284.50</u>

MOREHEAD STATE UNIVERSITY

STATEMENTS OF CHANGES IN FUND BALANCES (CONCLUDED)

FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	1985		
	<u>Unexpended</u>	<u>Renewal and Replacement</u>	<u>Retirement of Indebtedness</u>
PLANT FUNDS:			
BALANCE, beginning of year	\$2,207,830.40	\$428,154.86	\$3,189,495.26
REVENUES AND OTHER ADDITIONS:			
Interest income	-	37,264.97	288,887.36
Appropriations for plant funds	78,406.41	-	-
Retirement of indebtedness Expended for plant fund facilities	-	-	-
	<u>78,406.41</u>	<u>37,264.97</u>	<u>288,887.36</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Retirement of indebtedness	-	-	1,245,000.00
Interest on indebtedness	-	-	1,241,868.75
Expenditures for plant additions	1,442,431.64	-	-
Miscellaneous	-	-	6.00
	<u>1,442,431.64</u>	<u>-</u>	<u>2,486,874.75</u>
TRANSFERS AMONG FUNDS- ADDITIONS (DEDUCTIONS):			
Mandatory -			
Transfers from unrestricted Current Funds for debt service (Note 2)	-	29,500.00	2,039,608.00
Transfer (to) from unrestrict- ed Current Funds (Note 2)	311,034.90	-	(189,946.27)
	<u>311,034.90</u>	<u>29,500.00</u>	<u>1,849,661.73</u>
NET INCREASE (DECREASE) FOR THE YEAR	<u>(1,052,990.33)</u>	<u>66,764.97</u>	<u>(348,325.66)</u>
BALANCE, end of year	<u>\$1,154,840.07</u>	<u>\$494,919.83</u>	<u>\$2,841,169.60</u>

1985	1984			
<u>Investment in Plant</u>	<u>Unexpended</u>	<u>Renewal and Replacement</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
<u>\$61,142,711.45</u>	<u>\$ 315,520.67</u>	<u>\$364,535.93</u>	<u>\$3,153,147.86</u>	<u>\$58,709,230.31</u>
-	-	34,118.93	287,057.65	-
-	1,728,055.95	-	-	-
1,245,000.00	-	-	-	1,190,000.00
<u>2,673,648.88</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,243,481.14</u>
<u>3,918,648.88</u>	<u>1,728,055.95</u>	<u>34,118.93</u>	<u>287,057.65</u>	<u>2,433,481.14</u>
-	-	-	1,190,000.00	-
-	-	-	1,297,244.71	-
-	208,746.22	-	-	-
-	-	-	1.50	-
<u>-</u>	<u>208,746.22</u>	<u>-</u>	<u>2,487,246.21</u>	<u>-</u>
-	-	29,500.00	2,485,773.75	-
<u>-</u>	<u>373,000.00</u>	<u>-</u>	<u>(249,237.79)</u>	<u>-</u>
<u>-</u>	<u>373,000.00</u>	<u>29,500.00</u>	<u>2,236,535.96</u>	<u>-</u>
<u>3,918,648.88</u>	<u>1,892,309.73</u>	<u>63,618.93</u>	<u>36,347.40</u>	<u>2,433,481.14</u>
<u>\$65,061,360.33</u>	<u>\$2,207,830.40</u>	<u>\$428,154.86</u>	<u>\$3,189,495.26</u>	<u>\$61,142,711.45</u>

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

MOREHEAD STATE UNIVERSITY

STATEMENTS OF CURRENT FUNDS REVENUES,
EXPENDITURES AND OTHER CHANGES

FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	1985	
	Unrestricted	Restricted
REVENUES:		
Tuition and fees	\$ 7,007,428.24	\$ -
State appropriations	22,349,592.10	-
Governmental grants and contracts	-	4,571,341.79
Indirect cost reimbursement	130,942.82	-
Sales and services of educational activities	476,713.00	-
Sales and services of auxiliary enterprises	6,427,307.35	-
Other sources	931,704.12	-
Total current revenues	37,323,687.63	4,571,341.79
EXPENDITURES AND MANDATORY TRANSFERS:		
Educational and general -		
Instruction	11,724,008.40	885,905.99
Research	29,692.13	20,832.57
Public service	826,976.03	595,434.50
Library	1,191,820.87	58,550.25
Academic support	1,738,284.18	32,006.17
Student services	3,085,516.77	229,736.91
Institutional support	5,442,260.75	177,184.86
Operation and maintenance of plant	4,080,726.30	4,607.98
Student financial aid	758,943.71	2,540,933.67
Educational and general expenditures	28,878,229.14	4,545,192.90
Mandatory transfers for -		
Principal and interest	1,591,858.00	-
College Work Study and Loan		
Fund matching grants	209,434.49	-
Total educational and general	1,801,292.49	-
Total educational and general	30,679,521.63	4,545,192.90
Auxiliary enterprises -		
Expenditures	5,590,507.45	273,135.23
Mandatory transfers for principal and interest	477,250.00	-
Total auxiliary enterprises	6,067,757.45	273,135.23
Total expenditures and mandatory transfers	36,747,279.08	4,818,328.13

<u>1985</u>	<u>1984</u>
<u>Totals</u>	<u>Totals</u>
\$ 7,007,428.24	\$ 6,844,393.95
22,349,592.10	21,880,785.06
4,571,341.79	4,772,481.37
130,942.82	160,054.36
476,713.00	581,730.92
6,427,307.35	6,008,270.52
931,704.12	810,077.09
<u>41,895,029.42</u>	<u>41,057,793.27</u>
12,609,914.39	12,637,699.60
50,524.70	123,657.67
1,422,410.53	1,418,404.66
1,250,371.12	1,240,614.12
1,770,290.35	2,033,883.86
3,315,253.68	3,197,623.85
5,619,445.61	5,429,577.02
4,085,334.28	3,449,898.48
<u>3,299,877.38</u>	<u>3,106,133.44</u>
<u>33,423,422.04</u>	<u>32,637,492.70</u>
1,591,858.00	1,591,220.00
209,434.49	194,468.00
<u>1,801,292.49</u>	<u>1,785,688.00</u>
<u>35,224,714.53</u>	<u>34,423,180.70</u>
5,863,642.68	5,247,588.43
477,250.00	924,053.75
<u>6,340,892.68</u>	<u>6,171,642.18</u>
<u>41,565,607.21</u>	<u>40,594,822.88</u>

MOREHEAD STATE UNIVERSITY

STATEMENTS OF CURRENT FUNDS REVENUES,
EXPENDITURES AND OTHER CHANGES (CONCLUDED)

FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	1985	
	<u>Unrestricted</u>	<u>Restricted</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):		
Transfers (to) from Unrestricted Funds	\$ (37,500.00)	\$ 231,904.00
Transfers from Agency Funds	-	-
Transfers from Plant Funds	189,946.27	-
Transfers to Plant Funds	<u>(311,034.90)</u>	<u>-</u>
Total other transfers and additions (deductions)	<u>(158,588.63)</u>	<u>231,904.00</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ 417,819.92</u>	<u>\$ (15,082.34)</u>

<u>1985</u>	<u>1984</u>
<u>Totals</u>	<u>Totals</u>
\$ 194,404.00	194,468.00
-	104,246.28
189,946.27	249,237.79
<u>(311,034.90)</u>	<u>(373,000.00)</u>
 <u>73,315.37</u>	 <u>174,952.07</u>
 <u>\$ 402,737.58</u>	 <u>\$ 637,922.46</u>

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

MOREHEAD STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1985 AND 1984

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles followed by Morehead State University and the methods of applying those principles which materially affect the University's financial statements are summarized below.

Accrual Basis

The financial statements of the University have been prepared on the accrual basis, except for depreciation accounting which is discussed below under Investment in Plant. The statement of current funds 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.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) as transfers of a non-mandatory nature for all other cases.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, funds that have similar characteristics have been combined into fund groups in the accompanying financial statements. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like, is accounted for in the fund owning such assets, except for income

derived from investments of endowment and similar funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Investments

Investments are stated at cost, which does not exceed quoted market values.

Investment in Plant

Investment in plant is stated at cost at date of acquisition or fair value at date of donation in the case of gifts. In accordance with generally accepted accounting principles of colleges and universities, no provision has been made in the accompanying financial statements for depreciation on the investment in plant.

Inventories

Inventories representing approximately 61% and 67% respectively, of total inventories at June 30, 1985 and 1984 are stated at the lower of cost (first-in, first-out basis) or market. The remainder of the inventories are stated at the lower of moving-average-cost or market.

(2) BONDS PAYABLE

The following is a summary of bonds payable at June 30, 1985 and 1984:

	<u>1985</u>	<u>1984</u>
2.875 - 5.4% Housing and Dining System Bonds, Series A through J, repayable in annual installments with the final installment due on November 1, 2005	\$10,685,000.00	\$11,155,000.00
3 - 6.4% Consolidated Educational Building Revenue Bonds, Series A through G, repayable in annual installments with the final installments due on May 1, 2001	<u>15,085,000.00</u>	<u>15,860,000.00</u>
	<u>\$25,770,000.00</u>	<u>\$27,015,000.00</u>

In order to retire the bonds, the University is required to make deposits to sinking funds in annual amounts sufficient to meet the principal and interest payments due within the next twelve months. During 1985, the University transferred \$447,750.00 to the Housing and Dining System Revenue Bonds Sinking Fund and \$1,591,858.00 to the Consolidated Educational Building Revenue Bonds Sinking Fund for payment of current year principal and interest. In addition, the University transferred \$29,500.00 to the Housing and Dining System Bonds Repair and Maintenance Fund as required by the bond indenture. The balance in the Consolidated Educational Building Revenue Bonds Sinking Fund was greater than required by the Bond Ordinance. Therefore, the Trustee transferred \$189,946.27 from the Sinking Fund to Current Funds in 1985.

The bonds are collateralized by various buildings carried in the accounts at \$52,851,140. The revenues derived from student registration fees, residence hall rental fees, and net profits from food service are pledged as collateral on these bond issues.

The principal and interest repayment requirements relating to outstanding bonds payable at June 30, 1985, are as follows:

Year Ending June 30,	Repayment Requirements		
	Principal	Interest	Total
1986	\$ 1,310,000	\$ 1,185,385	\$ 2,495,385
1987	1,320,000	1,126,391	2,446,391
1988	1,410,000	1,066,155	2,476,155
1989	1,480,000	1,001,709	2,481,709
1990	1,535,000	934,021	2,424,021
1991-2005	18,715,000	5,244,764	24,004,764
	<u>\$25,770,000</u>	<u>\$10,558,425</u>	<u>\$36,328,425</u>

(3) PENSION PLAN

Faculty and staff members of Morehead State University are members of the Kentucky Teachers' Retirement System and the Kentucky Employees' Retirement System. Under these plans, the participants make contributions to the retirement systems which are matched as discussed below.

The Kentucky Teachers' Retirement System contributions are matched by the State of Kentucky. These matching contributions of \$1,273,792.10 and \$1,183,085.06 for the years ended June 30, 1985 and 1984, respectively, are reflected as both revenues and expenditures for financial statement purposes. In addition to the matching contributions for participant withholdings, the State provided an overmatch amounting to \$400,920.56 for 1985 and \$387,452.31 for 1984 in order to reduce the unfunded debt of the retirement system. These overmatch contributions do not accrue to participants' accounts and, accordingly, are not reflected in the financial statements.

The contributions of participants in the Kentucky Employees' Retirement System are matched by Morehead State University. The University's contributions to this plan for the years ended June 30, 1985 and 1984 were \$409,627.83 and \$401,047.05, respectively.

(4) RESTATEMENT ADJUSTMENT

Prior to 1984, the University did not take a materials and supplies physical inventory. Such inventory totalled \$337,385.16 at June 30, 1984, and was estimated to be \$321,319.20 at June 30, 1983. The accompanying financial statements have been restated to retroactively reflect the effects of recording the materials and supplies inventory by increasing previously reported fund balances and inventory by \$337,385.16 at June 30, 1984 and by \$321,319.20 at June 30, 1983. The previously reported 1984 net increase in unrestricted current fund balance was increased by \$16,065.96.

(5) PRIOR YEAR RECLASSIFICATIONS

Certain reclassifications have been made to the 1984 amounts to conform to the 1985 presentation.

SUPPLEMENTAL INFORMATION

KELLEY, GALLOWAY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

1200 Bath Avenue - Post Office Box 990

Ashland, Kentucky 41105-0990

PIKEVILLE, KENTUCKY 41501
606-437-7389

606-329-1811

MOREHEAD, KENTUCKY 40351
606 784-6334

Members of the Board of Regents and
President Herb F. Reinhard
Morehead State University
Morehead, Kentucky
and
The Commissioner of Finance
Commonwealth of Kentucky
Frankfort, Kentucky

The financial statements of the University and our auditors' report thereon are presented in the preceding section of this report. The financial information presented hereinafter for the years ended June 30, 1985 and 1984 was derived from the accounting records tested by us as part of the auditing procedures followed in our examinations of the aforementioned financial statements and, in our opinion it is fairly presented in all material respects in relation to the financial statements taken as a whole; however, it is not necessary for a fair presentation of the financial position, changes in fund balances and current funds revenues, expenditures and other changes of the University.

Kelley, Galloway & Company

September 20, 1985

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS REVENUES

FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	1985	
	Unrestricted	Restricted
EDUCATIONAL AND GENERAL:		
Tuition and fees -		
Degree credit - Fall	\$ 3,202,521.50	\$ -
Degree credit - Spring	2,915,209.50	-
Degree credit - Summer and special sessions	672,048.75	-
Other student fees -		
Student activity and service fee	143,620.00	-
Music, lab and course fees	52,641.99	-
Extension and correspondence	21,386.50	-
Governmental appropriations -		
State	21,050,800.00	-
Other state allotment	25,000.00	-
Kentucky Teachers' Retirement	1,273,792.10	-
Governmental grants and contracts -		
Supplemental Education Opportunity Grants	-	159,576.00
College Work Study	-	733,505.44
Other State and Federal grants	-	3,678,260.35
Unrestricted gifts	3,000.00	-
Indirect cost reimbursement	130,942.82	-
Sales and services of educational activities	476,713.00	-
Other sources	928,704.12	-
	30,896,380.28	4,571,341.79
 SALES AND SERVICES OF AUXILIARY ENTERPRISES:		
Residence halls	2,431,570.46	-
Married student and faculty housing	623,726.37	-
Food service	1,557,256.54	-
University store	1,359,439.31	-
Other sources	455,314.67	-
	6,427,307.35	-
 TOTAL CURRENT FUNDS REVENUES	 \$37,323,687.63	 \$ 4,571,341.79

<u>1985</u> <u>Totals</u>	<u>1984</u> <u>Totals</u>
\$ 3,202,521.50	\$ 3,057,486.80
2,915,209.50	2,882,434.25
672,048.75	688,755.90
143,620.00	144,531.70
52,641.99	50,478.05
21,386.50	20,707.25
21,050,800.00	20,672,700.00
25,000.00	25,000.00
1,273,792.10	1,183,085.06
159,576.00	101,832.00
733,505.44	770,513.56
3,678,260.35	3,900,135.81
3,000.00	-
130,942.82	160,054.36
476,713.00	581,730.92
928,704.12	810,077.09
<u>35,467,722.07</u>	<u>35,049,522.75</u>
2,431,570.46	2,239,218.28
623,726.37	623,730.40
1,557,256.54	1,615,676.83
1,359,439.31	1,334,984.77
455,314.67	194,660.24
<u>6,427,307.35</u>	<u>6,008,270.52</u>
<u>\$41,895,029.42</u>	<u>\$41,057,793.27</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND
MANDATORY TRANSFERS

FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	1985	
	<u>Unrestricted</u>	<u>Restricted</u>
EDUCATIONAL AND GENERAL:		
Instruction -		
Personal services	\$11,070,190.52	\$ 650,416.45
Operating expenses	521,727.15	216,827.15
Capital outlay	132,090.73	18,662.39
	<u>11,724,008.40</u>	<u>885,905.99</u>
Research -		
Personal services	3,299.86	20,597.86
Operating expenses	24,598.62	234.71
Capital outlay	1,793.65	-
	<u>29,692.13</u>	<u>20,832.57</u>
Public service -		
Personal services	632,122.58	389,209.56
Operating expenses	183,036.18	182,941.20
Capital outlay	11,817.27	23,283.74
	<u>826,976.03</u>	<u>595,434.50</u>
Library -		
Personal services	738,758.37	57,790.25
Operating expenses	89,109.77	760.00
Capital outlay	363,952.73	-
	<u>1,191,820.87</u>	<u>58,550.25</u>
Academic support -		
Personal services	1,106,107.38	32,006.17
Operating expenses	562,893.96	-
Capital outlay	69,282.84	-
	<u>1,738,284.18</u>	<u>32,006.17</u>
Student services -		
Personal services	1,855,133.62	210,581.90
Operating expenses	1,171,841.52	17,924.17
Capital outlay	58,541.63	1,230.84
	<u>3,085,516.77</u>	<u>229,736.91</u>
Institutional support -		
Personal services	3,376,341.70	95,737.86
Operating expenses	1,852,562.71	81,447.00
Capital outlay	213,356.34	-
	<u>5,442,260.75</u>	<u>177,184.86</u>

<u>1985</u> <u>Totals</u>	<u>1984</u> <u>Totals</u>
\$11,720,606.97	\$11,643,138.81
738,554.30	793,234.74
<u>150,753.12</u>	<u>201,326.05</u>
<u>12,609,914.39</u>	<u>12,637,699.60</u>
23,897.72	29,907.59
24,833.33	82,279.33
<u>1,793.65</u>	<u>11,470.75</u>
<u>50,524.70</u>	<u>123,657.67</u>
1,021,332.14	1,019,635.86
365,977.38	385,491.84
<u>35,101.01</u>	<u>13,276.96</u>
<u>1,422,410.53</u>	<u>1,418,404.66</u>
796,548.62	819,630.00
89,869.77	74,944.84
<u>363,952.73</u>	<u>346,039.28</u>
<u>1,250,371.12</u>	<u>1,240,614.12</u>
1,138,113.55	1,269,000.82
562,893.96	613,474.13
<u>69,282.84</u>	<u>151,408.91</u>
<u>1,770,290.35</u>	<u>2,033,883.86</u>
2,065,715.52	2,041,041.00
1,189,765.69	1,140,797.06
<u>59,772.47</u>	<u>15,785.79</u>
<u>3,315,253.68</u>	<u>3,197,623.85</u>
3,472,079.56	3,153,196.22
1,934,009.71	1,931,552.18
<u>213,356.34</u>	<u>344,828.62</u>
<u>5,619,445.61</u>	<u>5,429,577.02</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND
MANDATORY TRANSFERS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	1985	
	<u>Unrestricted</u>	<u>Restricted</u>
EDUCATIONAL AND GENERAL (CONTINUED):		
Operation and maintenance of plant -		
Personal services	\$ 1,746,060.64	\$ 4,607.98
Operating expenses	1,797,041.06	-
Capital outlay	537,624.60	-
	4,080,726.30	4,607.98
Student financial aid -		
Operating expenses	758,943.71	2,540,933.67
	20,528,014.67	1,460,948.03
Total education and general expenditures -	6,961,754.68	3,041,067.90
Personal services	1,388,459.79	43,176.97
Operating expenses	28,878,229.14	4,545,192.90
Capital outlay		
Mandatory transfers -		
Principal and interest	1,591,858.00	-
Loan and other matching grants	209,434.49	-
	1,801,292.49	-
TOTAL EDUCATIONAL AND GENERAL	\$30,679,521.63	\$ 4,545,192.90
AUXILIARY ENTERPRISES:		
Expenditures -		
Personal services	\$ 1,759,087.62	\$ 273,135.23
Operating expenses	3,693,741.25	-
Capital outlay	137,678.58	-
	5,590,507.45	273,135.23
Mandatory tranfers -		
Principal and interest	477,250.00	-
TOTAL AUXILIARY ENTERPRISES	\$ 6,067,757.45	\$ 273,135.23

<u>1985</u> <u>Totals</u>	<u>1984</u> <u>Totals</u>
\$ 1,750,668.62	\$ 1,714,467.96
1,797,041.06	1,484,998.88
537,624.60	250,431.64
<u>4,085,334.28</u>	<u>3,449,898.48</u>
<u>3,299,877.38</u>	<u>3,106,133.44</u>
21,988,962.70	21,690,018.26
10,002,822.58	9,612,906.44
1,431,636.76	1,334,568.00
<u>33,423,422.04</u>	<u>32,637,492.70</u>
1,591,858.00	1,591,220.00
209,434.49	194,468.00
<u>1,801,292.49</u>	<u>1,785,688.00</u>
<u>\$35,224,714.53</u>	<u>\$34,423,180.70</u>
\$ 2,032,222.85	\$ 1,892,225.06
3,693,741.25	3,255,497.45
137,678.58	99,865.92
<u>5,863,642.68</u>	<u>5,247,588.43</u>
<u>477,250.00</u>	<u>924,053.75</u>
<u>\$ 6,340,892.68</u>	<u>\$ 6,171,642.18</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND
MANDATORY TRANSFERS (CONCLUDED)

FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	1985	
	<u>Unrestricted</u>	<u>Restricted</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS (CONCLUDED):		
Expenditures -		
Personal services	\$22,287,102.29	\$ 1,734,083.26
Operating expenses	10,655,495.93	3,041,067.90
Capital outlay	1,526,138.37	43,176.97
	<u>34,468,736.59</u>	<u>4,818,328.13</u>
 Mandatory transfers -		
Principal and interest	2,069,108.00	-
Loan and other matching grants	209,434.49	-
	<u>2,278,542.49</u>	<u>-</u>
 TOTAL EXPENDITURES AND MANDATORY TRANSFERS	 <u>\$36,747,279.08</u>	 <u>\$ 4,818,328.13</u>

<u>1985</u> <u>Totals</u>	<u>1984</u> <u>Totals</u>
\$24,021,185.55	\$23,582,243.32
13,696,563.83	12,868,403.89
<u>1,569,315.34</u>	<u>1,434,433.92</u>
<u>39,287,064.72</u>	<u>37,885,081.13</u>
2,069,108.00	2,515,273.75
<u>209,434.49</u>	<u>194,468.00</u>
<u>2,278,542.49</u>	<u>2,709,741.75</u>
<u><u>\$41,565,607.21</u></u>	<u><u>\$40,594,822.88</u></u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CHANGES IN FUND BALANCES - LOAN FUNDS

FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	1985	
	National Direct (Defense) Student Loan Fund	Nursing Loan Fund
BALANCE, beginning of year	\$3,296,595.01	\$89,534.25
INCREASES:		
Reimbursement for cancellations	41,635.00	-
Interest income on loans	42,420.26	2,516.98
Miscellaneous interest income	8,295.33	545.06
Other	540.04	-
Transfer from unrestricted Current Funds	14,614.13	416.36
	107,504.76	3,478.40
DECREASES:		
Loan principal cancelled	35,226.10	1,831.42
Loan interest cancelled	3,110.43	143.97
Administrative and collection expenses	9,812.06	1,331.88
Provision for doubtful accounts	94,960.69	416.36
Transfers to unrestricted Current Funds	-	-
Assigned to Office of Education for collection	53,757.94	-
	196,867.22	3,723.63
BALANCE, end of year	\$3,207,232.55	\$89,289.02

<u>1985</u>	<u>1984</u>
<u>Totals</u>	<u>Totals</u>
<u>\$3,386,129.26</u>	<u>\$3,396,388.80</u>
41,635.00	52,842.00
44,937.24	42,485.38
8,840.39	9,988.58
540.04	-
<u>15,030.49</u>	<u>-</u>
<u>110,983.16</u>	<u>105,315.96</u>
37,057.52	33,812.73
3,254.40	3,058.35
11,143.94	11,831.25
95,377.05	66,119.68
-	-
<u>53,757.94</u>	<u>753.49</u>
<u>200,590.85</u>	<u>115,575.50</u>
<u><u>\$3,296,521.57</u></u>	<u><u>\$3,386,129.26</u></u>

MOREHEAD STATE UNIVERSITY

SCHEDULE OF INVESTMENTS BY FUNDS

JUNE 30, 1985

	<u>Consolidated Educational Building Sinking Fund</u>	<u>Housing System Sinking Fund</u>	<u>Debt Service Reserve</u>
U.S. Treasury Note, at cost	\$ -	\$ 79,535.00	\$ -
U.S. Treasury Bills, at cost	1,602,815.47	-	-
7.7% to 8.5% certificates of deposit	-	328,116.49	168,359.44
Other U.S. obligations, at cost	<u>-</u>	<u>87,268.34</u>	<u>-</u>
	<u>\$1,602,815.47</u>	<u>\$494,919.83</u>	<u>\$168,359.44</u>

<u>Agency Funds</u>	<u>Endowment Funds</u>
\$ -	\$ -
-	-
321,873.10	-
-----	<u>702.58</u>
<u><u>\$321,873.10</u></u>	<u><u>\$702.58</u></u>

MOREHEAD STATE UNIVERSITY

SUMMARY SCHEDULE OF BONDS PAYABLE

JUNE 30, 1985

	<u>Original Issue</u>	<u>Outstanding June 30, 1985</u>
HOUSING AND DINING SYSTEM		
REVENUE BONDS:		
Series A	\$1,040,000.00	\$ 585,000.00
Series B	735,000.00	415,000.00
Series C	525,000.00	295,000.00
Series D	1,050,000.00	655,000.00
Series E	200,000.00	110,000.00
Series F	390,000.00	390,000.00
Series G	1,340,000.00	1,070,000.00
Series H	1,840,000.00	1,265,000.00
Series I	3,920,000.00	2,760,000.00
Series J	5,800,000.00	3,140,000.00
CONSOLIDATED EDUCATIONAL BUILDING		
REVENUE BONDS:		
Series A	1,425,000.00	-
Series B	1,400,000.00	650,000.00
Series C	1,950,000.00	1,210,000.00
Series D	5,300,000.00	3,125,000.00
Series E	4,350,000.00	2,455,000.00
Series F	4,100,000.00	2,545,000.00
Series G	6,300,000.00	<u>5,100,000.00</u>
TOTAL BONDS PAYABLE		<u><u>\$25,770,000.00</u></u>

MOREHEAD STATE UNIVERSITY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

SINKING FUNDS

FOR THE YEAR ENDED JUNE 30, 1985

	<u>Sinking Fund</u>	<u>Housing and Dining System Debt Service Reserve Fund</u>
FUND BALANCES, June 30, 1984	\$ <u>622,394.55</u>	\$ <u>954,439.44</u>
RECEIPTS AND OTHER ADDITIONS:		
Transferred from Housing System Revenue Fund	447,750.00	-
Transferred from Consolidated Educational Revenue Fund	-	-
Income from investments	25,429.70	82,668.90
Redemption of investments	894,973.75	8,084,876.64
Transfer from Debt Service Reserve Fund	82,668.90	-
Increase in investments	-	-
Sale of investments	-	-
	<u>1,450,822.35</u>	<u>8,167,545.54</u>
Total available funds	<u>2,073,216.90</u>	<u>9,121,984.98</u>
DISBURSEMENTS AND OTHER DEDUCTIONS:		
Redemption of bonds	470,000.00	-
Payment of interest	424,973.75	-
Purchase of investments	555,848.60	7,298,796.64
Transfer to Sinking Fund	-	82,668.90
Transfer to Consolidated Educational Revenue Fund	-	-
Decrease in investments	333,393.32	786,080.00
Decrease in accounts receivable	5,731.83	-
Other	-	-
	<u>1,789,947.50</u>	<u>8,167,545.54</u>
FUND BALANCES, June 30, 1985	<u>\$ 283,269.40</u>	<u>\$ 954,439.44</u>

<u>Repair Fund</u>	<u>Consolidated Educational Building Bonds</u>	<u>Totals</u>
<u>\$ 428,154.86</u>	<u>\$1,612,661.27</u>	<u>\$ 3,617,650.12</u>
29,500.00	-	477,250.00
-	1,591,858.00	1,591,858.00
37,264.97	181,180.93	326,544.50
1,944,063.73	4,083,925.55	15,007,839.67
-	-	82,668.90
66,764.97	-	66,764.97
-	795,445.03	795,445.03
<u>2,077,593.67</u>	<u>6,652,409.51</u>	<u>18,348,371.07</u>
<u>2,505,748.53</u>	<u>8,265,070.78</u>	<u>21,966,021.19</u>
-	775,000.00	1,245,000.00
-	816,895.00	1,241,868.75
2,010,828.70	4,872,886.86	14,738,360.80
-	-	82,668.90
-	189,946.27	189,946.27
-	6,875.89	1,126,349.21
-	-	5,731.83
-	6.00	6.00
<u>2,010,828.70</u>	<u>6,661,610.02</u>	<u>18,629,931.76</u>
<u>\$ 494,919.83</u>	<u>\$1,603,460.76</u>	<u>\$ 3,336,089.43</u>

MOREHEAD STATE UNIVERSITY
SCHEDULE OF BOND RETIREMENT AND INTEREST PAYMENTS
HOUSING AND DINING SYSTEM REVENUE BONDS

SUBSEQUENT TO JUNE 30, 1985

Year Ending June 30,	SERIES A		SERIES B		SERIES C		SERIES D	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1986	\$ 35,000.00	\$ 17,025.00	\$ 20,000.00	\$ 11,643.76	\$ 15,000.00	\$ 8,984.38	\$ 30,000.00	\$ 22,400.00
1987	35,000.00	15,975.00	25,000.00	10,996.88	15,000.00	8,515.63	30,000.00	21,350.00
1988	35,000.00	14,925.00	25,000.00	10,278.13	15,000.00	8,046.88	30,000.00	20,300.00
1989	35,000.00	13,875.00	25,000.00	9,759.38	20,000.00	7,500.00	30,000.00	19,250.00
1990	35,000.00	12,825.00	25,000.00	8,840.63	20,000.00	6,875.00	30,000.00	18,200.00
1991-2005	410,000.00	60,600.00	295,000.00	42,853.09	210,000.00	33,281.23	505,000.00	113,662.50
TOTALS	<u>\$585,000.00</u>	<u>\$135,225.00</u>	<u>\$415,000.00</u>	<u>\$ 94,371.87</u>	<u>\$295,000.00</u>	<u>\$ 73,203.12</u>	<u>\$655,000.00</u>	<u>\$215,162.50</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$720,225.00</u>		<u>\$509,371.87</u>		<u>\$368,203.12</u>		<u>\$870,162.50</u>

MOREHEAD STATE UNIVERSITY

SCHEDULE OF BOND RETIREMENT AND INTEREST PAYMENTS
HOUSING AND DINING SYSTEM REVENUE BONDS (CONTINUED)

SUBSEQUENT TO JUNE 30, 1985

Year Ending June 30,	SERIES E		SERIES F		SERIES G		SERIES H	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1986	\$ 5,000.00	\$ 3,028.13	\$ -	\$ 13,162.50	\$ 45,000.00	\$ 36,662.50	\$ 45,000.00	\$ 46,593.75
1987	5,000.00	2,859.38	-	13,162.50	45,000.00	35,087.50	45,000.00	44,906.25
1988	5,000.00	3,290.63	20,000.00	12,825.00	50,000.00	33,425.00	50,000.00	43,125.00
1989	5,000.00	3,121.88	20,000.00	12,150.00	50,000.00	31,675.00	50,000.00	41,250.00
1990	5,000.00	2,953.13	20,000.00	11,475.00	50,000.00	29,925.00	50,000.00	39,375.00
1991-2005	<u>85,000.00</u>	<u>20,521.85</u>	<u>330,000.00</u>	<u>69,862.50</u>	<u>830,000.00</u>	<u>200,200.00</u>	<u>1,025,000.00</u>	<u>311,156.25</u>
TOTALS	<u>\$110,000.00</u>	<u>\$ 35,775.00</u>	<u>\$390,000.00</u>	<u>\$132,637.50</u>	<u>\$1,070,000.00</u>	<u>\$ 366,975.00</u>	<u>\$1,265,000.00</u>	<u>\$ 526,406.25</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$145,775.00</u>		<u>\$522,637.50</u>		<u>\$1,436,975.00</u>		<u>\$1,791,406.25</u>

MOREHEAD STATE UNIVERSITY

SCHEDULE OF BOND RETIREMENT AND INTEREST PAYMENTS
HOUSING AND DINING SYSTEM REVENUE BONDS (CONCLUDED)

SUBSEQUENT TO JUNE 30, 1985

<u>Year Ending</u> <u>June 30,</u>	<u>SERIES I</u>		<u>SERIES J</u>		<u>Total Requirements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1986	\$ 90,000.00	\$ 81,450.00	\$ 210,000.00	\$ 163,890.00	\$ 495,000.00	\$ 404,840.02
1987	90,000.00	78,750.00	180,000.00	153,360.00	470,000.00	384,963.14
1988	95,000.00	75,975.00	190,000.00	143,370.00	515,000.00	365,560.64
1989	100,000.00	73,050.00	210,000.00	132,570.00	545,000.00	344,201.26
1990	105,000.00	69,975.00	215,000.00	121,095.00	555,000.00	321,538.76
1991-2005	<u>2,280,000.00</u>	<u>598,200.00</u>	<u>2,135,000.00</u>	<u>495,855.00</u>	<u>8,105,000.00</u>	<u>1,946,192.42</u>
TOTALS	<u>\$2,760,000.00</u>	<u>\$ 977,400.00</u>	<u>\$3,140,000.00</u>	<u>\$1,210,140.00</u>	<u>\$10,685,000.00</u>	<u>\$ 3,767,296.24</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$3,737,400.00</u>		<u>\$4,350,140.00</u>		<u>\$14,452,296.24</u>

MOREHEAD STATE UNIVERSITY
SCHEDULE OF BOND RETIREMENT AND INTEREST PAYMENTS
CONSOLIDATED EDUCATIONAL BUILDING REVENUE BONDS

SUBSEQUENT TO JUNE 30, 1985

Year Ending June 30,	<u>SERIES B</u>		<u>SERIES C</u>		<u>SERIES D</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1986	\$100,000.00	\$ 25,037.50	\$ 85,000.00	\$ 44,787.50	\$ 185,000.00	\$ 127,115.00
1987	100,000.00	20,787.50	90,000.00	41,557.50	195,000.00	119,715.00
1988	105,000.00	16,537.50	90,000.00	38,137.50	205,000.00	111,915.00
1989	110,000.00	12,075.00	95,000.00	34,650.00	210,000.00	103,715.00
1990	115,000.00	8,225.00	100,000.00	30,650.00	215,000.00	95,315.00
1991-2005	<u>120,000.00</u>	<u>4,200.00</u>	<u>750,000.00</u>	<u>72,268.75</u>	<u>2,115,000.00</u>	<u>353,625.00</u>
TOTALS	<u>\$650,000.00</u>	<u>\$ 86,862.50</u>	<u>\$1,210,000.00</u>	<u>\$ 262,051.25</u>	<u>\$3,125,000.00</u>	<u>\$ 911,400.00</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$736,862.50</u>		<u>\$1,472,051.25</u>		<u>\$4,036,400.00</u>

MOREHEAD STATE UNIVERSITY
SCHEDULE OF BOND RETIREMENT AND INTEREST PAYMENTS
CONSOLIDATED EDUCATIONAL BUILDING REVENUE BONDS (CONCLUDED)

SUBSEQUENT TO JUNE 30, 1985

Year Ending June 30,	SERIES E		SERIES F		SERIES G		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1986	170,000.00	117,575.00	135,000.00	142,682.50	140,000.00	323,347.50	815,000.00	780,545.00
1987	175,000.00	109,500.00	140,000.00	134,920.00	150,000.00	314,947.50	850,000.00	741,427.50
1988	185,000.00	101,187.50	150,000.00	126,870.00	160,000.00	305,947.50	895,000.00	700,595.00
1989	200,000.00	92,400.00	150,000.00	118,320.00	170,000.00	296,347.50	935,000.00	657,507.50
1990	210,000.00	82,800.00	160,000.00	109,770.00	180,000.00	285,722.50	980,000.00	612,482.50
1991-2005	<u>1,515,000.00</u>	<u>265,920.00</u>	<u>1,810,000.00</u>	<u>507,945.00</u>	<u>4,300,000.00</u>	<u>2,094,612.50</u>	<u>10,610,000.00</u>	<u>3,298,571.25</u>
TOTALS	<u>\$2,455,000.00</u>	<u>\$ 769,382.50</u>	<u>\$2,545,000.00</u>	<u>\$1,140,507.50</u>	<u>\$5,100,000.00</u>	<u>\$3,620,925.00</u>	<u>\$15,085,000.00</u>	<u>\$ 6,791,128.75</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$3,224,382.50</u>		<u>\$3,685,507.50</u>		<u>\$8,720,925.00</u>		<u>\$21,876,128.75</u>

MOREHEAD STATE UNIVERSITY

RECONCILIATION OF ACCOUNTS WITH DEPARTMENT OF FINANCE

JUNE 30, 1985

GENERAL FUND (01-UC00-440-01000000):	
Balance per Department of Finance	\$1,948,975.60
LESS: Items recorded by Morehead State University as of June 30, 1985 and recorded by the Department of Finance subsequent to June 30, 1985	<u>1,948,975.60</u>
Balance per Morehead State University	<u>\$ -</u>
REVOLVING FUND (14-0000-440-02000000):	
Balance per Department of Finance	\$3,408,682.40
ADD: Items recorded by Department of Finance as of June 30, 1985, and recorded by Morehead State University subsequent to June 30, 1985	575,017.17
LESS: Items recorded by Morehead State University as of June 30, 1985 and recorded by the Department of Finance subsequent to June 30, 1985	<u>3,373,048.30</u>
Balance per Morehead State University	<u>\$ 610,651.27</u>