

KELLEY, GALLOWAY & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

1200 Bath Avenue - Post Office Box 990

Ashland, Kentucky 41105-0990

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MOREHEAD, KENTUCKY 40351
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Members of the Board of Regents and
Dr. C. Nelson Grote, President
Morehead State University
Morehead, Kentucky

SCOPE OF OUR EVALUATION

We have audited the financial statements of Morehead State University for the year ended June 30, 1989, and have issued our report thereon dated September 15, 1989. As a part of our audit, 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 and generally accepted government 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.

Accounts Receivable

As detailed in previous reports to the Board of Regents, delinquent accounts receivable continue to present a problem to the University. The following table demonstrates the significance of accounts receivable more than 90 days past due, as compared to total accounts receivable for the years ended June 30, 1989, 1988 and 1987, respectively:

<u>For the Year Ended</u>	<u>Accounts Receivable More Than 90 Days Past Due</u>	<u>Percentage to Total Accounts Receivable</u>	<u>Percentage Increase in Student Enrollment</u>
June 30, 1989	\$924,088	71.3%	7.3%
June 30, 1988	784,687	73.9	13.7
June 30, 1987	538,335	70.4	10.1

Increased emphasis was placed on billing and collection methods during the year and improvements have been realized. Subsequent to June 30, 1989, a revised credit policy was implemented by management in an attempt to reduce delinquent accounts. We recommend management monitor the results of this policy and make any necessary changes in order to control the past due problems at the University.

Electronic Data Processing

We have noted areas related to data processing that needed strengthening in previous years' recommendations. While progress continues, we recommend:

1. Development of a disaster plan for EDP operations has continued. Communication with other PRIME users is taking place in efforts to develop a support network in the event of a disaster. We would recommend the following items be addressed:
 - a. Arrange for (1) an on-campus cold site to include appropriate air conditioning, electrical supply, fire protection, security, telephone and communication features and (2) agreements with hardware vendors for priority delivery of equipment in the event of a disaster.
 - b. Provide detailed user instructions for procedures to be followed in the event of a disaster.
2. Programmers have access to live data files and source programs. As the size of the Computing Services function continues to increase, we believe management should consider the segregation of all functional areas.
3. To protect the computer room from complete destruction of equipment after a fire has been detected, we have recommended that management install a Halon system in the computer room. Management is in the process of securing bids for a Halon system. Once finalized, the system should be installed shortly thereafter.

4. Although procedures are set up to ensure only authorized changes be made to production programs, any of the four master password users could change and compile a program without utilizing the development file, thus bypassing the automatic log maintained in the development file. We recommend that all program changes be forced to compile after the development file, thus eliminating the risk of non-logged changes to production programs.

While we understand the various difficulties encountered by management because of the limited number of personnel available and the costs involved in implementation of some of the above, we continue to believe each area should be re-evaluated and the long range benefits considered, in light of the cost/benefit relationship.

Internal Audit Function

In our previous year report to the Board we recommended the formation of an Internal Audit function at MSU. A search was conducted during the year and, subsequent to June 30, 1989, the position was filled.

We would welcome the opportunity to work with the new Internal Auditor in the development of the University's internal audit function, including the work programs and the audit frequency schedule.

Federal Grants and Contracts

During the course of our audit we noted instances of noncompliance with the contracts of Federally sponsored programs. These instances included failure to file quarterly cash transaction reports, untimely filing of required program financial reports, differences between program budgets and budgets entered into the University's budgeting system and untimely calculation of cost reimbursements.

We understand the position of Federal Programs Accountant was vacant for four months during the year, thus leading to the problems noted above. Management has already begun to address these problems. We recommend management monitor these areas closely, as failure to comply with program contracts could result in the loss of Federal grants and contracts.

CLOSING

The above conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the 1989 financial statements, and this report does not affect our report on those financial statements dated September 15, 1989.

The above suggestions should not be construed as criticism of any individual; rather, they are offered as a by-product of our audit 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.

Kelly, Galloway + Company, PC

September 15, 1989

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Members of the Board of Regents and
Dr. C. Nelson Grote, President
Morehead State University
Morehead, Kentucky

We have audited the financial statements of Morehead State University as of and for the year ended June 30, 1989, and have issued our unqualified report thereon under date of September 15, 1989. At your request, we have also applied certain agreed-upon procedures, as discussed below, to the personnel department records of Morehead State University as of June 30, 1989, solely to assist the University in complying with Section Number PG-44 of the Personnel Policy Manual. It is understood that this report is solely for your information and is not to be referred to or distributed for any purposes to anyone who is not a member of management or the Board of Regents of Morehead State University. Our procedures and findings are as follows:

- a. From personnel records documenting actions taken by the Job Evaluation Committee hearing appeals of salary grade classifications, we selected five exempt reclassifications and five non-exempt reclassifications and (1) reviewed completed reclassification applications, (2) reviewed documentation of the personnel department's investigation and recommendation, (3) examined the Job Evaluation Committee's review form, noting documentation of approval action, and (4) traced and agreed the Committee's approved salary to the job evaluation study, noting it was within the approved range.
- b. We selected five "new hires" during the period July 1, 1988 through June 30, 1989 and (1) traced the assigned job classification and salary grade to the job evaluation study, (2) agreed the starting salary to the minimum rate allowed for the salary grade, and (3) traced to an approved personnel action request.
- c. We selected five new job classifications during the period July 1, 1988 through June 30, 1989 and (1) examined the Job Evaluation Committee's review form, noting documentation of approval action, (2) traced and agreed the Committee's approved salary to the job evaluation study, noting it was within the approved range, and (3) traced the assigned job classification to the updated list of job titles by grade for both exempt and non-exempt personnel.

Because the above procedures "a" through "c" do not constitute an audit made in accordance with generally accepted auditing standards and generally accepted government auditing standards, we do not express an opinion on any of the items referred to above.

In connection with our audit of the financial statements taken as a whole and with our procedures "a" through "c" referred to above, no matters came to our attention that caused us to believe the University was not in compliance with Section Number PG-44 of the Personnel Policy Manual.

Kelly Galloway & Company, PSC

September 15, 1989

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The Board of Regents of
Morehead State University
Morehead, Kentucky
and
Secretary of Finance and
Administration Cabinet
Commonwealth of Kentucky

We have audited the financial statements of Morehead State University for the year ended June 30, 1989, and have issued our report thereon dated September 15, 1989. As a part of our audit, we 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 and generally accepted government auditing standards in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

Effective January 1, 1983, the Board of Regents of Morehead State University elected to adopt the provisions under KRS.164A.550 to KRS.164A.630, except for authority related to capital construction. Therefore, we also made a study of those internal accounting controls and administrative control procedures (see Addendum attached) of the University that we considered relevant to the criteria established by the Commonwealth of Kentucky Finance and Administration Cabinet and as set forth in the Minimum Audit Scope for Compliance with KRS.164A.550 to KRS.164A.630, excluding capital construction provisions. Our study also included tests of compliance with such procedures during the year ended June 30, 1989.

We understand that internal accounting and administrative control procedures in conformity with the criteria referred to in the second paragraph of this report (Minimum Audit Scope for Compliance with KRS.164A.550 to KRS.164A.630) are considered adequate by the Finance and Administration Cabinet for the purpose of determining compliance with the provisions of KRS.164A.550 to KRS.164A.630, and that procedures not in conformity therewith indicate some inadequacy for such purposes. Our audit of the financial statements made in accordance with generally accepted auditing standards and generally accepted government auditing standards, including the study and evaluation of the University's system of internal accounting controls for the year ended June 30, 1989, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. Based on the understanding set forth in the first sentence of this paragraph and on our study and evaluation, we believe Morehead State University's procedures and controls were adequate for complying with KRS.164A.550 to KRS.164A.630.

This report is intended for use in connection with demonstrating compliance with KRS.164A.550 to KRS.164A.630 to the Commonwealth of Kentucky Finance and Administration Cabinet and is not to be used for any other purpose.

Kelley, Galloway + Company, P.C.

September 15, 1989

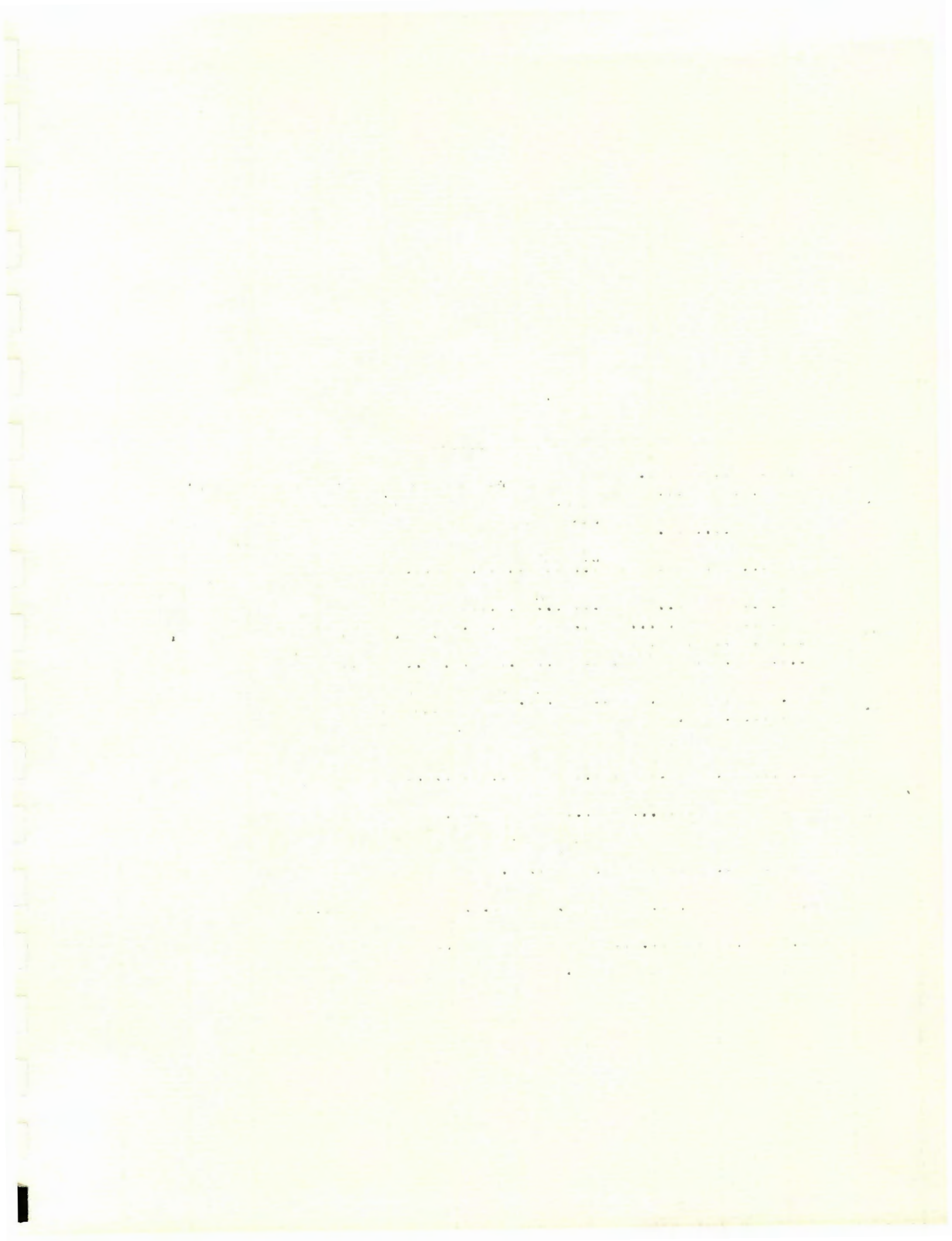
Internal Accounting Control

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We understand that the objective of those administrative control procedures in the criteria set out in the Minimum Audit Scope for Compliance with KRS.164A.550 to KRS.164A.630, is to provide similar assurance as to compliance with its related requirements. The concept of reasonable assurance recognizes that the cost of the system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution or recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to a risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Regents and

Dr. C. Nelson Grote, President

Morehead State University

Morehead, Kentucky

and

The Commissioner of Finance

Commonwealth of Kentucky

Frankfort, Kentucky

We have audited the balance sheets of Morehead State University, Morehead, Kentucky, as of June 30, 1989 and 1988, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morehead State University at June 30, 1989 and 1988, 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.

Kelley, Galloway & Company, PSC

September 15, 1989

MOREHEAD STATE UNIVERSITY

BALANCE SHEETS

JUNE 30, 1989 AND 1988

ASSETS

	<u>1989</u>	<u>1988</u>
CURRENT FUNDS:		
Unrestricted:		
Cash	\$ 4,974,839	\$ 6,658,157
Investments - at cost (Note 1)	128,817	119,470
Accounts receivable, less allowance for doubtful accounts of \$278,000 at 1989 and \$236,000 at 1988	1,102,081	916,023
Inventories (Note 1)	1,564,667	1,433,212
Due from restricted Current Funds	898,159	299,564
Due from Agency Funds	79,466	81,665
Due from Loan Funds	<u>61,100</u>	<u>11,076</u>
Total unrestricted	<u><u>8,809,129</u></u>	<u><u>9,519,167</u></u>
Restricted:		
Cash	706,995	351,009
Federal and State grants receivable	627,961	364,040
Due from Agency Funds	<u>58,566</u>	<u>73,856</u>
Total restricted	<u><u>1,393,522</u></u>	<u><u>788,905</u></u>
Total current funds	<u><u>\$10,202,651</u></u>	<u><u>\$10,308,072</u></u>
LOAN FUNDS:		
Cash	\$ 160,547	\$ 610,734
Loans to students, less allowance for doubtful accounts of \$356,302 at 1989 and \$506,028 at 1988	3,132,175	2,727,727
Accounts receivable	<u>96,078</u>	<u>62,505</u>
Total loan funds	<u><u>\$ 3,388,800</u></u>	<u><u>\$ 3,400,966</u></u>
ENDOWMENT FUNDS:		
Cash	\$ 145,698	\$ 141,032
Investments - at cost (Note 1)	<u>703</u>	<u>703</u>
Total endowment funds	<u><u>\$ 146,401</u></u>	<u><u>\$ 141,735</u></u>

LIABILITIES AND FUND BALANCES

	<u>1989</u>	<u>1988</u>
CURRENT FUNDS:		
Unrestricted:		
Accounts payable	\$ 725,551	\$ 639,543
Accrued vacation pay	755,535	700,504
Accrued salaries and related liabilities	<u>1,702,336</u>	<u>1,731,578</u>
	<u>3,183,422</u>	<u>3,071,625</u>
Fund balance -		
Allocated	4,557,724	4,255,054
Unallocated	<u>1,067,983</u>	<u>2,192,488</u>
	<u>5,625,707</u>	<u>6,447,542</u>
Total unrestricted	<u>8,809,129</u>	<u>9,519,167</u>
Restricted:		
Accounts payable	10,009	47,862
Accrued wages	37,753	61,860
Due to unrestricted Current Funds	898,159	299,564
Unearned revenue for Federal and State grants	401,519	311,856
Fund balance	<u>46,082</u>	<u>67,763</u>
Total restricted	<u>1,393,522</u>	<u>788,905</u>
Total current funds	<u>\$10,202,651</u>	<u>\$10,308,072</u>
LOAN FUNDS:		
Accounts payable	\$ 4,905	\$ 6,928
Loan awards payable	100	1,650
Due to unrestricted Current Funds	<u>61,100</u>	<u>11,076</u>
	<u>66,105</u>	<u>19,654</u>
Fund balance -		
U.S. Government contributions	4,826,450	4,840,227
Institutional contributions	541,716	540,611
Deficit	<u>(2,045,471)</u>	<u>(1,999,526)</u>
	<u>3,322,695</u>	<u>3,381,312</u>
Total loan funds	<u>\$ 3,388,800</u>	<u>\$ 3,400,966</u>
 ENDOWMENT FUNDS--fund balance	 <u>\$ 146,401</u>	 <u>\$ 141,735</u>

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

MOREHEAD STATE UNIVERSITY

BALANCE SHEETS (CONCLUDED)

JUNE 30, 1989 AND 1988

ASSETS

	<u>1989</u>	<u>1988</u>
PLANT FUNDS:		
Unexpended:		
Cash	\$ 1,237,204	\$ 1,158,199
Accounts receivable	24,395	-
Investment in repurchase agreement, at cost (Note 1)	5,126,856	-
Total unexpended	<u>6,388,455</u>	<u>1,158,199</u>
Renewal and Replacement:		
Cash and certificates of deposit (Note 1)	360,700	530,201
Investments in U.S. Treasury securities, at cost (Note 1)	84,815	78,378
Accounts receivable	1,380	2,408
Total renewal and replacement	<u>446,895</u>	<u>610,987</u>
Retirement of Indebtedness:		
Cash and certificates of deposit (Note 1)	869,566	783,543
Investments in U.S. Treasury securities, at cost (Note 1)	2,058,334	2,255,729
Accounts receivable	19,174	37,958
Total retirement of indebtedness	<u>2,947,074</u>	<u>3,077,230</u>
Investment in Plant (Notes 1 and 2):		
Bond proceeds receivable	3,530,000	-
Land and improvements	4,773,865	4,522,969
Buildings	73,163,967	72,538,707
Library - books and periodicals	6,650,045	6,305,859
Charles M. Derrickson Agricultural Complex - livestock	167,998	151,650
Vehicles	737,116	595,439
Equipment	12,668,047	11,712,724
Construction in progress	1,202,786	479,553
Total investment in plant	<u>102,893,824</u>	<u>96,306,901</u>
Total plant funds	<u>\$112,676,248</u>	<u>\$101,153,317</u>
AGENCY FUNDS:		
Cash	\$ 835,361	\$ 780,803
Certificates of deposit (Note 1)	-	240,000
Accounts receivable	101,458	3,734
Total agency funds	<u>\$ 936,819</u>	<u>\$ 1,024,537</u>

LIABILITIES AND FUND BALANCES

	<u>1989</u>	<u>1988</u>
PLANT FUNDS:		
Unexpended--restricted fund balance	\$ 6,388,455	\$ 1,158,199
Renewal and Replacement--fund balance	446,895	610,987
Retirement of Indebtedness--restricted fund balance	2,947,074	3,077,230
Investment in Plant:		
Bonds payable (Note 2)	26,885,000	24,890,000
Net investment in plant	76,008,824	71,416,901
Total investment in plant	<u>102,893,824</u>	<u>96,306,901</u>
Total plant funds	<u>\$112,676,248</u>	<u>\$101,153,317</u>
AGENCY FUNDS:		
Accounts payable	\$ 29,267	\$ 70,826
Due to unrestricted Current Funds	79,466	81,665
Due to restricted Current Funds	58,566	73,856
Deposits held in custody for others	769,520	798,190
Total agency funds	<u>\$ 936,819</u>	<u>\$ 1,024,537</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, 1989 AND 1988

	1989	
	<u>Unrestricted</u>	<u>Restricted</u>
CURRENT FUNDS:		
BALANCE, beginning of year	\$ 6,447,542	\$ 67,763
REVENUES AND OTHER ADDITIONS:		
Unrestricted Current Funds revenue	48,331,033	-
Federal and State grants and contracts	-	8,325,150
	<u>48,331,033</u>	<u>8,325,150</u>
EXPENDITURES AND OTHER DEDUCTIONS:		
Educational and general expenditures	37,686,782	8,073,939
Auxiliary enterprises expenditures	7,176,026	272,892
	<u>44,862,808</u>	<u>8,346,831</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):		
Mandatory -		
Transfers to Plant Funds-retirement of indebtedness (Note 2)	(2,371,206)	-
Transfers to Loan Funds	(202,382)	-
Transfers from Plant Funds	-	-
Transfer to Plant Fund-unexpended	<u>(1,716,472)</u>	-
	<u>(4,290,060)</u>	-
OTHER DEDUCTIONS TO FUND BALANCE	-	-
NET INCREASE (DECREASE) FOR THE YEAR	<u>(821,835)</u>	<u>(21,681)</u>
BALANCE, end of year	<u>\$ 5,625,707</u>	<u>\$ 46,082</u>

1988	
<u>Unrestricted</u>	<u>Restricted</u>
<u>\$ 4,959,997</u>	<u>\$ 91,932</u>
44,555,377	-
-	<u>6,576,018</u>
<u>44,555,377</u>	<u>6,576,018</u>
33,934,454	6,286,136
<u>5,907,646</u>	<u>277,099</u>
<u>39,842,100</u>	<u>6,563,235</u>
(2,648,728)	-
(194,404)	-
53,054	-
<u>(435,654)</u>	-
<u>(3,225,732)</u>	-
-	<u>(36,952)</u>
<u>1,487,545</u>	<u>(24,169)</u>
<u>\$ 6,447,542</u>	<u>\$ 67,763</u>

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

MOREHEAD STATE UNIVERSITY

STATEMENTS OF CHANGES IN FUND BALANCES (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	<u>1989</u>	<u>1988</u>
LOAN FUNDS:		
BALANCE, beginning of year	<u>\$3,381,312</u>	<u>\$3,315,780</u>
REVENUES AND OTHER ADDITIONS:		
Interest on loans receivable	76,228	113,728
Cancellation reimbursement	38,105	33,698
Miscellaneous interest income	16,116	29,499
Federal contributions	9,942	-
Institutional contributions	1,105	-
Recovery of doubtful accounts previously written off	-	95,373
Other	<u>203</u>	<u>612</u>
	<u>141,699</u>	<u>272,910</u>
EXPENDITURES AND OTHER DEDUCTIONS:		
Loan principal and interest cancelled	51,352	61,688
Administrative and collection expense	122,122	118,265
Return of excess funds	23,719	25,000
Other	<u>3,123</u>	<u>2,425</u>
	<u>200,316</u>	<u>207,378</u>
NET INCREASE (DECREASE) FOR THE YEAR	<u>(58,617)</u>	<u>65,532</u>
BALANCE, end of year	<u><u>\$3,322,695</u></u>	<u><u>\$3,381,312</u></u>
ENDOWMENT FUNDS:		
BALANCE, beginning of year	<u>\$ 141,735</u>	<u>\$ 132,865</u>
INVESTMENT INCOME	4,689	8,870
SPECIAL EXPENSES	<u>(23)</u>	<u>-</u>
NET INCREASE IN FUND BALANCE	<u>4,666</u>	<u>8,870</u>
BALANCE, end of year	<u><u>\$ 146,401</u></u>	<u><u>\$ 141,735</u></u>

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

MOREHEAD STATE UNIVERSITY
 STATEMENTS OF CHANGES IN FUND BALANCES (CONCLUDED)
 FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	1989		
	<u>Unexpended</u>	<u>Renewal and Replacement</u>	<u>Retirement of Indebtedness</u>
PLANT FUNDS:			
BALANCE, beginning of year	\$ 1,158,199	\$ 610,987	\$3,077,230
REVENUES AND OTHER ADDITIONS:			
Interest income	140,519	33,168	258,742
Appropriations for plant funds	5,517,000	-	-
Retirement of indebtedness Expended for plant fund facilities	-	-	-
Private gifts-restricted	-	-	-
	<u>5,657,519</u>	<u>33,168</u>	<u>258,742</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Retirement of indebtedness	-	-	1,535,000
Interest on indebtedness	-	-	1,195,344
Expenditures for plant additions	2,370,495	-	-
Miscellaneous	-	-	261
	<u>2,370,495</u>	<u>-</u>	<u>2,730,605</u>
TRANSFERS AMONG FUNDS- ADDITIONS (DEDUCTIONS):			
Mandatory -			
Transfers from unrestricted Current Funds for debt service (Note 2)	-	29,500	2,341,706
Transfer (to) from unrestrict- ed Current Funds (Note 2)	1,943,232	(226,760)	-
Transfer (to) from Renewal and Replacement	-	-	-
	<u>1,943,232</u>	<u>(197,260)</u>	<u>2,341,706</u>
NET INCREASE (DECREASE) FOR THE YEAR	<u>5,230,256</u>	<u>(164,092)</u>	<u>(130,156)</u>
BALANCE, end of year	<u>\$ 6,388,455</u>	<u>\$ 446,895</u>	<u>\$2,947,074</u>

1989	1988			
<u>Investment in Plant</u>	<u>Unexpended</u>	<u>Renewal and Replacement</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
<u>\$71,416,901</u>	<u>\$2,812,264</u>	<u>\$607,963</u>	<u>\$2,929,599</u>	<u>\$68,258,574</u>
-	-	37,419	196,031	-
-	266,221	-	-	-
1,535,000	-	-	-	1,410,000
2,952,361	-	-	-	1,790,045
104,562	-	-	-	-
<u>4,591,923</u>	<u>266,221</u>	<u>37,419</u>	<u>196,031</u>	<u>3,200,045</u>
-	-	-	1,410,000	-
-	-	-	1,268,377	-
-	2,355,940	-	-	-
-	-	-	92	41,718
<u>-</u>	<u>2,355,940</u>	<u>-</u>	<u>2,678,469</u>	<u>41,718</u>
-	-	-	2,648,728	-
-	435,654	-	(53,054)	-
-	-	(34,395)	34,395	-
<u>-</u>	<u>435,654</u>	<u>(34,395)</u>	<u>2,630,069</u>	<u>-</u>
<u>4,591,923</u>	<u>(1,654,065)</u>	<u>3,024</u>	<u>147,631</u>	<u>3,158,327</u>
<u>\$76,008,824</u>	<u>\$1,158,199</u>	<u>\$610,987</u>	<u>\$3,077,230</u>	<u>\$71,416,901</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, 1989 AND 1988

	1989	
	<u>Unrestricted</u>	<u>Restricted</u>
REVENUES:		
Tuition and fees	\$10,666,613	\$ -
State appropriations	26,609,500	-
Governmental grants and contracts	-	8,130,292
College Work Study matching funds	-	194,858
Indirect cost reimbursement	150,366	-
Sales and services of educational activities	755,191	-
Sales and services of auxiliary enterprises	8,888,184	-
Other sources	1,111,179	-
Private gifts	150,000	-
	<u>48,331,033</u>	<u>8,325,150</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
Educational and general -		
Instruction	16,142,225	1,158,716
Research	70,807	24,195
Public service	865,822	1,172,311
Library	1,467,049	51,732
Academic support	2,232,777	23,954
Student services	3,794,188	372,056
Institutional support	5,617,090	120,944
Operation and maintenance of plant	5,034,400	8,490
Student financial aid	2,462,424	5,141,541
	<u>37,686,782</u>	<u>8,073,939</u>
Mandatory transfers for -		
Principal and interest	1,580,157	-
College Work Study and Loan		
Fund matching grants	202,382	-
	<u>1,782,539</u>	<u>-</u>
	<u>39,469,321</u>	<u>8,073,939</u>
Auxiliary enterprises -		
Expenditures	7,176,026	272,892
Mandatory transfers for principal and interest	791,049	-
	<u>7,967,075</u>	<u>272,892</u>
Total expenditures and mandatory transfers	<u>47,436,396</u>	<u>8,346,831</u>

<u>1989</u>	<u>1988</u>
<u>Totals</u>	<u>Totals</u>
\$10,666,613	\$ 9,006,545
26,609,500	25,965,178
8,130,292	6,381,614
194,858	194,404
150,366	151,149
755,191	685,410
8,888,184	7,581,569
1,111,179	1,165,526
150,000	-
<u>56,656,183</u>	<u>51,131,395</u>
17,300,941	15,044,657
95,002	56,320
2,038,133	1,944,689
1,518,781	1,431,673
2,256,731	1,773,384
4,166,244	3,663,598
5,738,034	6,309,300
5,042,890	4,416,644
<u>7,603,965</u>	<u>5,580,325</u>
<u>45,760,721</u>	<u>40,220,590</u>
1,580,157	1,800,383
<u>202,382</u>	<u>194,404</u>
<u>1,782,539</u>	<u>1,994,787</u>
<u>47,543,260</u>	<u>42,215,377</u>
7,448,918	6,184,745
<u>791,049</u>	<u>848,345</u>
<u>8,239,967</u>	<u>7,033,090</u>
<u>55,783,227</u>	<u>49,248,467</u>

MOREHEAD STATE UNIVERSITY

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

FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	1989	
	<u>Unrestricted</u>	<u>Restricted</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):		
Transfers from Plant Funds	\$ -	\$ -
Transfers to Plant Funds	(1,716,472)	-
Other deductions	-	-
	-----	-----
Total other transfers and additions (deductions)	<u>(1,716,472)</u>	<u>-</u>
 NET INCREASE (DECREASE) IN FUND BALANCES	 <u>\$ (821,835)</u>	 <u>\$(21,681)</u>

<u>1989</u> <u>Totals</u>	<u>1988</u> <u>Totals</u>
\$ -	\$ 53,054
(1,716,472)	(435,654)
-	(36,952)
<u>(1,716,472)</u>	<u>(419,552)</u>
<u>\$ (843,515)</u>	<u>\$1,463,376</u>

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

MOREHEAD STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1989 AND 1988

(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 60% and 58% respectively, of total inventories at June 30, 1989 and 1988 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, 1989 and 1988:

	<u>1989</u>	<u>1988</u>
2.875 - 6.9% Housing and Dining System Bonds, Series A through K, repayable in annual installments with the final installment due on November 1, 2009	\$12,190,000	\$ 9,205,000
3 - 6.875% Consolidated Educational Building Revenue Bonds, Series B through H, repayable in annual installments with the final installment due on May 1, 2007	<u>14,695,000</u>	<u>15,685,000</u>
	<u>\$26,885,000</u>	<u>\$24,890,000</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 1989, the University transferred \$791,049 to the Housing and Dining System Revenue Bonds Sinking Fund and \$1,580,157 to the Consolidated Educational Building Revenue Bonds Sinking Fund for payment of current year principal and interest.

In addition, during 1989, the balance in the Consolidated Educational Building Revenue Bonds Sinking Fund was greater than required by the Bond Ordinance. Therefore, the Trustee transferred \$272,137 from the Sinking Fund to Current Funds.

The bonds are collateralized by various buildings carried in the accounts at \$58,928,606. 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, 1989, are as follows:

Year Ending June 30,	Repayment Requirements		
	Principal	Interest	Total
1990	\$ 1,590,000	\$ 1,357,832	\$ 2,947,832
1991	1,745,000	1,302,550	3,047,550
1992	1,820,000	1,220,747	3,040,747
1993	1,920,000	1,133,823	3,053,823
1994	1,763,000	1,042,050	2,805,050
1995-2009	<u>18,047,000</u>	<u>6,014,443</u>	<u>24,061,443</u>
	<u>\$26,885,000</u>	<u>\$12,071,445</u>	<u>\$38,956,445</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.

Effective July 1, 1988, the participants' Kentucky Teachers' Retirement System contributions are matched by Morehead State University. The matching contribution totaled \$1,653,307 for the year ended June 30, 1989. For the year ended June 30, 1988, matching contributions by the State of Kentucky totaled \$1,439,845. These amounts have been included as both revenues and expenditures on the various statements. In addition to the matching contributions for participant withholdings, the State provided an overmatch amounting to \$209,812 for 1989 and \$452,846 for 1988 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, 1989 and 1988 were \$506,583 and \$455,861, respectively.

(4) DEPOSITS AND INVESTMENTS

The University had bank balances at June 30, 1989 as follows:

Insured, commercial banks	\$ 100,000
Uninsured, commercial banks; with adequate pledging of collateral held by pledging institution's agent in the University's name	4,292,182
Maintained by Commonwealth of Kentucky	<u>3,660,754</u>
	<u>\$8,052,936</u>

The University had investments at June 30, 1989 as follows:

Insured, commercial banks	\$ 100,000
Uninsured, registered, with adequate pledging of collateral; held by the institution's agent in the University's name	1,156,791
Uninsured, unregistered; held by the institution's agent in the University's name	2,143,149
Uninsured, unregistered; held by the University	703
Uninsured, unregistered repurchase agreement; held by the Commonwealth of Kentucky in the University's name	<u>5,126,856</u>
	<u><u>\$8,527,499</u></u>

SUPPLEMENTAL INFORMATION

KELLEY, GALLOWAY & COMPANY, PSC

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Members of the Board of Regents and
Dr. C. Nelson Grote, President
Morehead State University
Morehead, Kentucky
and
The Commissioner of Finance
Commonwealth of Kentucky
Frankfort, Kentucky

The financial statements of the University and our independent auditors' report thereon are presented in the preceding section of this report. The financial information presented hereinafter for the years ended June 30, 1989 and 1988 was derived from the accounting records tested by us as part of the auditing procedures followed in our audits 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, PSC

September 15, 1989

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS REVENUES

FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	1989	
	<u>Unrestricted</u>	<u>Restricted</u>
EDUCATIONAL AND GENERAL:		
Tuition and fees -		
Degree credit - Fall	\$ 4,693,647	\$ -
Degree credit - Spring	4,404,136	-
Degree credit - Summer and special sessions	1,098,867	-
Other student fees -		
Student activity and service fee	394,450	-
Music, lab and course fees	24,278	-
Extension and correspondence	51,234	-
State appropriations	26,609,500	-
Governmental grants and contracts -		
Supplemental Education Opportunity Grants	-	149,382
College Work Study	-	953,291
Other State and Federal grants	-	7,222,477
Unrestricted gifts	150,000	-
Indirect cost reimbursement	150,366	-
Sales and services of educational activities	755,192	-
Other sources	<u>1,111,179</u>	<u>-</u>
	<u>39,442,849</u>	<u>8,325,150</u>
 SALES AND SERVICES OF AUXILIARY ENTERPRISES:		
Residence halls	3,656,624	-
Married student and faculty housing	490,821	-
Food service	1,950,809	-
University store	2,095,267	-
Other sources	<u>694,663</u>	<u>-</u>
	<u>8,888,184</u>	<u>-</u>
 TOTAL CURRENT FUNDS REVENUES	 <u><u>\$48,331,033</u></u>	 <u><u>\$8,325,150</u></u>

<u>1989</u>	<u>1988</u>
<u>Totals</u>	<u>Totals</u>
\$ 4,693,647	\$ 3,886,522
4,404,136	3,731,473
1,098,867	967,051
394,450	339,053
24,278	25,474
51,234	56,972
26,609,500	25,965,178
149,382	124,950
953,291	952,010
7,222,477	5,499,058
150,000	-
150,366	151,149
755,192	685,410
<u>1,111,179</u>	<u>1,165,526</u>
<u>47,767,999</u>	<u>43,549,826</u>
3,656,624	2,948,585
490,821	472,578
1,950,809	1,770,338
2,095,267	1,656,216
<u>694,663</u>	<u>733,852</u>
<u>8,888,184</u>	<u>7,581,569</u>
<u>\$56,656,183</u>	<u>\$51,131,395</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND
MANDATORY TRANSFERS

FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	1989	
	<u>Unrestricted</u>	<u>Restricted</u>
EDUCATIONAL AND GENERAL:		
Instruction -		
Personal services	\$14,917,908	\$ 787,575
Operating expenses	974,888	358,362
Capital outlay	249,429	12,779
	<u>16,142,225</u>	<u>1,158,716</u>
Research -		
Personal services	24,931	22,298
Operating expenses	32,492	1,897
Capital outlay	13,384	-
	<u>70,807</u>	<u>24,195</u>
Public service -		
Personal services	638,803	729,190
Operating expenses	211,537	421,101
Capital outlay	15,482	22,020
	<u>865,822</u>	<u>1,172,311</u>
Library -		
Personal services	959,878	51,732
Operating expenses	129,444	-
Capital outlay	377,727	-
	<u>1,467,049</u>	<u>51,732</u>
Academic support -		
Personal services	1,419,117	23,954
Operating expenses	685,980	-
Capital outlay	127,680	-
	<u>2,232,777</u>	<u>23,954</u>
Student services -		
Personal services	1,965,241	348,648
Operating expenses	1,738,231	23,408
Capital outlay	90,716	-
	<u>3,794,188</u>	<u>372,056</u>
Institutional support -		
Personal services	3,748,576	110,564
Operating expenses	1,574,470	10,380
Capital outlay	294,044	-
	<u>5,617,090</u>	<u>120,944</u>

<u>1989</u>	<u>1988</u>
<u>Totals</u>	<u>Totals</u>
\$15,705,483	\$ 13,821,370
1,333,250	1,076,400
<u>262,208</u>	<u>146,887</u>
<u>17,300,941</u>	<u>15,044,657</u>
47,229	23,662
34,389	24,128
<u>13,384</u>	<u>8,530</u>
<u>95,002</u>	<u>56,320</u>
1,367,993	1,296,982
632,638	617,726
<u>37,502</u>	<u>29,981</u>
<u>2,038,133</u>	<u>1,944,689</u>
1,011,610	953,662
129,444	120,483
<u>377,727</u>	<u>357,528</u>
<u>1,518,781</u>	<u>1,431,673</u>
1,443,071	1,026,238
685,980	603,214
<u>127,680</u>	<u>143,932</u>
<u>2,256,731</u>	<u>1,773,384</u>
2,313,889	2,155,877
1,761,639	1,473,749
<u>90,716</u>	<u>33,972</u>
<u>4,166,244</u>	<u>3,663,598</u>
3,859,140	3,944,974
1,584,850	1,938,629
<u>294,044</u>	<u>425,697</u>
<u>5,738,034</u>	<u>6,309,300</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND
MANDATORY TRANSFERS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	1989	
	Unrestricted	Restricted
EDUCATIONAL AND GENERAL (CONTINUED):		
Operation and maintenance of plant -		
Personal services	\$ 2,466,462	\$ 8,490
Operating expenses	2,086,522	-
Capital outlay	481,416	-
	5,034,400	8,490
Student financial aid -		
Personal services	79,127	-
Operating expenses	2,383,297	5,141,541
	2,462,424	5,141,541
 Total educational and general expenditures -		
Personal services	26,220,044	2,082,451
Operating expenses	9,816,861	5,956,689
Capital outlay	1,649,877	34,799
	37,686,782	8,073,939
 Mandatory transfers -		
Principal and interest	1,580,157	-
Loan and other matching grants	202,382	-
	1,782,539	-
 TOTAL EDUCATIONAL AND GENERAL	\$39,469,321	\$8,073,939
AUXILIARY ENTERPRISES:		
Expenditures -		
Personal services	\$ 2,114,407	\$ 272,892
Operating expenses	4,414,283	-
Capital outlay	647,336	-
	7,176,026	272,892
 Mandatory transfers -		
Principal and interest	791,049	-
 TOTAL AUXILIARY ENTERPRISES	\$ 7,967,075	\$ 272,892

<u>1989</u>	<u>1988</u>
<u>Totals</u>	<u>Totals</u>
\$ 2,474,952	\$ 2,202,011
2,086,522	1,904,937
<u>481,416</u>	<u>309,696</u>
<u>5,042,890</u>	<u>4,416,644</u>
79,127	6,590
<u>7,524,838</u>	<u>5,573,735</u>
<u>7,603,965</u>	<u>5,580,325</u>
28,302,495	25,431,366
15,773,550	13,333,001
<u>1,684,676</u>	<u>1,456,223</u>
<u>45,760,721</u>	<u>40,220,590</u>
1,580,157	1,800,383
<u>202,382</u>	<u>194,404</u>
<u>1,782,539</u>	<u>1,994,787</u>
<u>\$47,543,260</u>	<u>\$42,215,377</u>
\$ 2,387,299	\$ 2,086,223
4,414,283	3,926,547
<u>647,336</u>	<u>171,975</u>
<u>7,448,918</u>	<u>6,184,745</u>
<u>791,049</u>	<u>848,345</u>
<u>\$ 8,239,967</u>	<u>\$ 7,033,090</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND
MANDATORY TRANSFERS (CONCLUDED)

FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	1989	
	<u>Unrestricted</u>	<u>Restricted</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS (CONCLUDED):		
Expenditures -		
Personal services	\$28,334,451	\$2,355,343
Operating expenses	14,231,144	5,956,689
Capital outlay	2,297,213	34,799
	<u>44,862,808</u>	<u>8,346,831</u>
 Mandatory transfers -		
Principal and interest	2,371,206	-
Loan and other matching grants	202,382	-
	<u>2,573,588</u>	<u>-</u>
 TOTAL EXPENDITURES AND MANDATORY TRANSFERS	<u>\$47,436,396</u>	<u>\$8,346,831</u>

<u>1989</u> <u>Totals</u>	<u>1988</u> <u>Totals</u>
\$30,689,794	\$27,517,589
20,187,833	17,259,548
<u>2,332,012</u>	<u>1,628,198</u>
<u>53,209,639</u>	<u>46,405,335</u>
2,371,206	2,648,728
<u>202,382</u>	<u>194,404</u>
<u>2,573,588</u>	<u>2,843,132</u>
<u>\$55,783,227</u>	<u>\$49,248,467</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CHANGES IN FUND BALANCES - LOAN FUNDS

FOR THE YEARS ENDED JUNE 30, 1989 AND 1988

	1989	
	Perkins (National Direct Student Loan) Fund	Nursing Loan Fund
BALANCE, beginning of year	<u>\$3,315,811</u>	<u>\$65,501</u>
INCREASES:		
Reimbursement for cancellations	38,105	-
Interest income on loans	74,025	2,203
Miscellaneous interest income	15,680	436
Federal contributions	9,942	-
Institutional contributions	1,105	-
Other	200	3
Recovery of doubtful accounts previously written off	-	-
	<u>139,057</u>	<u>2,642</u>
DECREASES:		
Loan principal cancelled	44,546	1,265
Loan interest cancelled	5,485	56
Administrative and collection expenses	120,410	1,712
Return of excess funds	-	23,719
Other	2,599	524
	<u>173,040</u>	<u>27,276</u>
BALANCE, end of year	<u><u>\$3,281,828</u></u>	<u><u>\$40,867</u></u>

<u>1989</u>	<u>1988</u>
<u>Totals</u>	<u>Totals</u>
<u>\$3,381,312</u>	<u>\$3,315,780</u>
38,105	33,698
76,228	113,728
16,116	29,499
9,942	-
1,105	-
203	612
-	<u>95,373</u>
<u>141,699</u>	<u>272,910</u>
45,811	55,398
5,541	6,290
122,122	118,265
23,719	25,000
<u>3,123</u>	<u>2,425</u>
<u>200,316</u>	<u>207,378</u>
<u>\$3,322,695</u>	<u>\$3,381,312</u>

MOREHEAD STATE UNIVERSITY

SCHEDULE OF INVESTMENTS BY FUNDS

JUNE 30, 1989

	<u>Unrestricted Funds</u>	<u>Consolidated Educational Building Sinking Fund</u>	<u>Repair and Maintenance Reserve</u>
7.55% to 9.0% certificates of deposit	\$128,817	\$ -	\$287,275
Other U.S. obligations, at cost	<u>-</u>	<u>1,915,782</u>	<u>84,815</u>
	<u>\$128,817</u>	<u>\$1,915,782</u>	<u>\$372,090</u>

<u>Debt Service Reserve</u>	<u>Endowment Funds</u>	<u>Total Carrying Amount</u>	<u>Approximate Market Value</u>
\$840,699	\$ -	\$1,256,791	\$1,256,791
<u>142,552</u>	<u>703</u>	<u>2,143,852</u>	<u>2,143,852</u>
<u>\$983,251</u>	<u>\$703</u>	<u>\$3,400,643</u>	<u>\$3,400,643</u>

MOREHEAD STATE UNIVERSITY

SUMMARY SCHEDULE OF BONDS PAYABLE

JUNE 30, 1989

	<u>Original Issue</u>	<u>Outstanding June 30, 1989</u>
HOUSING AND DINING SYSTEM		
REVENUE BONDS:		
Series A	\$1,040,000	\$ 445,000
Series B	735,000	320,000
Series C	525,000	230,000
Series D	1,050,000	535,000
Series E	200,000	90,000
Series F	390,000	350,000
Series G	1,340,000	880,000
Series H	1,840,000	1,075,000
Series I	3,920,000	2,385,000
Series J	5,800,000	2,350,000
Series K	3,530,000	3,530,000
 CONSOLIDATED EDUCATIONAL BUILDING		
REVENUE BONDS:		
Series B	1,400,000	235,000
Series C	1,950,000	850,000
Series D	5,300,000	2,330,000
Series E	4,350,000	1,725,000
Series F	4,100,000	1,970,000
Series G	6,300,000	4,480,000
Series H	3,160,000	<u>3,105,000</u>
 TOTAL BONDS PAYABLE		 <u><u>\$26,885,000</u></u>

MOREHEAD STATE UNIVERSITY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

SINKING FUNDS

FOR THE YEAR ENDED JUNE 30, 1989

	<u>Sinking Fund</u>	<u>Housing and Dining System Debt Service Reserve Fund</u>
FUND BALANCES, June 30, 1988	\$ 64,001	\$1,004,124
RECEIPTS AND OTHER ADDITIONS:		
Transferred from Housing System Revenue Fund	761,549	-
Income from investments	2,404	77,526
Redemption of investments	276,743	1,899,148
Transfer from Debt Service Reserve Fund	70,524	-
Increase in investments	-	1,962
	<u>1,111,220</u>	<u>1,978,636</u>
Total available funds	<u>1,175,221</u>	<u>2,982,760</u>
DISBURSEMENTS AND OTHER DEDUCTIONS:		
Redemption of bonds	545,000	-
Payment of interest	333,050	-
Purchase of investments	235,962	1,901,111
Transfer to Sinking Fund	-	70,524
Transfer to unrestricted Current Funds	-	-
Other	261	-
Decrease in investments	40,781	-
	<u>1,155,054</u>	<u>1,971,635</u>
FUND BALANCES, June 30, 1989	<u>\$ 20,167</u>	<u>\$1,011,125</u>

<u>Repair Fund</u>	<u>Consolidated Educational Building Bonds</u>	<u>Totals</u>
<u>\$ 610,987</u>	<u>\$ 2,009,105</u>	<u>\$ 3,688,217</u>
29,500	1,580,157	2,371,206
33,168	178,812	291,910
1,375,861	8,833,120	12,384,872
-	-	70,524
<u>-</u>	<u>70,527</u>	<u>72,489</u>
<u>1,438,529</u>	<u>10,662,616</u>	<u>15,191,001</u>
<u>2,049,516</u>	<u>12,671,721</u>	<u>18,879,218</u>
-	990,000	1,535,000
-	862,294	1,195,344
1,212,797	8,903,645	12,253,515
-	-	70,524
226,760	-	226,760
-	-	261
163,064	-	203,845
<u>1,602,621</u>	<u>10,755,939</u>	<u>15,485,249</u>
<u>\$ 446,895</u>	<u>\$ 1,915,782</u>	<u>\$ 3,393,969</u>

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1989

<u>Year Ending</u> <u>June 30,</u>	<u>SERIES A</u>		<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>	<u>Principal</u>	<u>Interest</u>
1990	\$ 35,000	\$ 12,825	\$ 25,000	\$ 8,841	\$ 20,000	\$ 6,875	\$ 30,000	\$ 18,200
1991	40,000	11,700	25,000	8,122	20,000	6,250	30,000	17,150
1992	40,000	10,500	30,000	7,331	20,000	5,625	35,000	16,013
1993	40,000	9,300	30,000	6,469	20,000	5,000	40,000	14,700
1994	40,000	8,100	30,000	5,606	20,000	4,375	40,000	13,300
1995-2009	<u>250,000</u>	<u>20,925</u>	<u>180,000</u>	<u>15,325</u>	<u>130,000</u>	<u>12,031</u>	<u>360,000</u>	<u>52,500</u>
TOTALS	<u>\$445,000</u>	<u>\$ 73,350</u>	<u>\$320,000</u>	<u>\$ 51,694</u>	<u>\$230,000</u>	<u>\$ 40,156</u>	<u>\$535,000</u>	<u>\$131,863</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$518,350</u>		<u>\$371,694</u>		<u>\$270,156</u>		<u>\$666,863</u>

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1989

Year Ending June 30,	<u>SERIES E</u>		<u>SERIES F</u>		<u>SERIES G</u>		<u>SERIES H</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1990	\$ 5,000	\$ 2,953	\$ 20,000	\$ 11,475	\$ 50,000	\$ 29,925	\$ 50,000	\$ 39,375
1991	5,000	2,784	25,000	10,716	55,000	28,088	55,000	37,406
1992	5,000	2,616	25,000	9,872	55,000	26,163	55,000	35,344
1993	5,000	2,447	25,000	9,028	55,000	24,238	60,000	33,188
1994	5,000	2,278	25,000	8,184	60,000	22,225	60,000	30,938
1995-2009	65,000	9,197	230,000	32,063	605,000	99,488	795,000	174,281
TOTALS	\$ 90,000	\$ 22,275	\$350,000	\$ 81,338	\$880,000	\$ 230,127	\$1,075,000	\$350,532
TOTAL PRINCIPAL AND INTEREST		\$112,275		\$431,338		\$1,110,127		\$1,425,532

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1989

Year Ending June 30,	SERIES I		SERIES J		SERIES K		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1990	\$ 105,000	\$ 69,975	\$ 215,000	\$ 121,095	\$ -	\$ 221,180	\$ 555,000	\$ 542,719
1991	105,000	66,825	220,000	109,350	80,000	238,608	660,000	536,999
1992	110,000	63,600	220,000	97,470	85,000	233,059	680,000	507,593
1993	115,000	60,225	245,000	84,915	90,000	227,153	725,000	476,663
1994	120,000	56,700	260,000	71,280	100,000	220,740	760,000	443,726
1995-2009	<u>1,830,000</u>	<u>350,850</u>	<u>1,190,000</u>	<u>132,840</u>	<u>3,175,000</u>	<u>2,085,434</u>	<u>8,810,000</u>	<u>2,984,934</u>
TOTALS	<u>\$2,385,000</u>	<u>\$ 668,175</u>	<u>\$2,350,000</u>	<u>\$ 616,950</u>	<u>\$3,530,000</u>	<u>\$3,226,174</u>	<u>\$12,190,000</u>	<u>\$ 5,492,634</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$3,053,175</u>		<u>\$2,966,950</u>		<u>\$6,756,174</u>		<u>\$17,682,634</u>

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

SUBSEQUENT TO JUNE 30, 1989

Year Ending June 30,	SERIES B		SERIES C		SERIES D		SERIES E	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1990	\$115,000	\$ 8,225	\$ 100,000	\$ 30,969	\$ 215,000	\$ 95,315	\$ 210,000	\$ 82,800
1991	120,000	4,200	105,000	27,094	225,000	86,715	220,000	72,720
1992	-	-	205,000	23,025	260,000	77,490	230,000	62,160
1993	-	-	215,000	15,081	270,000	66,830	245,000	51,120
1994	-	-	225,000	6,750	280,000	55,760	260,000	39,360
1995-2007	-	-	-	-	1,080,000	66,830	560,000	40,560
TOTALS	\$235,000	\$ 12,425	\$ 850,000	\$ 102,919	\$2,330,000	\$ 448,940	\$1,725,000	\$ 348,720
TOTAL PRINCIPAL AND INTEREST		\$247,425		\$ 952,919		\$2,778,940		\$2,073,720

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1989

Year Ending June 30,	SERIES F		SERIES G		SERIES H		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1990	\$ 160,000	\$ 109,770	\$ 180,000	\$ 285,723	\$ 55,000	\$ 202,311	\$ 1,035,000	\$ 815,113
1991	165,000	100,650	195,000	274,473	55,000	199,699	1,085,000	765,551
1992	180,000	91,245	210,000	262,285	55,000	196,949	1,140,000	713,154
1993	180,000	80,985	225,000	249,055	60,000	194,089	1,195,000	657,160
1994	190,000	70,725	240,000	234,880	60,000	190,849	1,003,000	598,324
1995-2007	1,095,000	164,340	3,430,000	1,073,920	2,820,000	1,683,859	9,237,000	3,029,509
TOTALS	<u>\$1,970,000</u>	<u>\$ 617,715</u>	<u>\$4,480,000</u>	<u>\$2,380,336</u>	<u>\$3,105,000</u>	<u>\$2,667,756</u>	<u>\$14,695,000</u>	<u>\$ 6,578,811</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$2,587,715</u>		<u>\$6,860,336</u>		<u>\$5,772,756</u>		<u>\$21,273,811</u>

MOREHEAD STATE UNIVERSITY

RECONCILIATION OF ACCOUNTS WITH DEPARTMENT OF FINANCE

JUNE 30, 1989

GENERAL FUND (01-UC00-440-01000000):	
Balance per Department of Finance	\$ -

Balance per Morehead State University	\$ -
	=====
REVOLVING FUND (14-0000-440-02000000):	
Balance per Department of Finance	\$1,368,476
ADD: Items recorded by Department of Finance as of June 30, 1989, and recorded by Morehead State University subsequent to June 30, 1989	1,511,761
LESS: Items recorded by Morehead State University as of June 30, 1989 and recorded by the Department of Finance subsequent to June 30, 1989	<u>2,056,209</u>
Balance per Morehead State University	<u>\$ 824,028</u>