

KELLEY, GALLOWAY & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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Dr. C. Nelson Grote, President  
Morehead State University  
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In planning and performing our audit of the financial statements of Morehead State University for the year ended June 30, 1990, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Student Financial Assistance Programs

The University provides financial assistance to students through various grants and loans sponsored by the Federal government and through scholarships funded by the University and outside sources. During the course of our audit, we noted the following instances of noncompliance with requirements of Federally-sponsored programs, and policies and controls established by the University.

Federally-Sponsored Programs -

These instances included failure to obtain a signed promissory note on a student loan; incorrect calculations of refunds/overpayments to various Federal financial assistance programs; failure to obtain signed award letters; failure to obtain required documentation prior to awarding grants; having students perform data entry functions which allows access to their own records; delegating responsibility for the authorization of payroll to a student included on the payroll; allowing students to work during their scheduled classes without evidence of the class not meeting; a student receiving payment for hours not worked; not performing reconciliations between grant funds received and grant funds awarded; and failure to notify lenders as to changes in a student's enrollment status.

The instances of noncompliance noted in the preceding paragraph are not deemed to represent reportable conditions when considered individually; however, when considered collectively, they indicate a deterioration in the internal control structure pertaining to the administration of Federal student financial assistance programs. Failure to comply could result in the loss of Federally-sponsored programs. We recommend management monitor these areas closely and utilize the University's Internal Auditor to evaluate compliance on a continuing basis.

The University's Internal Auditor had detected system weaknesses and instances of noncompliance while performing an interim operational audit of the Financial Aid Office. The University has commenced corrective action which includes adding additional full-time staff.

Institutional Scholarship Accounts -

We noted during our procedures related to Agency Fund scholarships that the University has awarded scholarships to students without collecting the monies from the donors. Due to this occurrence, certain scholarship accounts reflect a deficit balance. Upon further investigation, we noted the established tracking system is not being utilized to ensure donors are billed on a timely basis or that unpaid invoices are being followed-up. We recommend management utilize the information available to effectively account for scholarships awarded, the funded status of each scholarship account and timely billing/collection responsibilities. These procedures would ensure a future collection problem does not occur.

Electronic Data Processing

Significant progress has been made in recent years in strengthening controls related to electronic data processing. In prior years we had recommended, among other things, that programmers not have access to live data files and source programs. Management has responded to this by requiring that program development and updating be performed in a developmental system outside the live data files. Also movement of any code from the development system to the live system is logged for reference and follow-up.

At a minimum, we recommend that procedures be initiated to require documentation of this follow-up and that the Internal Auditor periodically review for compliance. Management is presently addressing this subject via the audit which is being performed of the technical and operational aspects of its data processing system.

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This report is intended solely for the use of the University management, the members of the Board of Regents, 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, Galloway + Company, PSC*

September 21, 1990

TABLE OF CONTENTS  
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	<u>PAGE</u>
INDEPENDENT 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 .....	10-13
SUPPLEMENTAL INFORMATION:	
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 FUND GROUPS .....	19
SUMMARY SCHEDULE OF BONDS AND NOTE 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
SCHEDULE OF PRINCIPAL RETIREMENT AND INTEREST PAYMENTS PROJECT 48 BOND AND NOTE PAYABLE .....	27

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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 accompanying balance sheets of Morehead State University as of June 30, 1990 and 1989, 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. 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, 1990 and 1989, and the changes in its fund balances, and current funds revenues, expenditures and other changes for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The data contained in pages subsequent to page 13 of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kelley, Galloway & Company, PSC*

September 21, 1990

MOREHEAD STATE UNIVERSITY

BALANCE SHEETS

JUNE 30, 1990 AND 1989

ASSETS

	<u>1990</u>	<u>1989</u>
<b>CURRENT FUNDS:</b>		
<b>Unrestricted:</b>		
Cash (Note 4)	\$ 7,264,608	\$ 5,311,067
Investments - at cost (Notes 1 and 4)	139,581	128,817
Accounts receivable, less allowance for doubtful accounts of \$251,590 at 1990 and \$278,000 at 1989	1,108,330	1,102,081
Inventories (Note 1)	1,562,086	1,564,667
Due from restricted Current Funds	638,110	898,159
Due from Agency Funds	188,492	79,466
Due from Loan Funds	<u>50,400</u>	<u>61,100</u>
Total unrestricted	<u>10,951,607</u>	<u>9,145,357</u>
<b>Restricted:</b>		
Cash (Note 4)	196,124	706,995
Federal and State grants receivable	933,275	627,961
Due from Agency Funds	<u>36,374</u>	<u>58,566</u>
Total restricted	<u>1,165,773</u>	<u>1,393,522</u>
Total current funds	<u>\$12,117,380</u>	<u>\$10,538,879</u>
<b>LOAN FUNDS:</b>		
Cash (Note 4)	\$ 149,030	\$ 160,547
Loans to students, less allowance for doubtful accounts of \$291,863 at 1990 and \$356,302 at 1989	3,131,051	3,132,175
Accounts receivable	<u>82,598</u>	<u>96,078</u>
Total loan funds	<u>\$ 3,362,679</u>	<u>\$ 3,388,800</u>
<b>ENDOWMENT FUNDS:</b>		
Cash (Note 4)	\$ 151,653	\$ 145,698
Investments - at cost (Notes 1 and 4)	<u>703</u>	<u>703</u>
Total endowment funds	<u>\$ 152,356</u>	<u>\$ 146,401</u>

LIABILITIES AND FUND BALANCES

	<u>1990</u>	<u>1989</u>
CURRENT FUNDS:		
Unrestricted:		
Accounts payable	\$ 1,047,787	\$ 725,551
Accrued vacation pay	812,372	755,535
Accrued salaries and related liabilities	<u>2,316,418</u>	<u>2,038,564</u>
	<u>4,176,577</u>	<u>3,519,650</u>
Fund balance -		
Allocated	5,569,268	4,557,724
Unallocated	<u>1,205,762</u>	<u>1,067,983</u>
	<u>6,775,030</u>	<u>5,625,707</u>
Total unrestricted	<u>10,951,607</u>	<u>9,145,357</u>
Restricted:		
Accounts payable	39,762	10,009
Accrued wages	75,263	37,753
Due to unrestricted Current Funds	638,110	898,159
Unearned revenue for Federal and State grants	366,145	401,519
Fund balance	<u>46,493</u>	<u>46,082</u>
Total restricted	<u>1,165,773</u>	<u>1,393,522</u>
Total current funds	<u>\$12,117,380</u>	<u>\$10,538,879</u>
LOAN FUNDS:		
Accounts payable	\$ 5,659	\$ 4,905
Loan awards payable	500	100
Due to unrestricted Current Funds	<u>50,400</u>	<u>61,100</u>
	<u>56,559</u>	<u>66,105</u>
Fund balance -		
U.S. Government contributions	4,818,062	4,826,450
Institutional contributions	542,176	541,716
Deficit	<u>(2,054,118)</u>	<u>(2,045,471)</u>
	<u>3,306,120</u>	<u>3,322,695</u>
Total loan funds	<u>\$ 3,362,679</u>	<u>\$ 3,388,800</u>
ENDOWMENT FUNDS--fund balance	<u>\$ 152,356</u>	<u>\$ 146,401</u>

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

MOREHEAD STATE UNIVERSITY

BALANCE SHEETS (CONCLUDED)

JUNE 30, 1990 AND 1989

	<u>ASSETS</u>	
	<u>1990</u>	<u>1989</u>
<b>PLANT FUNDS:</b>		
Unexpended:		
Cash (Note 4)	\$ 2,516,262	\$ 1,237,204
Accounts receivable	38,765	24,395
Investments, at cost (Notes 1 and 4)	<u>3,642,962</u>	<u>5,126,856</u>
Total unexpended	<u>6,197,989</u>	<u>6,388,455</u>
Renewal and Replacement:		
Cash and certificates of deposit (Notes 1 and 4)	292,887	360,700
Investments, at cost (Notes 1 and 4)	29,572	84,815
Accounts receivable	<u>1,553</u>	<u>1,380</u>
Total renewal and replacement	<u>324,012</u>	<u>446,895</u>
Retirement of Indebtedness:		
Cash and certificates of deposit (Notes 1 and 4)	983,519	869,566
Investments, at cost (Notes 1 and 4)	2,622,108	2,058,334
Accounts receivable	<u>28,396</u>	<u>19,174</u>
Total retirement of indebtedness	<u>3,634,023</u>	<u>2,947,074</u>
Investment in Plant (Notes 1 and 2):		
Bond proceeds receivable	-	3,530,000
Land and improvements	4,876,746	4,773,865
Buildings	73,656,594	73,163,967
Library - books and periodicals	7,026,600	6,650,045
Charles M. Derrickson Agricultural Complex - livestock	180,490	167,998
Vehicles	739,760	737,116
Equipment	14,303,657	12,668,047
Construction in progress	<u>8,686,308</u>	<u>1,202,786</u>
Total investment in plant	<u>109,470,155</u>	<u>102,893,824</u>
Total plant funds	<u>\$119,626,179</u>	<u>\$112,676,248</u>
<b>AGENCY FUNDS:</b>		
Cash (Note 4)	\$ 797,197	\$ 835,361
Certificates of deposit (Notes 1 and 4)	100,000	-
Accounts receivable	<u>39,007</u>	<u>101,458</u>
Total agency funds	<u>\$ 936,204</u>	<u>\$ 936,819</u>

LIABILITIES AND FUND BALANCES

	<u>1990</u>	<u>1989</u>
<b>PLANT FUNDS:</b>		
Unexpended--restricted fund balance	\$ <u>6,197,989</u>	\$ <u>6,388,455</u>
Renewal and Replacement--fund balance	<u>324,012</u>	<u>446,895</u>
Retirement of Indebtedness--restricted fund balance	<u>3,634,023</u>	<u>2,947,074</u>
Investment in Plant:		
Bonds and note payable (Notes 2 and 5)	34,672,722	32,552,000
Net investment in plant (Note 5)	<u>74,797,433</u>	<u>70,341,824</u>
Total investment in plant	<u>109,470,155</u>	<u>102,893,824</u>
Total plant funds	<u>\$119,626,179</u>	<u>\$112,676,248</u>
<b>AGENCY FUNDS:</b>		
Accounts payable	\$ 38,123	\$ 29,267
Due to unrestricted Current Funds	188,492	79,466
Due to restricted Current Funds	36,374	58,566
Deposits held in custody for others	<u>673,215</u>	<u>769,520</u>
Total agency funds	<u>\$ 936,204</u>	<u>\$ 936,819</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, 1990 AND 1989

	1990	
	Unrestricted	Restricted
CURRENT FUNDS:		
BALANCE, beginning of year	\$ 5,625,707	\$ 46,082
REVENUES AND OTHER ADDITIONS:		
Unrestricted Current Funds revenue	50,206,021	-
Federal and State grants and contracts	-	9,397,725
	50,206,021	9,397,725
EXPENDITURES AND OTHER DEDUCTIONS:		
Educational and general expenditures	40,245,136	9,148,069
Auxiliary enterprises expenditures	5,194,568	249,245
	45,439,704	9,397,314
TRANSFERS AMONG FUNDS -		
ADDITIONS (DEDUCTIONS):		
Mandatory -		
Transfers to Plant Funds-retirement of indebtedness (Note 2)	(3,614,723)	-
Transfers to Loan Funds	(278,889)	-
Transfers from Plant Funds	1,101,929	-
Transfers to Plant Funds	(825,311)	-
	(3,616,994)	-
NET INCREASE (DECREASE) FOR THE YEAR	1,149,323	411
BALANCE, end of year	\$ 6,775,030	\$ 46,493

1989	
<u>Unrestricted</u>	<u>Restricted</u>
\$ 6,447,542	\$ 67,763
48,331,033	-
-	<u>8,325,150</u>
<u>48,331,033</u>	<u>8,325,150</u>
37,686,782	8,073,939
<u>7,176,026</u>	<u>272,892</u>
<u>44,862,808</u>	<u>8,346,831</u>
(2,371,206)	-
(202,382)	-
-	-
<u>(1,716,472)</u>	-
<u>(4,290,060)</u>	-
<u>(821,835)</u>	<u>(21,681)</u>
<u>\$ 5,625,707</u>	<u>\$ 46,082</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, 1990 AND 1989

	<u>1990</u>	<u>1989</u>
LOAN FUNDS:		
BALANCE, beginning of year	<u>\$3,322,695</u>	<u>\$3,381,312</u>
REVENUES AND OTHER ADDITIONS:		
Interest on loans receivable	70,521	76,228
Cancellation reimbursement	31,161	38,105
Miscellaneous interest income	6,347	16,116
Federal contributions	4,140	9,942
Institutional contributions	460	1,105
Recovery of doubtful accounts previously written off	9,806	-
Other	<u>6</u>	<u>203</u>
	<u>122,441</u>	<u>141,699</u>
EXPENDITURES AND OTHER DEDUCTIONS:		
Loan principal and interest cancelled	48,503	51,352
Administrative and collection expense	77,929	122,122
Return of excess funds	12,529	23,719
Other	<u>55</u>	<u>3,123</u>
	<u>139,016</u>	<u>200,316</u>
NET DECREASE FOR THE YEAR	<u>(16,575)</u>	<u>(58,617)</u>
BALANCE, end of year	<u><u>\$3,306,120</u></u>	<u><u>\$3,322,695</u></u>
ENDOWMENT FUNDS:		
BALANCE, beginning of year	<u>\$ 146,401</u>	<u>\$ 141,735</u>
INVESTMENT INCOME	5,955	4,689
SPECIAL EXPENSES	<u>-</u>	<u>(23)</u>
NET INCREASE IN FUND BALANCE	<u>5,955</u>	<u>4,666</u>
BALANCE, end of year	<u><u>\$ 152,356</u></u>	<u><u>\$ 146,401</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, 1990 AND 1989

	1990		
	<u>Unexpended</u>	<u>Renewal and Replacement</u>	<u>Retirement of Indebtedness</u>
<b>PLANT FUNDS:</b>			
BALANCE, beginning of year -- as previously reported	\$6,388,455	\$ 446,895	\$2,947,074
RESTATEMENT ADJUSTMENT, to reflect issuance of State Project 48 Bonds (Note 5)	----- -	----- -	----- -
BALANCE, beginning of year as restated	<u>6,388,455</u>	<u>446,895</u>	<u>2,947,074</u>
<b>REVENUES AND OTHER ADDITIONS:</b>			
Interest income	418,711	27,117	257,430
Proceeds from bond issuance	70,065	-	349,687
Retirement of indebtedness	-	-	-
Expended for plant fund facilities	-	-	-
Private gifts -- restricted	-	-	-
Appropriations for plant funds	<u>7,813,226</u>	<u>-</u>	<u>-</u>
	<u>8,302,002</u>	<u>27,117</u>	<u>607,117</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>			
Retirement of indebtedness	-	-	1,806,171
Interest on indebtedness	-	-	1,973,797
Expenditures for plant additions	8,055,718	-	-
Miscellaneous	60,802	-	4,253
Bond issuance and note payable	-	-	-
	<u>8,116,520</u>	<u>-</u>	<u>3,784,221</u>
<b>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):</b>			
Transfers from unrestricted Current Funds for debt service (Note 2)	-	-	3,614,723
Transfer (to) from unrestricted Current Funds	(126,618)	(150,000)	-
Transfer (to) from Unexpended	<u>(249,330)</u>	<u>-</u>	<u>249,330</u>
	<u>(375,948)</u>	<u>(150,000)</u>	<u>3,864,053</u>
NET INCREASE (DECREASE) FOR THE YEAR	<u>(190,466)</u>	<u>(122,883)</u>	<u>686,949</u>
BALANCE, end of year	<u>\$6,197,989</u>	<u>\$ 324,012</u>	<u>\$3,634,023</u>

1990	1989			
<u>Investment in Plant</u>	<u>Unexpended</u>	<u>Renewal and Replacement</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
\$76,008,824	\$1,158,199	\$610,987	\$3,077,230	\$71,416,901
<u>(5,667,000)</u>	-	-	-	-
<u>70,341,824</u>	<u>1,158,199</u>	<u>610,987</u>	<u>3,077,230</u>	<u>71,416,901</u>
-	140,519	33,168	258,742	-
-	-	-	-	-
1,806,171	-	-	-	1,535,000
10,106,331	-	-	-	2,952,361
-	-	-	-	104,562
-	<u>5,517,000</u>	-	-	-
<u>11,912,502</u>	<u>5,657,519</u>	<u>33,168</u>	<u>258,742</u>	<u>4,591,923</u>
-	-	-	1,535,000	-
-	-	-	1,195,343	-
-	2,370,495	-	-	-
-	-	-	261	-
<u>7,456,893</u>	-	-	-	<u>5,667,000</u>
<u>7,456,893</u>	<u>2,370,495</u>	-	<u>2,730,604</u>	<u>5,667,000</u>
-	-	29,500	2,341,706	-
-	1,943,232	(226,760)	-	-
-	-	-	-	-
-	<u>1,943,232</u>	<u>(197,260)</u>	<u>2,341,706</u>	-
<u>4,455,609</u>	<u>5,230,256</u>	<u>(164,092)</u>	<u>(130,156)</u>	<u>(1,075,077)</u>
<u>\$74,797,433</u>	<u>\$6,388,455</u>	<u>\$446,895</u>	<u>\$2,947,074</u>	<u>\$70,341,824</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, 1990 AND 1989

	1990	
	Unrestricted	Restricted
<b>REVENUES:</b>		
Tuition and fees	\$11,586,701	\$ -
State appropriations	28,719,000	-
Governmental grants and contracts	-	9,126,395
College Work Study matching funds	-	271,330
Indirect cost reimbursement	150,991	-
Sales and services of educational activities	893,070	-
Sales and services of auxiliary enterprises	7,787,378	-
Other sources	1,039,781	-
Private gifts	29,100	-
Total current revenues	50,206,021	9,397,725
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>		
Educational and general -		
Instruction	18,085,949	1,087,905
Research	85,773	3,378
Public service	896,080	1,540,151
Library	1,551,624	83,782
Academic support	2,534,752	41,938
Student services	4,541,378	381,672
Institutional support	5,246,048	126,497
Operation and maintenance of plant	4,575,434	7,913
Student financial aid	2,728,098	5,874,833
Educational and general expenditures	40,245,136	9,148,069
Mandatory transfers for -		
Principal and interest	2,900,121	-
College Work Study and Loan Fund matching grants	278,889	-
	3,179,010	-
Total educational and general	43,424,146	9,148,069
Auxiliary enterprises -		
Expenditures	5,194,568	249,245
Mandatory transfers for principal and interest	714,602	-
Total auxiliary enterprises	5,909,170	249,245
Total expenditures and mandatory transfers	49,333,316	9,397,314

<u>1990</u>	<u>1989</u>
<u>Totals</u>	<u>Totals</u>
\$11,586,701	\$10,666,613
28,719,000	26,609,500
9,126,395	8,130,292
271,330	194,858
150,991	150,366
893,070	755,191
7,787,378	8,888,184
1,039,781	1,111,179
29,100	150,000
<u>59,603,746</u>	<u>56,656,183</u>
19,173,854	17,300,941
89,151	95,002
2,436,231	2,038,133
1,635,406	1,518,781
2,576,690	2,256,731
4,923,050	4,166,244
5,372,545	5,738,034
4,583,347	5,042,890
<u>8,602,931</u>	<u>7,603,965</u>
<u>49,393,205</u>	<u>45,760,721</u>
2,900,121	1,580,157
<u>278,889</u>	<u>202,382</u>
<u>3,179,010</u>	<u>1,782,539</u>
<u>52,572,215</u>	<u>47,543,260</u>
5,443,813	7,448,918
<u>714,602</u>	<u>791,049</u>
<u>6,158,415</u>	<u>8,239,967</u>
<u>58,730,630</u>	<u>55,783,227</u>

MOREHEAD STATE UNIVERSITY

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

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

	1990	
	<u>Unrestricted</u>	<u>Restricted</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS) -		
Transfers from Plant Funds	\$1,101,929	\$ -
Transfers to Plant Funds	<u>(825,311)</u>	<u>-</u>
Total other transfers and additions (deductions)	<u>276,618</u>	<u>-</u>
 NET INCREASE (DECREASE) IN FUND BALANCES	 <u>\$1,149,323</u>	 <u>\$ 411</u>



<u>1990</u> <u>Totals</u>	<u>1989</u> <u>Totals</u>
\$1,101,929	\$ -
<u>(825,311)</u>	<u>(1,716,472)</u>
<u>276,618</u>	<u>(1,716,472)</u>
<u>\$1,149,734</u>	<u>\$ (843,516)</u>

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

MOREHEAD STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1990 AND 1989

(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 Morehead State University (a Commonwealth of Kentucky (state) supported institution of higher education) have been prepared on the accrual basis of accounting, except for depreciation 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) 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 University's Board of Regents. 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 University 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 noncash 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 57% and 60% respectively, of total inventories at June 30, 1990 and 1989 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 AND NOTE PAYABLE

The following is a summary of bonds and note payable at June 30, 1990 and 1989:

	<u>1990</u>	<u>1989</u>
2.875 - 7.15% Housing and Dining System Bonds, Series A through L, repayable in annual installments with the final installment due on November 1, 2010	\$15,195,000	\$12,190,000
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	13,660,000	14,695,000
6.2 - 8% State Property and Buildings Commission Project 48 Bond Issue, repayable in semi-annual installments with the final installment due August 1, 2008	5,523,214	5,667,000
Note payable to a company, repayable in monthly installments of \$6,032, plus interest at prime (currently 10%), to June, 1994	294,508	-
	<u>\$34,672,722</u>	<u>\$32,552,000</u>

In order to retire the revenue 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 1990, the University transferred \$946,406 to the Housing and Dining System Revenue Bonds Sinking Fund and \$1,850,114 to the Consolidated Educational Building Revenue Bonds Sinking Fund for payment of current year principal and interest. In addition, during 1990, the University transferred \$711,900 and \$106,303 in unrestricted Current funds for the payment of principal and interest on the Project 48 bond issue and the note payable, respectively.

Effective July 1, 1989, the University retained an outside management company (the Company), for a two-year period, to manage and operate its food service facilities. Under the terms of the agreement, the Company is required to invest up to \$428,000 for capital additions by June 30, 1991. The Company is to be repaid its investment at prime over sixty months. At June 30, 1990, the Company had invested \$366,893. The University will become liable for the remaining \$61,107 once the remaining capital additions are made.

The revenue bonds are collateralized by various buildings carried in the accounts at \$59,178,474. The revenues derived from student registration fees, residence hall rental fees, and commissions from food service are pledged as collateral on the revenue bond issues.

The principal and interest repayment requirements relating to the outstanding bonds and note payable at June 30, 1990, are as follows:

Year Ending June 30,	Repayment Requirements		
	Principal	Interest	Total
1991	\$ 1,954,655	\$ 1,993,318	\$ 3,947,973
1992	2,130,655	1,890,598	4,021,253
1993	2,247,065	1,778,937	4,026,002
1994	2,365,071	1,664,719	4,029,790
1995	2,411,573	1,541,589	3,953,162
1996-2010	23,563,703	9,963,151	33,526,854
	<u>\$34,672,722</u>	<u>\$18,832,312</u>	<u>\$53,505,034</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 participants' Kentucky Teachers' Retirement System contributions are matched by Morehead State University. The matching contributions totalled \$1,807,385 and \$1,653,307 for the years ended June 30, 1990 and 1989, respectively. 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 \$277,055 for 1990 and \$209,812 for 1989 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, 1990 and 1989 were \$473,557 and \$506,583, respectively.

(4) DEPOSITS AND INVESTMENTS

The University currently uses commercial banks and the Commonwealth of Kentucky for its depositories. Deposits with commercial banks are covered by Federal depository insurance or collateral held by the bank in the University's name. At the state, the University's accounts are pooled with other agencies of the state. These state pooled deposits are substantially covered by Federal depository insurance or by collateral held by the state in the state's name. The investments of the University not held in the state investment pool are insured or registered, or are held by the University or by an agent in the University's name.

Below is a summary of the investments held by the University:

	<u>June 30, 1990</u>		<u>June 30, 1989</u>	
	<u>Carrying Amount (At Cost)</u>	<u>Approximate Market Value</u>	<u>Carrying Amount (At Cost)</u>	<u>Approximate Market Value</u>
U.S. Government Securities	\$2,652,383	\$2,652,383	\$2,143,852	\$2,143,852
Certificates of Deposit	<u>1,367,555</u>	<u>1,367,555</u>	<u>1,256,791</u>	<u>1,256,791</u>
	4,019,938	4,019,938	3,400,643	3,400,643
Investment in state investment pool	<u>3,794,615</u>	<u>3,794,615</u>	<u>5,272,554</u>	<u>5,272,554</u>
	<u>\$7,814,553</u>	<u>\$7,814,553</u>	<u>\$8,673,197</u>	<u>\$8,673,197</u>

(5) RESTATEMENT ADJUSTMENT

Bonds payable and net investment in plant at June 30, 1989 have been restated to reflect the issuance of bonds by the State of Kentucky in December of 1988, totalling \$5,667,000. The issuance of the Project 48 Bonds by the State Property and Buildings Commission for life safety projects at the University requires the University to make semi-annual debt service payments as more fully explained in Note 2. The effect of the restatement adjustment was to increase bonds payable by \$5,667,000 and decrease net investment in plant by the same amount.

(6) RECLASSIFICATIONS

Certain reclassifications have been made in the 1989 financial statements to conform with the 1990 presentation.

SUPPLEMENTAL INFORMATION

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS REVENUES

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

	1990	
	<u>Unrestricted</u>	<u>Restricted</u>
<b>EDUCATIONAL AND GENERAL:</b>		
Tuition and fees -		
Degree credit - Fall	\$ 5,144,613	\$ -
Degree credit - Spring	4,825,895	-
Degree credit - Summer and special sessions	1,136,232	-
Other student fees -		
Student activity and service fee	404,224	-
Music, lab and course fees	24,477	-
Extension and correspondence	51,260	-
State appropriations	28,719,000	-
Governmental grants and contracts -		
Supplemental Education Opportunity Grants	-	164,482
College Work Study	-	1,056,820
Other State and Federal grants	-	8,176,423
Unrestricted gifts	29,100	-
Indirect cost reimbursement	150,991	-
Sales and services of educational activities	893,070	-
Other sources	1,039,781	-
	<u>42,418,643</u>	<u>9,397,725</u>
 <b>SALES AND SERVICES OF AUXILIARY ENTERPRISES:</b>		
Residence halls	3,963,783	-
Married student and faculty housing	505,064	-
Food service	538,236	-
University store	2,540,297	-
Other sources	239,998	-
	<u>7,787,378</u>	<u>-</u>
 <b>TOTAL CURRENT FUNDS REVENUES</b>	 <u><u>\$50,206,021</u></u>	 <u><u>\$9,397,725</u></u>

<u>1990</u> <u>Totals</u>	<u>1989</u> <u>Totals</u>
\$ 5,144,613	\$ 4,693,648
4,825,895	4,404,136
1,136,232	1,098,867
404,224	394,450
24,477	24,278
51,260	51,234
28,719,000	26,609,500
164,482	149,382
1,056,820	953,291
8,176,423	7,222,477
29,100	150,000
150,991	150,366
893,070	755,191
<u>1,039,781</u>	<u>1,111,179</u>
<u>51,816,368</u>	<u>47,767,999</u>
3,963,783	3,656,624
505,064	490,821
538,236	1,950,809
2,540,297	2,095,267
239,998	694,663
<u>7,787,378</u>	<u>8,888,184</u>
<u>\$59,603,746</u>	<u>\$56,656,183</u>



MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND  
MANDATORY TRANSFERS

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

	1990	
	<u>Unrestricted</u>	<u>Restricted</u>
<b>EDUCATIONAL AND GENERAL:</b>		
Instruction -		
Personal services	\$16,250,789	\$ 765,054
Operating expenses	1,040,897	308,235
Capital outlay	794,263	14,616
	<u>18,085,949</u>	<u>1,087,905</u>
Research -		
Personal services	22,690	1,732
Operating expenses	40,597	1,646
Capital outlay	22,486	-
	<u>85,773</u>	<u>3,378</u>
Public service -		
Personal services	650,215	957,788
Operating expenses	240,158	564,906
Capital outlay	5,707	17,457
	<u>896,080</u>	<u>1,540,151</u>
Library -		
Personal services	990,553	83,782
Operating expenses	141,965	-
Capital outlay	419,106	-
	<u>1,551,624</u>	<u>83,782</u>
Academic support -		
Personal services	1,429,474	41,938
Operating expenses	1,032,563	-
Capital outlay	72,715	-
	<u>2,534,752</u>	<u>41,938</u>
Student services -		
Personal services	2,493,790	342,672
Operating expenses	1,832,806	38,181
Capital outlay	214,782	819
	<u>4,541,378</u>	<u>381,672</u>
Institutional support -		
Personal services	3,712,411	124,639
Operating expenses	1,218,206	1,858
Capital outlay	315,431	-
	<u>5,246,048</u>	<u>126,497</u>

<u>1990</u> <u>Totals</u>	<u>1989</u> <u>Totals</u>
\$17,015,843	\$15,705,483
1,349,132	1,333,250
<u>808,879</u>	<u>262,208</u>
<u>19,173,854</u>	<u>17,300,941</u>
24,422	47,229
42,243	34,389
<u>22,486</u>	<u>13,384</u>
<u>89,151</u>	<u>95,002</u>
1,608,003	1,367,993
805,064	632,638
<u>23,164</u>	<u>37,502</u>
<u>2,436,231</u>	<u>2,038,133</u>
1,074,335	1,011,610
141,965	129,444
<u>419,106</u>	<u>377,727</u>
<u>1,635,406</u>	<u>1,518,781</u>
1,471,412	1,443,071
1,032,563	685,980
<u>72,715</u>	<u>127,680</u>
<u>2,576,690</u>	<u>2,256,731</u>
2,836,462	2,313,889
1,870,987	1,761,639
<u>215,601</u>	<u>90,716</u>
<u>4,923,050</u>	<u>4,166,244</u>
3,837,050	3,859,140
1,220,064	1,584,850
<u>315,431</u>	<u>294,044</u>
<u>5,372,545</u>	<u>5,738,034</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND  
MANDATORY TRANSFERS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

	1990	
	Unrestricted	Restricted
EDUCATIONAL AND GENERAL (CONTINUED):		
Operation and maintenance of plant -		
Personal services	\$ 2,558,640	\$ 7,913
Operating expenses	1,627,030	-
Capital outlay	389,764	-
	4,575,434	7,913
Student financial aid -		
Personal services	85,895	-
Operating expenses	2,642,203	5,874,833
	2,728,098	5,874,833
Total educational and general expenditures -		
Personal services	28,194,457	2,325,518
Operating expenses	9,816,425	6,789,659
Capital outlay	2,234,254	32,892
	40,245,136	9,148,069
Mandatory transfers -		
Principal and interest	2,900,121	-
Loan and other matching grants	278,889	-
	3,179,010	-
 TOTAL EDUCATIONAL AND GENERAL	 \$43,424,146	 \$9,148,069
 AUXILIARY ENTERPRISES:		
Expenditures -		
Personal services	\$ 1,314,425	\$ 249,245
Operating expenses	3,574,282	-
Capital outlay	305,861	-
	5,194,568	249,245
Mandatory transfers -		
Principal and interest	714,602	-
 TOTAL AUXILIARY ENTERPRISES	 \$ 5,909,170	 \$ 249,245

<u>1990</u> <u>Totals</u>	<u>1989</u> <u>Totals</u>
\$ 2,566,553	\$ 2,474,952
1,627,030	2,086,522
389,764	481,416
<u>4,583,347</u>	<u>5,042,890</u>
85,895	79,127
<u>8,517,036</u>	<u>7,524,838</u>
<u>8,602,931</u>	<u>7,603,965</u>
30,519,975	28,302,495
16,606,084	15,773,550
2,267,146	1,684,676
<u>49,393,205</u>	<u>45,760,721</u>
2,900,121	1,580,157
278,889	202,382
<u>3,179,010</u>	<u>1,782,539</u>
<u>\$52,572,215</u>	<u>\$47,543,260</u>
\$ 1,563,670	\$ 2,387,299
3,574,282	4,414,283
305,861	647,336
<u>5,443,813</u>	<u>7,448,918</u>
<u>714,602</u>	<u>791,049</u>
<u>\$ 6,158,415</u>	<u>\$ 8,239,967</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND  
MANDATORY TRANSFERS (CONCLUDED)

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

	1990	
	<u>Unrestricted</u>	<u>Restricted</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS (CONCLUDED):		
Expenditures -		
Personal services	\$29,508,882	\$2,574,763
Operating expenses	13,390,707	6,789,659
Capital outlay	<u>2,540,115</u>	<u>32,892</u>
	<u>45,439,704</u>	<u>9,397,314</u>
 Mandatory transfers -		
Principal and interest	3,614,723	-
Loan and other matching grants	<u>278,889</u>	-
	<u>3,893,612</u>	-
 TOTAL EXPENDITURES AND MANDATORY TRANSFERS	 <u><u>\$49,333,316</u></u>	 <u><u>\$9,397,314</u></u>

<u>1990</u> <u>Totals</u>	<u>1989</u> <u>Totals</u>
\$32,083,645	\$30,689,794
20,180,366	20,187,833
<u>2,573,007</u>	<u>2,332,012</u>
<u>54,837,018</u>	<u>53,209,639</u>
3,614,723	2,371,206
<u>278,889</u>	<u>202,382</u>
<u>3,893,612</u>	<u>2,573,588</u>
<u>\$58,730,630</u>	<u>\$55,783,227</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CHANGES IN FUND BALANCES - LOAN FUNDS

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

	1990	
	<u>Perkins Loan Fund</u>	<u>Nursing Loan Fund</u>
BALANCE, beginning of year	<u>\$3,281,828</u>	<u>\$40,867</u>
INCREASES:		
Reimbursement for cancellations	31,161	-
Interest income on loans	69,007	1,514
Miscellaneous interest income	6,139	208
Federal contributions	4,140	-
Institutional contributions	460	-
Other	-	6
Recovery of doubtful accounts previously written off	9,806	-
	<u>120,713</u>	<u>1,728</u>
DECREASES:		
Loan principal cancelled	42,662	-
Loan interest cancelled	5,841	-
Administrative and collection expenses	76,763	1,166
Return of excess funds	-	12,529
Other	55	-
	<u>125,321</u>	<u>13,695</u>
BALANCE, end of year	<u>\$3,277,220</u>	<u>\$28,900</u>

<u>1990</u>	<u>1989</u>
<u>Totals</u>	<u>Totals</u>
<u>\$3,322,695</u>	<u>\$3,381,312</u>
31,161	38,105
70,521	76,228
6,347	16,116
4,140	9,942
460	1,105
6	203
<u>9,806</u>	-
<u>122,441</u>	<u>141,699</u>
42,662	45,811
5,841	5,541
77,929	122,122
12,529	23,719
55	3,123
<u>139,016</u>	<u>200,316</u>
<u>\$3,306,120</u>	<u>\$3,322,695</u>



MOREHEAD STATE UNIVERSITY

SCHEDULE OF INVESTMENTS BY FUND GROUPS

JUNE 30, 1990

	<u>U.S. Government Securities</u>	<u>Certificates of Deposit</u>	<u>Investments in State Investment Pool</u>	<u>Total</u>
Current unrestricted funds	\$ -	\$ 139,581	\$ -	\$ 139,581
Agency funds	-	100,000	-	100,000
Endowment funds	703	-	151,653	152,356
Renewals and Replacements	29,572	287,275	-	316,847
Retirement of indebtedness funds	2,622,108	840,699	-	3,462,807
Unexpended Plant	<u>-----</u>	<u>-----</u>	<u>3,642,962</u>	<u>3,642,962</u>
Total investments	<u>\$2,652,383</u>	<u>\$1,367,555</u>	<u>\$3,794,615</u>	<u>\$7,814,553</u>

MOREHEAD STATE UNIVERSITY

SUMMARY SCHEDULE OF BONDS AND NOTE PAYABLE

JUNE 30, 1990

	<u>Original Issue</u>	<u>Outstanding June 30, 1990</u>
HOUSING AND DINING SYSTEM		
REVENUE BONDS:		
Series A	\$1,040,000	\$ 410,000
Series B	735,000	295,000
Series C	525,000	210,000
Series D	1,050,000	505,000
Series E	200,000	85,000
Series F	390,000	330,000
Series G	1,340,000	830,000
Series H	1,840,000	1,025,000
Series I	3,920,000	2,280,000
Series J	5,800,000	2,135,000
Series K	3,530,000	3,530,000
Series L	3,560,000	3,560,000
CONSOLIDATED EDUCATIONAL BUILDING		
REVENUE BONDS:		
Series B	1,400,000	120,000
Series C	1,950,000	750,000
Series D	5,300,000	2,115,000
Series E	4,350,000	1,515,000
Series F	4,100,000	1,810,000
Series G	6,300,000	4,300,000
Series H	3,160,000	3,050,000
PROJECT 48 BONDS	5,667,000	5,523,214
NOTE PAYABLE	366,893	<u>294,508</u>
TOTAL BONDS AND NOTE PAYABLE		<u><u>\$34,672,722</u></u>

MOREHEAD STATE UNIVERSITY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

SINKING FUNDS

FOR THE YEAR ENDED JUNE 30, 1990

	<u>Sinking Fund</u>	<u>Housing and Dining System Debt Service Reserve Fund</u>
FUND BALANCES, June 30, 1989	\$ 20,167	\$1,011,125
RECEIPTS AND OTHER ADDITIONS:		
Transferred from Housing System Revenue Fund	231,804	714,602
Transferred from Consolidated Educational Revenue Fund	-	-
Income from investments	15,456	80,858
Redemption of investments	442,173	1,999,245
Transfer from Debt Service Reserve Fund	732,264	-
Increase in investments	467,163	58,848
Transfer from unexpended Plant Funds	3,487,553	-
Bond proceeds	349,687	-
	<u>5,726,100</u>	<u>2,853,553</u>
Total available funds	<u>5,746,267</u>	<u>3,864,678</u>
DISBURSEMENTS AND OTHER DEDUCTIONS:		
Redemption of bonds	555,000	-
Payment of interest	556,651	-
Purchase of investments	909,336	2,058,093
Transfer to Sinking Fund	-	732,264
Transfer to unrestricted Current Funds	-	-
Decrease in investments	-	-
Transfer to unexpended Plant Funds	3,238,223	-
Other	4,253	-
	<u>5,263,463</u>	<u>2,790,357</u>
FUND BALANCES, June 30, 1990	<u>\$ 482,804</u>	<u>\$1,074,321</u>

<u>Repair Fund</u>	<u>Consolidated Educational Building Bonds</u>	<u>Totals</u>
<u>\$ 446,895</u>	<u>\$ 1,915,782</u>	<u>\$ 3,393,969</u>
-	-	946,406
-	1,850,114	1,850,114
27,117	161,116	284,547
1,014,123	-	3,455,541
-	-	732,264
-	-	526,011
-	-	3,487,553
-	-	349,687
<u>1,041,240</u>	<u>2,011,230</u>	<u>11,632,123</u>
<u>1,488,135</u>	<u>3,927,012</u>	<u>15,026,092</u>
-	1,035,000	1,590,000
-	815,114	1,371,765
885,456	-	3,852,885
-	-	732,264
150,000	-	150,000
128,667	-	128,667
-	-	3,238,223
-	-	4,253
<u>1,164,123</u>	<u>1,850,114</u>	<u>11,068,057</u>
<u>\$ 324,012</u>	<u>\$ 2,076,898</u>	<u>\$ 3,958,035</u>

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1990

Year Ending June 30,	SERIES A		SERIES B		SERIES C		SERIES D	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	45,000	6,825	30,000	4,744	20,000	3,750	40,000	11,900
1996-2010	<u>205,000</u>	<u>14,100</u>	<u>150,000</u>	<u>10,581</u>	<u>110,000</u>	<u>8,281</u>	<u>320,000</u>	<u>40,600</u>
TOTALS	<u>\$410,000</u>	<u>\$ 60,525</u>	<u>\$295,000</u>	<u>\$ 42,853</u>	<u>\$210,000</u>	<u>\$ 33,281</u>	<u>\$505,000</u>	<u>\$113,663</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$470,525</u>		<u>\$337,853</u>		<u>\$243,281</u>		<u>\$618,663</u>

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

SUBSEQUENT TO JUNE 30, 1990

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>
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	5,000	2,109	25,000	7,341	60,000	20,125	60,000	28,688
1996-2010	60,000	7,088	205,000	24,722	545,000	79,363	735,000	145,593
<b>TOTALS</b>	<b>\$ 85,000</b>	<b>\$ 19,322</b>	<b>\$330,000</b>	<b>\$ 69,863</b>	<b>\$830,000</b>	<b>\$ 200,202</b>	<b>\$1,025,000</b>	<b>\$311,157</b>
<b>TOTAL PRINCIPAL AND INTEREST</b>		<b>\$104,322</b>		<b>\$399,863</b>		<b>\$1,030,202</b>		<b>\$1,336,157</b>

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1990

Year Ending June 30,	SERIES I		SERIES J		SERIES K		SERIES L		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1991	\$ 105,000	\$ 66,825	\$ 220,000	\$ 109,350	\$ 80,000	\$ 238,608	\$ -	\$ 246,415	\$ 660,000	\$ 783,414
1992	110,000	63,600	220,000	97,470	85,000	233,059	90,000	243,670	770,000	751,263
1993	115,000	60,225	245,000	84,915	90,000	227,153	95,000	237,980	820,000	714,643
1994	120,000	56,700	260,000	71,280	100,000	220,740	100,000	231,885	860,000	675,611
1995	125,000	53,025	280,000	56,700	105,000	213,821	110,000	225,215	905,000	634,243
1996-2010	<u>1,705,000</u>	<u>297,825</u>	<u>910,000</u>	<u>76,140</u>	<u>3,070,000</u>	<u>1,871,613</u>	<u>3,165,000</u>	<u>2,112,083</u>	<u>11,180,000</u>	<u>4,687,989</u>
TOTALS	\$2,280,000	\$ 598,200	\$2,135,000	\$ 495,855	\$3,530,000	\$3,004,994	\$3,560,000	\$3,297,248	\$15,195,000	\$ 8,247,163
TOTAL PRINCIPAL AND INTEREST		<u>\$2,878,200</u>		<u>\$2,630,855</u>		<u>\$6,534,994</u>		<u>\$6,857,248</u>		<u>\$23,442,163</u>

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1990

Year Ending June 30,	SERIES B		SERIES C		SERIES D		SERIES E	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	-	-	530,000	44,280	275,000	26,880
1996-2007	-	-	-	-	550,000	22,550	285,000	13,680
<b>TOTALS</b>	<u>\$120,000</u>	<u>\$ 4,200</u>	<u>\$ 750,000</u>	<u>\$ 71,950</u>	<u>\$2,115,000</u>	<u>\$ 353,625</u>	<u>\$1,515,000</u>	<u>\$ 265,920</u>
<b>TOTAL PRINCIPAL AND INTEREST</b>		<u>\$124,200</u>		<u>\$ 821,950</u>		<u>\$2,468,625</u>		<u>\$1,780,920</u>



MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1990

Year Ending June 30,	SERIES F		SERIES G		SERIES H		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	1,255,000	598,324
1995	190,000	59,895	255,000	219,520	70,000	187,489	1,320,000	538,064
1996-2007	905,000	104,445	3,175,000	854,400	2,750,000	1,496,370	7,665,000	2,491,445
TOTALS	<u>\$1,810,000</u>	<u>\$ 507,945</u>	<u>\$4,300,000</u>	<u>\$2,094,613</u>	<u>\$3,050,000</u>	<u>\$2,465,445</u>	<u>\$13,660,000</u>	<u>\$ 5,763,698</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$2,317,945</u>		<u>\$6,394,613</u>		<u>\$5,515,445</u>		<u>\$19,423,698</u>

MOREHEAD STATE UNIVERSITY

SCHEDULE OF PRINCIPAL RETIREMENT AND INTEREST PAYMENTS

PROJECT 48 BOND AND NOTE PAYABLE

SUBSEQUENT TO JUNE 30, 1990

Year Ending June 30,	<u>PROJECT 48</u>		<u>NOTE PAYABLE</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1991	\$ 137,271	\$ 418,521	\$ 72,384	\$ 25,832
1992	148,271	407,588	72,384	18,593
1993	159,681	395,779	72,384	11,355
1994	172,715	383,048	77,356	7,736
1995	186,573	369,282	-	-
1996-2009	<u>4,718,703</u>	<u>2,783,717</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$5,523,214</u>	<u>\$ 4,757,935</u>	<u>\$294,508</u>	<u>\$ 63,516</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$10,281,149</u>		<u>\$358,024</u>

TABLE OF CONTENTS  
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	<u>PAGE</u>
AGREED-UPON PROCEDURES FOR INTERCOLLEGIATE ATHLETICS DEPARTMENT:	
INDEPENDENT AUDITORS' REPORT.....	2-3
EXHIBIT I - STATEMENT OF REVENUES AND EXPENDITURES.....	4
EXHIBIT II - FINDINGS AND RECOMMENDATIONS - INTERNAL ACCOUNTING CONTROLS, RELATED TO MOREHEAD STATE UNIVERSITY'S INTERCOLLEGIATE ATHLETICS DEPARTMENT.....	5
AGREED-UPON PROCEDURES FOR RELATED BOOSTER ORGANIZATION:	
INDEPENDENT AUDITORS' REPORT.....	6-7
EXHIBIT III - STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND CHANGES IN FUND BALANCE.....	8
SUPPLEMENTAL INFORMATION:	
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION.....	9
SCHEDULE OF REVENUES AND EXPENDITURES BY SPORT.....	10

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KELLEY, GALLOWAY & COMPANY, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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, 1990, and have issued our unqualified report thereon dated September 21, 1990. At your request, we have also applied certain agreed-upon procedures, as discussed below, to the accounting records and system of internal accounting control of Morehead State University, as of June 30, 1990, solely to assist the University in complying with NCAA Bylaw 6.2.3.1. 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 or an authorized representative of the National Collegiate Athletic Association. Our procedures and findings are as follows:

Statement of Revenues and Expenditures - Agreed-Upon Substantive Procedures

- a. We obtained the statement of revenues and expenditures for the year ended June 30, 1990, as prepared by management and shown in Exhibit I. We recalculated the addition of the amounts on the statement, traced the amounts on the statement to management's worksheets and agreed the amounts on management's worksheets to the University's general ledger. We noted no differences between the amounts on the general ledger and the amounts on the worksheets. We discussed the nature of the worksheet adjustments with management and are satisfied that the adjustments are appropriate.
- b. We obtained an analysis of all revenue and certain expenditure accounts from management and (1) traced guaranteed gate amounts to copies of contracts with participating schools, (2) agreed revenue received from the Eagle Athletic Fund to the audited financial statements for the year ended June 30, 1990 of Morehead State University Foundation, Inc., (3) agreed amounts recorded on worksheets maintained by the University's Athletic Department for season ticket sales to the University's general ledger, and (4) reviewed the classification of travel expenditures, breaking amounts into team and administrative, recruiting and leased vehicles.
- c. We applied analytical review techniques to revenues and expenditures accounts of the Intercollegiate Athletics Department in order to identify any unusual items by comparing the current year budgeted revenues and expenditures to the current year actual revenues and expenditures and discussing with management the significant variances and comparing the prior year actual revenues and expenditures to the current year actual equivalent accounts and discussing with management the significant fluctuations.

Because the above procedures "a" through "c" do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. In connection with procedures "a" through "c" referred to above, no matters came to our attention that caused us to believe that the specific accounts or items should be further adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Morehead State University in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to the financial statements of Morehead State University or its Intercollegiate Athletics Department taken as a whole.

Internal Accounting Controls: Policies and Procedures Related to Intercollegiate Athletics - Agreed-Upon Procedures

The management of Morehead State University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements 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 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 procedures and findings are as follows:

- d. We reviewed an organization chart and job descriptions of key personnel as prepared by management. We reviewed the extent of documentation of accounting systems and procedures. We also made certain inquiries of management regarding control consciousness, competence of personnel and protection of records and equipment.

Agreed-upon procedure "d" applied to certain aspects of the University's system of internal accounting control was more limited than would be necessary to express an opinion on the system of internal accounting taken as a whole. Because our study and evaluation was limited to applying agreed-upon procedure "d" to certain aspects of the system of internal accounting control, we do not express an opinion on whether the system of internal accounting control of Morehead State University in effect for the year ended June 30, 1990, taken as a whole, was sufficient to meet the objectives stated above. In connection with applying our procedures, we did note an opportunity for improvement in internal accounting controls. Our recommendation is presented as Exhibit II to this report.

*Kelley, Galloway + Company, P.C.*

September 21, 1990

MOREHEAD STATE UNIVERSITY  
 INTERCOLLEGIATE ATHLETICS DEPARTMENT  
 STATEMENT OF REVENUES AND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 1990

	FOOTBALL	BASKETBALL	OTHER SPORTS	NONPROGRAM SPECIFIC	TOTAL
REVENUES:					
Ticket sales (2)	\$ 86,997	\$ 112,062	\$ -	\$ -	\$ 199,059
Eagle Athletic Fund	17,230	29,456	38,932	27,190	112,808
Guaranteed gate amounts	50,000	46,000	-	-	96,000
Student activity fee	87,185	58,272	41,606	49,337	236,400
NCAA proceeds	646	18,364	-	-	19,010
Other	11,907	7,586	1,500	-	20,993
Total revenues (2)	<u>253,965</u>	<u>271,740</u>	<u>82,038</u>	<u>76,527</u>	<u>684,270</u>
OPERATING EXPENDITURES (1):					
Salaries	194,080	166,228	80,280	208,245	648,833
Fringe benefits	37,894	31,142	12,186	41,292	122,514
Financial Aid -					
Tuition	166,770	76,085	96,318	1,475	340,648
Room	64,344	30,075	34,948	-	129,367
Meals	76,832	38,735	19,785	-	135,352
Books and fees	31,464	7,831	10,954	-	50,249
Travel -					
Team and administrative	36,123	56,491	65,690	8,511	166,815
Recruiting	16,568	15,326	-	-	31,894
Leased vehicles	-	9,806	-	-	9,806
General and administrative	14,733	18,911	27,095	56,300	117,039
Uniforms	15,759	7,643	3,696	-	27,098
Promotion	11,329	4,800	-	26,903	43,032
Guarantees	-	1,800	-	-	1,800
Telephone	11,866	6,248	1,738	4,053	23,905
Equipment	83,540	4,997	2,809	1,439	92,785
Insurance	-	-	-	33,771	33,771
Total operating expenditures (1) (2)	<u>761,302</u>	<u>476,118</u>	<u>355,499</u>	<u>381,989</u>	<u>1,974,908</u>
EXPENDITURES OVER REVENUES (1) (2)	<u>\$(507,337)</u>	<u>\$(204,378)</u>	<u>\$(273,461)</u>	<u>\$(305,462)</u>	<u>\$(1,290,638)</u>

## Notes:

- (1) The above expenditures of the Intercollegiate Athletics Department do not include any allocation of the University's Telecommunications, Land and Grounds Maintenance, Public Safety, Computer Services, Business Services, Custodial Services, Power Plant and General Services departmental costs. The allocation of these departmental costs would require a cost study of each area which was not included in the scope of this report.
- (2) The University includes in ticket sales revenues the value of athletic event tickets sold to other unrestricted budgetary departments of the University. These other departments purchase athletic tickets for use in fund raising, recruiting, etc. and charge their operating budget for the cost of such tickets. None of these expenses are reflected above in the Intercollegiate Athletic Department Operating Expenses.

MOREHEAD STATE UNIVERSITY

INTERCOLLEGIATE ATHLETICS DEPARTMENT

FINDINGS AND RECOMMENDATIONS - INTERNAL  
ACCOUNTING CONTROLS

JUNE 30, 1990

ATHLETIC EVENT TICKETS

Finding -

The University includes in ticket sales revenues the value of athletic event tickets sold to other unrestricted budgetary departments of the University. This method of recognizing revenue should be reevaluated to consider whether only the tickets actually used should be reflected as revenues.

Recommendation -

We recommend that these inter-departmental ticket sales be recognized as revenue to the Intercollegiate Athletic Department solely on the basis of tickets actually used, with the appropriate face value applied. Further, procedures should be developed to control these tickets as to the number issued and number used so that unused tickets are not reflected as revenue.

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INDEPENDENT AUDITORS' REPORT

Dr. C. Nelson Grote, President  
Morehead State University  
Morehead, Kentucky

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of Morehead State University and its related booster organization, the Eagle Athletic Fund (a separate fund of Morehead State University Foundation, Inc.), in connection with activities of the Intercollegiate Athletics Department of Morehead State University. It is understood that this report is solely for your information and is not to be referred to or distributed for any purpose to anyone who is not a member of management or the Board of Regents of Morehead State University or an authorized representative of the National Collegiate Athletic Association. Our procedures and findings are as follows:

- a. We obtained from the Eagle Athletic Fund a Statement of Support and Revenue, Expenses and Changes in Fund Balance for the year ended June 30, 1990, as shown in Exhibit III.
- b. We confirmed with management of the Eagle Athletic Fund all financial activities directly benefiting the Intercollegiate Athletics Department at Morehead State University.
- c. We traced all cash receipts received from the Eagle Athletic Fund to the accounting records of Morehead State University. Such transfers totalled \$112,808 and represented 56% of the Eagle Athletics Fund's total expenditures of \$211,906 during the year ended June 30, 1990.
- d. We obtained a listing of all expenditures made on behalf of the Intercollegiate Athletic Department from the Eagle Athletic Fund's management. We reviewed all supporting documents of expenditures in excess of \$2,000, noting all were properly approved and within NCAA Guidelines.
- e. The financial statements of the Morehead State University Foundation, Inc., (which includes the Eagle Athletic Fund) for the year ended June 30, 1990, were audited by us and our independent auditors' report of those statements was dated September 18, 1990.



Because the above procedures do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. This report relates only to the accounts and items specified above and does not extend to any financial statements of Morehead State University or the related outside organization, taken as a whole.

*Kelley, Gallaway & Company, PSC*

September 21, 1990

## EAGLE ATHLETIC FUND

(a separate fund of Morehead State University Foundation, Inc.)

STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND  
CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 1990

SUPPORT AND REVENUE:	
Contributions	\$278,286
Interest and dividend income	7,961
Donated materials and properties	48,433
Other income	<u>20,575</u>
Total support and revenue	<u>355,255</u>
EXPENSES:	
University support:	
Salaries and wages	500
Travel and automobiles	20,714
Equipment	1,400
Supplies	10,080
Other operating expenditures	<u>80,114</u>
	<u>112,808</u>
NCAA sports equipment, purchased with University approval	<u>7,283</u>
Non-NCAA program support	<u>18,970</u>
Supporting services - management and general:	
Banquets and outings	4,591
Materials and supplies	150
Interest expense	1,738
Other operating expenses	<u>17,933</u>
	<u>24,412</u>
Supporting services - other:	
In-kind gifts	<u>48,433</u>
Total expenses	<u>211,906</u>
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES BEFORE UNREALIZED LOSS ON TEMPORARY INVESTMENTS	143,349
UNREALIZED LOSS ON TEMPORARY INVESTMENTS	<u>18,000</u>
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES	125,349
TRANSFERS FROM OTHER FUNDS, NET	<u>23,391</u>
INCREASE IN FUND BALANCE	148,740
FUND BALANCE, beginning of year	<u>44,286</u>
FUND BALANCE, end of year	<u>\$193,026</u>

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Dr. C. Nelson Grote, President  
Morehead State University  
Morehead, Kentucky

The agreed-upon procedures applied to the records of the Intercollegiate Athletic Department of Morehead State University and our independent auditors' report thereon are presented in the preceding section of this report. The financial information presented herein for the year ended June 30, 1990, was derived from the accounting records tested by us as part of our procedures followed in performing the aforementioned agreed-upon procedures. The supplementary information presented hereinafter for the year ended June 30, 1990, was accumulated by management and reviewed by us for reasonableness. This report relates only to the accounts and items specified in the preceding section of this report and does not extend to the financial statements of Morehead State University taken as a whole.

*Kelley, Galloway & Company, PSC*

September 21, 1990

MOREHEAD STATE UNIVERSITY

SCHEDULE OF REVENUES AND EXPENDITURES BY SPORT  
OF THE INTERCOLLEGIATE ATHLETICS DEPARTMENT

JUNE 30, 1990

<u>SPORT:</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Expenditures Over Revenues</u>
Football	\$253,965	\$761,302	\$(507,337)
Men's basketball	\$239,526	\$329,668	\$ (90,142)
Women's basketball	32,214	146,450	(114,236)
	<u>\$271,740</u>	<u>\$476,118</u>	<u>\$(204,378)</u>
Baseball	\$ 31,449	\$ 93,532	\$ (62,083)
Golf	10,774	28,080	(17,306)
Soccer	1,560	8,562	(7,002)
Men's tennis	5,078	24,024	(18,946)
Women's tennis	3,168	22,448	(19,280)
Swimming	6,525	18,301	(11,776)
Volleyball	15,659	91,503	(75,844)
Softball	6,075	52,350	(46,275)
Cross country	1,750	16,699	(14,949)
	<u>\$ 82,038</u>	<u>\$355,499</u>	<u>\$(273,461)</u>