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Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Regents and
Dr. Ronald G. Eaglin, President
Morehead State University
Morehead, Kentucky

We have audited the accompanying balance sheets of Morehead State University as of June 30, 1993 and 1992, 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, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". 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, 1993 and 1992, 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 16 of this report is presented for purposes of additional analysis and is 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 20, 1993

MOREHEAD STATE UNIVERSITY

BALANCE SHEETS (CONCLUDED)

JUNE 30, 1993 AND 1992

ASSETS

	<u>1993</u>	<u>1992</u>
PLANT FUNDS:		
Unexpended -		
Cash (Note 4)	\$ 5,690,525	\$ 6,894,581
Total unexpended	<u>5,690,525</u>	<u>6,894,581</u>
Renewal and Replacement:		
Cash and certificates of deposit (Notes 1 and 4)	160,972	257,975
Investments - at cost (Notes 1, 4 and 6)	235,119	106,625
Accounts receivable	<u>1,656</u>	<u>1,841</u>
Total renewal and replacement	<u>397,747</u>	<u>366,441</u>
Retirement of Indebtedness:		
Cash and certificates of deposit (Notes 1 and 4)	317,665	2,198,768
Investments - at cost (Notes 1, 4 and 6)	4,296,998	2,161,963
Accounts receivable	<u>12,824</u>	<u>11,904</u>
Total retirement of indebtedness	<u>4,627,487</u>	<u>4,372,635</u>
Investment in Plant (Notes 1 and 2):		
Bond proceeds receivable	-	5,700,000
Land and improvements	5,910,989	5,676,943
Buildings	94,968,500	74,989,369
Library - books and periodicals	8,265,770	7,859,842
Charles M. Derrickson Agricultural Complex - livestock	185,206	160,932
Vehicles	975,290	996,690
Equipment	19,969,650	16,223,260
Construction in progress	4,322,435	23,230,564
Accumulated depreciation (Note 1)	<u>(58,880,390)</u>	<u>(55,351,261)</u>
Total investment in plant	<u>75,717,450</u>	<u>79,486,339</u>
Total plant funds	<u>\$ 86,433,209</u>	<u>\$ 91,119,996</u>
AGENCY FUNDS:		
Cash (Note 4)	\$ 876,915	\$ 949,807
Accounts receivable	1,877	837
Due from restricted current funds	-	70
Due from unrestricted current funds	<u>26,024</u>	<u>-</u>
Total agency funds	<u>\$ 904,816</u>	<u>\$ 950,714</u>

LIABILITIES AND FUND BALANCES

	<u>1993</u>	<u>1992</u>
CURRENT FUNDS:		
Unrestricted:		
Accounts payable	\$ 755,300	\$ 525,767
Accrued vacation pay	967,332	958,432
Accrued salaries and related liabilities	1,896,278	1,752,531
Due to agency funds	<u>26,024</u>	<u>-</u>
	<u>3,644,934</u>	<u>3,236,730</u>
Fund balance -		
Allocated	7,221,372	5,693,593
Unallocated	<u>1,418,461</u>	<u>1,195,914</u>
	<u>8,639,833</u>	<u>6,889,507</u>
Total unrestricted	<u>12,284,767</u>	<u>10,126,237</u>
Restricted:		
Accounts payable	70,311	136,699
Accrued wages	42,738	23,392
Due to unrestricted current funds	698,943	637,604
Due to agency funds	-	70
Unearned revenue for Federal and state grants	467,099	638,283
Fund balance	<u>28,667</u>	<u>73,031</u>
	<u>1,307,758</u>	<u>1,509,079</u>
Total restricted	<u>1,307,758</u>	<u>1,509,079</u>
Total current funds	<u>\$13,592,525</u>	<u>\$11,635,316</u>
LOAN FUNDS:		
Accounts payable	\$ 8,301	\$ 2,694
Loan awards payable	300	300
Due to unrestricted current funds	<u>4,750</u>	<u>600</u>
	<u>13,351</u>	<u>3,594</u>
Fund balance -		
U.S. Government contributions	4,807,343	4,809,909
Institutional contributions	543,136	542,866
Deficit	<u>(1,868,198)</u>	<u>(1,931,896)</u>
	<u>3,482,281</u>	<u>3,420,879</u>
Total loan funds	<u>\$ 3,495,632</u>	<u>\$ 3,424,473</u>
ENDOWMENT FUNDS--fund balance	<u>\$ 124,951</u>	<u>\$ 167,889</u>

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

MOREHEAD STATE UNIVERSITY

BALANCE SHEETS

JUNE 30, 1993 AND 1992

	<u>ASSETS</u>	<u>1993</u>	<u>1992</u>
CURRENT FUNDS:			
Unrestricted:			
Cash (Note 4)		\$ 9,455,410	\$ 6,655,076
Accounts receivable, less allowance for doubtful accounts of \$121,000 at 1993 and \$243,410 at 1992		337,068	892,982
Inventories (Note 1)		1,788,596	1,901,353
Due from restricted current funds		698,943	637,604
Due from agency funds		-	38,622
Due from loan funds		<u>4,750</u>	<u>600</u>
Total unrestricted		<u>12,284,767</u>	<u>10,126,237</u>
Restricted:			
Cash (Note 4)		395,113	314,655
Federal and state grants receivable		912,273	1,194,424
Due from agency funds		<u>372</u>	<u>-</u>
Total restricted		<u>1,307,758</u>	<u>1,509,079</u>
Total current funds		<u>\$13,592,525</u>	<u>\$11,635,316</u>
LOAN FUNDS:			
Cash (Note 4)		\$ 215,004	\$ 174,560
Loans to students, less allowance for doubtful accounts of \$134,382 at 1993 and \$168,345 at 1992		3,186,969	3,159,399
Accounts receivable		<u>93,659</u>	<u>90,514</u>
Total loan funds		<u>\$ 3,495,632</u>	<u>\$ 3,424,473</u>
ENDOWMENT FUNDS:			
Investments - at cost (Notes 1, 4 and 6)		<u>\$ 124,951</u>	<u>\$ 167,889</u>
Total endowment funds		<u>\$ 124,951</u>	<u>\$ 167,889</u>

LIABILITIES AND FUND BALANCES

	<u>1993</u>	<u>1992</u>
PLANT FUNDS:		
Unexpended--restricted fund balance	\$ <u>5,690,525</u>	\$ <u>6,894,581</u>
Renewal and Replacement--fund balance	<u>397,747</u>	<u>366,441</u>
Retirement of Indebtedness--restricted fund balance	<u>4,627,487</u>	<u>4,372,635</u>
Investment in Plant:		
Bonds and note payable and capital lease obligations (Note 2)	51,829,218	53,400,913
Net investment in plant	<u>23,888,232</u>	<u>26,085,426</u>
Total investment in plant	<u>75,717,450</u>	<u>79,486,339</u>
Total plant funds	<u>\$ 86,433,209</u>	<u>\$ 91,119,996</u>
AGENCY FUNDS:		
Accounts payable	\$ 14,615	\$ 69,268
Due to unrestricted current funds	-	38,622
Due to restricted current funds	372	-
Deposits held in custody for others	<u>889,829</u>	<u>842,824</u>
Total agency funds	<u>\$ 904,816</u>	<u>\$ 950,714</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, 1993 AND 1992

	1993	
	<u>Unrestricted</u>	<u>Restricted</u>
CURRENT FUNDS:		
BALANCE, beginning of year	\$ 6,889,507	\$ 73,031
REVENUES AND OTHER ADDITIONS:		
Unrestricted current funds revenues	58,716,767	-
Federal and state grants and contracts	-	13,417,369
	<u>58,716,767</u>	<u>13,417,369</u>
EXPENDITURES AND OTHER DEDUCTIONS:		
Educational and general expenditures	44,499,938	13,166,447
Auxiliary enterprises expenditures	6,598,760	295,286
	<u>51,098,698</u>	<u>13,461,733</u>
TRANSFERS AMONG FUNDS -		
ADDITIONS (DEDUCTIONS):		
Mandatory -		
Transfers to plant funds-retirement		
of indebtedness and renewal and		
replacements (Note 2)	(5,510,174)	-
Transfers to loan funds and		
restricted current funds	(379,472)	-
Transfers from plant funds	737,790	-
Transfers to plant funds	(766,669)	-
Transfer from endowment funds	50,782	-
	<u>(5,867,743)</u>	<u>-</u>
NET INCREASE (DECREASE) FOR THE YEAR	<u>1,750,326</u>	<u>(44,364)</u>
BALANCE, end of year	<u>\$ 8,639,833</u>	<u>\$ 28,667</u>

1992	
<u>Unrestricted</u>	<u>Restricted</u>
\$ 7,094,316	\$ 51,181
59,158,923	-
-	12,951,521
59,158,923	12,951,521
46,956,113	12,644,075
6,451,453	285,596
53,407,566	12,929,671
(4,629,900)	-
(367,790)	-
1,062,536	-
(2,021,012)	-
-	-
(5,956,166)	-
(204,809)	21,850
<u>\$ 6,889,507</u>	<u>\$ 73,031</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, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
LOAN FUNDS:		
BALANCE, beginning of year	\$3,420,879	\$3,340,155
REVENUES AND OTHER ADDITIONS:		
Interest on loans receivable	76,182	78,877
Cancellation reimbursement	37,639	36,369
Miscellaneous interest income	2,922	4,232
Federal contributions	2,422	2,422
Institutional contributions	270	460
Recovery of doubtful accounts previously written off	23,575	24,221
Other	<u>26</u>	<u>36</u>
	<u>143,036</u>	<u>146,617</u>
EXPENDITURES AND OTHER DEDUCTIONS:		
Loan principal and interest cancelled	53,178	46,340
Administrative and collection expense	23,292	14,766
Return of excess funds	4,988	4,749
Other	<u>176</u>	<u>38</u>
	<u>81,634</u>	<u>65,893</u>
NET INCREASE FOR THE YEAR	<u>61,402</u>	<u>80,724</u>
BALANCE, end of year	<u>\$3,482,281</u>	<u>\$3,420,879</u>
ENDOWMENT FUNDS:		
BALANCE, beginning of year	\$ 167,889	\$ 161,703
REVENUE -		
Investment income	<u>7,844</u>	<u>6,186</u>
TRANSFER AMONG FUNDS -		
Transfer to unrestricted current funds	<u>50,782</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>(42,938)</u>	<u>6,186</u>
BALANCE, end of year	<u>\$ 124,951</u>	<u>\$ 167,889</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, 1993 AND 1992

	1993		
	<u>Unexpended</u>	<u>Renewal and Replacement</u>	<u>Retirement of Indebtedness</u>
PLANT FUNDS:			
BALANCE, beginning of year	\$6,894,581	\$ 366,441	\$4,372,635
REVENUES AND OTHER ADDITIONS:			
Interest income	780,506	20,201	293,518
Proceeds from bond issuance	-	-	4,372,558
Retirement of indebtedness	-	-	-
Expended for plant fund facilities (including \$1,663,335 in 1993 and \$1,252,705 in 1992 charged to current funds expenditures)	-	-	-
Appropriations for plant funds	5,362,774	-	-
Gain on sale of investments	-	272	-
	<u>6,143,280</u>	<u>20,473</u>	<u>4,666,076</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Retirement of indebtedness	-	-	6,895,633
Interest on indebtedness	-	-	2,939,087
Expenditures for plant additions	7,293,006	-	-
Bond issuance and note payable	-	-	-
Depreciation	-	-	-
Miscellaneous	-	-	11,681
Deletions from plant facilities net of depreciation	-	-	-
Bond issuance costs	-	-	70,494
Premium on bond refunding	-	-	36,700
Loss on sale of investments	-	-	40,179
	<u>7,293,006</u>	<u>-</u>	<u>9,993,774</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):			
Transfers from unrestricted current funds for debt service (Note 2)	-	63,913	5,446,261
Transfer from unexpended to retirement of indebtedness	(83,209)	-	83,209
Transfer from unrestricted current funds	28,879	-	-
Transfer from renewal and replacement to retirement of indebtedness	-	(53,080)	53,080
	<u>(54,330)</u>	<u>10,833</u>	<u>5,582,550</u>
NET INCREASE (DECREASE) FOR THE YEAR	<u>(1,204,056)</u>	<u>31,306</u>	<u>254,852</u>
BALANCE, end of year	<u>\$5,690,525</u>	<u>\$ 397,747</u>	<u>\$4,627,487</u>

1993	1992			
<u>Investment in Plant</u>	<u>Unexpended</u>	<u>Renewal and Replacement</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
<u>\$26,085,426</u>	<u>\$8,398,335</u>	<u>\$347,185</u>	<u>\$3,587,176</u>	<u>\$23,480,501</u>
-	21,238	19,256	261,346	-
-	-	-	858,473	-
10,646,810	-	-	-	2,334,481
5,629,671	-	-	-	12,930,597
-	9,194,424	-	-	-
-	-	-	-	-
<u>16,276,481</u>	<u>9,215,662</u>	<u>19,256</u>	<u>1,119,819</u>	<u>15,265,078</u>
-	-	-	2,262,096	-
-	-	-	2,584,174	-
-	11,677,892	-	-	-
14,775,114	-	-	-	10,005,000
3,691,393	-	-	-	2,583,822
-	-	-	117,990	-
7,168	-	-	-	71,331
-	-	-	-	-
-	-	-	-	-
<u>18,473,675</u>	<u>11,677,892</u>	<u>-</u>	<u>4,964,260</u>	<u>12,660,153</u>
-	-	-	4,629,900	-
-	-	-	-	-
-	958,476	-	-	-
-	-	-	-	-
-	958,476	-	4,629,900	-
<u>(2,197,194)</u>	<u>(1,503,754)</u>	<u>19,256</u>	<u>785,459</u>	<u>2,604,925</u>
<u>\$23,888,232</u>	<u>\$6,894,581</u>	<u>\$366,441</u>	<u>\$4,372,635</u>	<u>\$26,085,426</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, 1993 AND 1992

	<u>1993</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
REVENUES:		
Tuition and fees	\$17,017,020	\$ -
State appropriations	30,760,047	-
Governmental grants and contracts	-	13,038,167
Matching funds	-	379,202
Indirect cost reimbursement	235,372	-
Sales and services of educational activities	754,506	-
Sales and services of auxiliary enterprises	8,984,548	-
Other sources	<u>965,274</u>	<u>-</u>
Total current revenues	<u>58,716,767</u>	<u>13,417,369</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
Educational and general -		
Instruction	21,053,571	1,743,483
Research	51,627	477,538
Public service	736,507	1,762,146
Library	1,755,294	81,334
Academic support	3,249,370	68,567
Student services	4,790,962	602,950
Institutional support	5,652,812	188,761
Operation and maintenance of plant	3,983,946	1,261
Student financial aid	<u>3,225,849</u>	<u>8,240,407</u>
Educational and general expenditures	<u>44,499,938</u>	<u>13,166,447</u>
Mandatory transfers for -		
Principal and interest	3,965,401	-
College Work Study, SEOG, Loan, and Endowment Fund matching funds	<u>328,690</u>	<u>-</u>
	<u>4,294,091</u>	<u>-</u>
Total educational and general	<u>48,794,029</u>	<u>13,166,447</u>
Auxiliary enterprises -		
Expenditures	6,598,760	295,286
Mandatory transfers for principal and interest and renewal and replacement	<u>1,544,773</u>	<u>-</u>
Total auxiliary enterprises	<u>8,143,533</u>	<u>295,286</u>
Total expenditures and mandatory transfers	<u>56,937,562</u>	<u>13,461,733</u>

<u>1993</u>	<u>1992</u>
<u>Totals</u>	<u>Totals</u>
\$17,017,020	\$15,869,010
30,760,047	32,141,800
13,038,167	12,593,564
379,202	357,957
235,372	202,708
754,506	1,021,190
8,984,548	8,523,534
<u>965,274</u>	<u>1,400,681</u>
<u>72,134,136</u>	<u>72,110,444</u>
22,797,054	23,162,682
529,165	688,551
2,498,653	2,711,818
1,836,628	1,909,998
3,317,937	3,893,261
5,393,912	5,815,680
5,841,573	6,202,398
3,985,207	4,467,072
<u>11,466,256</u>	<u>10,748,728</u>
<u>57,666,385</u>	<u>59,600,188</u>
3,965,401	2,843,067
<u>328,690</u>	<u>367,790</u>
<u>4,294,091</u>	<u>3,210,857</u>
<u>61,960,476</u>	<u>62,811,045</u>
6,894,046	6,737,049
<u>1,544,773</u>	<u>1,786,833</u>
<u>8,438,819</u>	<u>8,523,882</u>
<u>70,399,295</u>	<u>71,334,927</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 (CONCLUDED)

FOR THE YEARS ENDED JUNE 30, 1993 AND 1992

	<u>1993</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS) -		
Transfers from plant funds	\$ 737,790	\$ -
Transfers to plant funds	<u>(766,669)</u>	<u>-</u>
Total other transfers and additions (deductions)	<u>(28,879)</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ 1,750,326</u>	<u>\$ (44,364)</u>

<u>1993</u>	<u>1992</u>
<u>Totals</u>	<u>Totals</u>
\$ 737,790	\$ 1,062,536
<u>(766,669)</u>	<u>(2,021,012)</u>
<u>(28,879)</u>	<u>(958,476)</u>
<u>\$ 1,705,962</u>	<u>\$ (182,959)</u>

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

MOREHEAD STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1993 AND 1992

(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. 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.

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 for, 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.

Non-current funds of the University include:

Loan Funds - Such funds include monies available for loans to students. Additions to these funds are from governmental appropriations, interest on loans outstanding, and transfers from other University funds. Loans are normally made to students on an unsecured basis.

Endowment Funds - Endowment funds include funds subject to the restrictions of the gift instruments which require the principal be permanently invested and only the income be expended.

Plant Funds - Included in this group are funds to be used for the acquisition of physical properties for institutional purposes, but unexpended at the date of this report; funds expended for, and thus invested in, institutional properties; and funds set aside for debt service charges and for the retirement of indebtedness on institutional properties.

Sources of funds include appropriations of governmental bodies, proceeds from bond issues, income from investments, and transfers from other University funds.

Agency Funds - Included are funds received by the University as custodian or fiscal agent for others, and funds used for certain organized activities. Generally, these funds are disbursed on instructions and in behalf of those from whom received.

Investments

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

Investment in Plant

Investment in plant is stated at cost for purchased assets and at fair value at date of donation in the case of gifts. Expenditures which increase values or extend useful lives of the respective assets are capitalized, whereas expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of assets is computed using the straight-line method over the assets estimated useful lives. Estimated lives used for depreciation purposes are as follows:

<u>Classification</u>	<u>Estimated Life</u>
Improvements	20 years
Buildings	50 years
Vehicles	5-9 years
Equipment	5-15 years

Inventories

Inventories representing approximately 56% and 62% respectively, of total inventories at June 30, 1993 and 1992 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.

Accrued Vacation

Accrued vacation is included in the unrestricted current funds balance sheet and represents earned vacation available to employees at current compensation rates.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expenses. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing accounts that may become uncollectible.

(2) BONDS AND NOTE PAYABLE AND CAPITAL LEASE OBLIGATIONS

The following is a summary of bonds and note payable and capital lease obligations at June 30, 1993 and 1992:

	<u>1993</u>	<u>1992</u>
2.875 - 7.15% Housing and Dining System Bonds, Series A through M, repayable in annual installments with the final installment due on November 1, 2012	\$19,620,000	\$20,440,000
3 - 6.875% Consolidated Educational Building Revenue Bonds, Series C, D, E, F, H, I and J, repayable in annual installments with the final installment due on May 1, 2012	15,860,000	17,135,000
6.8 - 7.3% State Property and Buildings Commission Project 48 Bond Issue, repayable in semi-annual installments with the final installment due August 1, 1998	1,181,009	5,140,094
4.9 - 6.5% State Property and Buildings Commission Project 52 Bond Issue, repayable in semi-annual installments with the final installment due August 1, 2001	1,875,000	2,030,000
Note payable to a company, repayable in monthly principal installments of \$7,005, plus interest at prime (currently 6.0%), to June, 1994	73,462	149,739
5.9 - 7.0% State Property and Buildings Commission Project 50 Bond Issue, repayable in semi-annual installments with the final installment due February 1, 2010	6,980,095	7,206,080
5.5% Capital lease obligation with a bank, repayable in annual installments with the final installment due July 31, 1995	1,062,586	1,300,000
2.4 - 5.9% State Property and Buildings Commission Project 54 Bond Issue, repayable in semi-annual installments with the final installment due September 1, 2008	5,108,066	-

	<u>1993</u>	<u>1992</u>
6.0% Capital lease obligation with MSU Foundation, repayable in annual install- ments with the final installment due January 28, 2000	<u>69,000</u>	<u>-</u>
	<u>\$51,829,218</u>	<u>\$53,400,913</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 1993 the University transferred \$1,480,860 to the Housing and Dining System Revenue Bonds Sinking Fund and \$2,166,033 to the Consolidated Educational Building Revenue Bonds Sinking Fund for payment of current year principal and interest; and \$63,913 to the Housing and Dining System Repair Fund. In addition, during 1993, the University transferred \$1,799,368 in unrestricted current funds for the payment of principal and interest on the Project 48, 50, 52 and 54 bond issues, the capital lease obligations, and the note payable to a company.

The revenue bonds are collateralized by various buildings carried in the accounts at \$66,400,000. 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, lease purchase agreement, and note payable at June 30, 1993, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Repayment Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1994	\$ 3,612,975	\$ 2,763,305	\$ 6,376,280
1995	3,720,510	2,580,796	6,301,306
1996	3,890,931	2,389,598	6,280,529
1997	3,037,543	2,187,167	5,224,710
1998	3,211,561	2,019,628	5,231,189
1999-2012	<u>34,355,698</u>	<u>13,390,707</u>	<u>47,746,405</u>
	<u>\$51,829,218</u>	<u>\$25,331,201</u>	<u>\$77,160,419</u>

On May 1, 1993, the University issued \$3,775,000 in Consolidated Educational Buildings Series J Refunding Bonds, with an average interest rate of 4.0 percent to advance refund \$3,670,000 of outstanding 1971 Series G bonds with an average interest rate of 6.2 percent. The net proceeds were \$3,691,132 (after payment of \$83,868 issuance costs and discount). As a result, the 1971 Series G bonds are considered to be defeased and the liability for those bonds has been removed from the Investment in Plant Fund.

The University advance refunded the 1971 Series G bonds to reduce its total debt service payments over the next eight years by approximately \$323,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$205,000.

(3) PENSION PLAN

Faculty

All full-time employees occupying a position requiring certification by the state department of education or who have graduated from a four year college or university are covered under the defined benefit plan administered by KTRS. All benefits vest after five years of service.

The payroll for employees covered by KTRS for the year ended June 30, 1993 was \$20,442,778. The universities total payroll was \$29,240,336.

KTRS covered employees are required by Chapter 161 Section 540(1) of the Kentucky Revised Statutes (KRS) to contribute a fixed percentage of their gross earnings to the pension plan. The Commonwealth makes annual contributions to the pension equal to the amount required by state law. Current contribution rates for the plan are:

<u>Employee</u>	<u>Employer Contributions</u>
6.16%	10.59% plus 3.25%

For the year ended June 30, 1993 the Commonwealth contributed a total of \$2,829,282 to KTRS for benefit of participating employees.

Other Employees

Substantially all other full-time University employees are required by law to participate in the Kentucky Employee Retirement System (KERS), a cost sharing, multiple-employer, public employee retirement system. KERS provides retirement benefits based on an employee's final compensation and number of years of service. Benefits are subject to reduction if the employee retires before reaching age sixty-five or less than twenty-seven years of service. Vesting begins immediately upon entry into the system and a fully vested interest occurs after sixty months of service, of which twelve months must be current service. The plan also provides for disability retirement, death and survivor benefits and medical insurance.

Funding for the plan is provided from eligible employees who contribute 5.00% of their salary through payroll deductions and the University, which contributes 7.65% of current eligible employee's salaries to the KERS. University police officers participate in the Hazardous Duty Division of KERS. The officers contribute 7% of their salary through payroll deductions while the University contributes 15.05% of current eligible employee's salaries. University contribution rates are determined by the Board of Trustees of the Kentucky Retirement Systems each biennium. The rates are intended to fund the plan's normal cost plus 1% of unfunded past service costs.

The amount shown below as "pension benefit obligation" is a standardized disclosure measuring the present value of pension benefits for the entire KERS, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess KERS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and among employers. The measure is independent of the actuarial funding method used to determine contributions to the system.

The pension benefit obligation was obtained from a separately issued report on the KERS. That report also includes eight-year historical trend information which provides information about progress made in accumulating sufficient assets to pay benefits when due.

The unfunded pension benefit obligation was \$250,407,373 at June 30, 1992 as shown below:

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 945,539,959
---	----------------

Current members:	
Accumulated employee contributions and credited interest	442,303,920
Employer-financed portion	<u>929,410,185</u>
Total pension benefit obligation	2,317,254,064
Net assets available for benefits, at cost	<u>2,066,846,691</u>
Unfunded pension benefit obligation	<u>\$ 250,407,373</u>

Payroll for KERS participating employees during the year ended June 30, 1993 was \$6,608,787. Payroll for all University employees during the year ended June 30, 1993 was \$29,240,336. Contributions to KERS during the year ended June 30, 1993 were:

<u>Contributions From</u>	<u>Amount</u>	<u>Percentage of Payroll of KERS Employees</u>
Employees through payroll deductions	<u>\$337,277</u>	<u>5.01%</u>
University, as included in current year expenditures	<u>\$505,501</u>	<u>7.65%</u>

(4) DEPOSITS AND INVESTMENTS

At June 30, 1993 the University had deposits as reflected by bank balances as follows:

Insured, commercial banks	\$ 200,000
Uninsured, commercial banks; collateral held by pledging institution's agent in the University's name	4,904,798
Maintained by Commonwealth of Kentucky	13,202,107
Uninsured, collateral held in Trust by the institution's agent	<u>378,637</u>
	<u>\$18,685,542</u>

At June 30, 1993 the University had investments as follows:

Uninsured, unregistered U.S. government obligation	\$ 703
Uninsured, unregistered U.S. government obligations, held by the institution's agent in the University's name	4,532,117
Repurchase agreement; held by the Commonwealth of Kentucky in the University's name	<u>124,248</u>
	<u>\$ 4,657,068</u>

The University may legally invest in repurchase agreements, U.S. Treasury obligations and U.S. government agency obligations.

(5) INTERFUND BORROWINGS

All interfund borrowings have been made from unrestricted funds. The amounts due to current unrestricted funds from current restricted funds, agency funds and unexpended plant funds are payable on demand without interest.

(6) INVESTMENTS

Investments are recorded at cost. Quoted market values of investments (primarily repurchase agreements and U.S. Treasury and U.S. agency debt securities) of the funds indicated were as follows:

	June 30, <u>1993</u>	June 30, <u>1992</u>
Endowment funds	\$ 124,951	\$ 167,889
Renewal and replacement	239,554	106,625
Retirement of indebtedness	4,312,784	2,161,963

(7) LEASES

The University has operating lease agreements for use of equipment and various parcels of real estate cancelable annually with the option to renew. The University recognizes the expenditures related to those obligations in the current unrestricted funds as lease payments are made. Total rent expenditures under operating type leases were approximately \$365,000 in 1993 and \$360,000 in 1992.

(8) CONSTRUCTION COMMITMENTS

Estimated cost to complete construction under contract at June 30, 1993 is approximately \$1,455,841. Such construction is principally financed by Commonwealth of Kentucky appropriations and long-term bonds payable.

(9) CONTINGENCIES

The University is defendant in several lawsuits; however, University management is of the opinion, based on advice of legal counsel, that the ultimate resolution of these litigation matters will not have a material effect on the future operations or financial position of the University.

(10) RECLASSIFICATIONS

Certain previously reported accounts have been reclassified in the accompanying 1992 financial statements to reflect comparability with account classifications adopted for fiscal 1993.

SUPPLEMENTAL INFORMATION

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS REVENUES

FOR THE YEARS ENDED JUNE 30, 1993 AND 1992

	1993	
	<u>Unrestricted</u>	<u>Restricted</u>
EDUCATIONAL AND GENERAL:		
Tuition and fees -		
Degree credit - Fall	\$ 7,459,958	\$ -
Degree credit - Spring	6,930,350	-
Degree credit - Summer and special sessions	1,565,101	-
Other student fees -		
Student activity and service fee	949,347	-
Music, lab and course fees	36,186	-
Extension and correspondence	76,078	-
State appropriations	30,760,047	-
Governmental grants and contracts -		
College Work Study	-	1,075,241
Pell Grants	-	6,766,400
Supplemental Education Opportunity Grants	-	272,301
Other State and Federal grants	-	5,303,427
Indirect cost reimbursement	235,372	-
Sales and services of educational activities	754,506	-
Other sources	965,274	-
	<u>49,732,219</u>	<u>13,417,369</u>
 SALES AND SERVICES OF AUXILIARY ENTERPRISES:		
Residence halls	4,221,279	-
Married student and faculty housing	718,082	-
Food service	477,195	-
University store	3,011,907	-
Other sources	556,085	-
	<u>8,984,548</u>	<u>-</u>
 TOTAL CURRENT FUNDS REVENUES	<u>\$58,716,767</u>	<u>\$13,417,369</u>

<u>1993</u>	<u>1992</u>
<u>Totals</u>	<u>Totals</u>
\$ 7,459,958	\$ 6,935,156
6,930,350	6,520,859
1,565,101	1,533,042
949,347	784,668
36,186	37,989
76,078	57,297
30,760,047	32,141,800
1,075,241	1,138,995
6,766,400	6,646,849
272,301	211,765
5,303,427	4,953,912
235,372	202,708
754,506	1,021,190
<u>965,274</u>	<u>1,400,680</u>
<u>63,149,588</u>	<u>63,586,910</u>
4,221,279	4,571,488
718,082	570,573
477,195	517,709
3,011,907	2,592,765
<u>556,085</u>	<u>270,999</u>
<u>8,984,548</u>	<u>8,523,534</u>
<u>\$72,134,136</u>	<u>\$72,110,444</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND
MANDATORY TRANSFERS

FOR THE YEARS ENDED JUNE 30, 1993 AND 1992

	1993	
	<u>Unrestricted</u>	<u>Restricted</u>
EDUCATIONAL AND GENERAL:		
Instruction -		
Personal services	\$19,820,928	\$ 1,045,282
Operating expenses	1,069,690	453,969
Capital outlay	<u>162,953</u>	<u>244,232</u>
	<u>21,053,571</u>	<u>1,743,483</u>
Research -		
Personal services	21,532	165,912
Operating expenses	25,306	298,103
Capital outlay	<u>4,789</u>	<u>13,523</u>
	<u>51,627</u>	<u>477,538</u>
Public service -		
Personal services	562,910	1,134,964
Operating expenses	155,818	602,258
Capital outlay	<u>17,779</u>	<u>24,924</u>
	<u>736,507</u>	<u>1,762,146</u>
Library -		
Personal services	1,189,246	81,334
Operating expenses	154,335	-
Capital outlay	<u>411,713</u>	<u>-</u>
	<u>1,755,294</u>	<u>81,334</u>
Academic support -		
Personal services	1,670,466	68,567
Operating expenses	1,483,300	-
Capital outlay	<u>95,604</u>	<u>-</u>
	<u>3,249,370</u>	<u>68,567</u>
Student services -		
Personal services	2,902,512	482,618
Operating expenses	1,846,406	120,631
Capital outlay	<u>42,044</u>	<u>(299)</u>
	<u>4,790,962</u>	<u>602,950</u>
Institutional support -		
Personal services	4,762,647	109,294
Operating expenses	631,236	79,467
Capital outlay	<u>258,929</u>	<u>-</u>
	<u>5,652,812</u>	<u>188,761</u>

<u>1993</u>	<u>1992</u>
<u>Totals</u>	<u>Totals</u>
\$20,866,210	\$21,674,627
1,523,659	1,267,539
<u>407,185</u>	<u>220,516</u>
<u>22,797,054</u>	<u>23,162,682</u>
187,444	168,397
323,409	494,152
<u>18,312</u>	<u>26,002</u>
<u>529,165</u>	<u>688,551</u>
1,697,874	1,897,327
758,076	762,617
<u>42,703</u>	<u>51,874</u>
<u>2,498,653</u>	<u>2,711,818</u>
1,270,580	1,263,757
154,335	163,021
<u>411,713</u>	<u>483,220</u>
<u>1,836,628</u>	<u>1,909,998</u>
1,739,033	1,974,175
1,483,300	1,626,738
<u>95,604</u>	<u>292,348</u>
<u>3,317,937</u>	<u>3,893,261</u>
3,385,130	3,659,615
1,967,037	2,090,375
<u>41,745</u>	<u>65,690</u>
<u>5,393,912</u>	<u>5,815,680</u>
4,871,941	4,761,334
710,703	1,276,925
<u>258,929</u>	<u>164,139</u>
<u>5,841,573</u>	<u>6,202,398</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND
MANDATORY TRANSFERS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 1993 AND 1992

	1993	
	<u>Unrestricted</u>	<u>Restricted</u>
EDUCATIONAL AND GENERAL (CONTINUED):		
Operation and maintenance of plant -		
Personal services	\$ 2,714,245	\$ 1,261
Operating expenses	1,006,327	-
Capital outlay	<u>263,374</u>	<u>-</u>
	<u>3,983,946</u>	<u>1,261</u>
Student financial aid -		
Personal services	92,536	-
Operating expenses	<u>3,133,313</u>	<u>8,240,407</u>
	<u>3,225,849</u>	<u>8,240,407</u>
Total educational and general expenditures -		
Personal services	33,737,022	3,089,232
Operating expenses	9,505,731	9,794,835
Capital outlay	<u>1,257,185</u>	<u>282,380</u>
	<u>44,499,938</u>	<u>13,166,447</u>
Mandatory transfers -		
Principal and interest	3,965,401	-
Loan and other matching funds	<u>328,690</u>	<u>-</u>
	<u>4,294,091</u>	<u>-</u>
 TOTAL EDUCATIONAL AND GENERAL	 <u>\$48,794,029</u>	 <u>\$13,166,447</u>
AUXILIARY ENTERPRISES:		
Expenditures -		
Personal services	\$ 1,440,348	\$ 295,286
Operating expenses	5,071,527	-
Capital outlay	<u>86,885</u>	<u>-</u>
	<u>6,598,760</u>	<u>295,286</u>
Mandatory transfers -		
Principal and interest	<u>1,544,773</u>	<u>-</u>
 TOTAL AUXILIARY ENTERPRISES	 <u>\$ 8,143,533</u>	 <u>\$ 295,286</u>

<u>1993</u>	<u>1992</u>
<u>Totals</u>	<u>Totals</u>
\$ 2,715,506	\$ 2,995,311
1,006,327	917,074
<u>263,374</u>	<u>554,687</u>
<u>3,985,207</u>	<u>4,467,072</u>
92,536	105,722
<u>11,373,720</u>	<u>10,643,006</u>
<u>11,466,256</u>	<u>10,748,728</u>
36,826,254	38,500,265
19,300,566	19,241,447
<u>1,539,565</u>	<u>1,858,476</u>
<u>57,666,385</u>	<u>59,600,188</u>
3,965,401	2,843,067
<u>328,690</u>	<u>367,790</u>
<u>4,294,091</u>	<u>3,210,857</u>
<u>\$61,960,476</u>	<u>\$62,811,045</u>
\$ 1,735,634	\$ 1,940,543
5,071,527	4,734,666
<u>86,885</u>	<u>61,840</u>
<u>6,894,046</u>	<u>6,737,049</u>
<u>1,544,773</u>	<u>1,786,833</u>
<u>\$ 8,438,819</u>	<u>\$ 8,523,882</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CURRENT FUNDS EXPENDITURES AND
MANDATORY TRANSFERS (CONCLUDED)

FOR THE YEARS ENDED JUNE 30, 1993 AND 1992

	<u>1993</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
TOTAL EXPENDITURES AND MANDATORY TRANSFERS (CONCLUDED):		
Expenditures -		
Personal services	\$35,177,371	\$ 3,384,518
Operating expenses	14,577,257	9,794,835
Capital outlay	<u>1,344,070</u>	<u>282,380</u>
	<u>51,098,698</u>	<u>13,461,733</u>
 Mandatory transfers -		
Principal and interest	5,510,174	-
Loan and other matching funds	<u>328,690</u>	<u>-</u>
	<u>5,838,864</u>	<u>-</u>
 TOTAL EXPENDITURES AND MANDATORY TRANSFERS	 <u>\$56,937,562</u>	 <u>\$13,461,733</u>

1993
Totals

\$38,561,889
24,372,092
1,626,450
64,560,431

5,510,174
328,690
5,838,864

\$70,399,295

1992
Totals

\$40,440,808
23,976,113
1,920,316
66,337,237

4,629,900
367,790
4,997,690

\$71,334,927

MOREHEAD STATE UNIVERSITY

SCHEDULES OF CHANGES IN FUND BALANCES - LOAN FUNDS

FOR THE YEARS ENDED JUNE 30, 1993 AND 1992

	<u>1993</u>	
	<u>Perkins Loan Fund</u>	<u>Nursing Loan Fund</u>
BALANCE, beginning of year	<u>\$ 3,404,868</u>	<u>\$16,011</u>
INCREASES:		
Reimbursement for cancellations	37,639	-
Interest income on loans	75,812	370
Miscellaneous interest income	2,898	24
Federal contributions	2,422	-
Institutional contributions	270	-
Other	-	26
Recovery of doubtful accounts previously written off	<u>23,575</u>	<u>-</u>
	<u>142,616</u>	<u>420</u>
DECREASES:		
Loan principal cancelled	45,573	643
Loan interest cancelled	6,961	-
Administrative and collection expenses	22,745	548
Return of excess funds	-	4,988
Other	<u>-</u>	<u>176</u>
	<u>75,279</u>	<u>6,355</u>
BALANCE, end of year	<u>\$ 3,472,205</u>	<u>\$10,076</u>

<u>1993</u>	<u>1992</u>
<u>Totals</u>	<u>Totals</u>
<u>\$ 3,420,879</u>	<u>\$ 3,340,155</u>
37,639	36,369
76,182	78,877
2,922	4,232
2,422	2,422
270	460
26	36
<u>23,575</u>	<u>24,221</u>
<u>143,036</u>	<u>146,617</u>
46,216	40,293
6,961	6,047
23,293	14,766
4,988	4,749
<u>176</u>	<u>38</u>
<u>81,634</u>	<u>65,893</u>
<u>\$ 3,482,281</u>	<u>\$ 3,420,879</u>

MOREHEAD STATE UNIVERSITY

SCHEDULES OF HOUSING SYSTEM
REVENUES AND EXPENDITURES

FOR THE YEARS ENDED JUNE 30, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
REVENUES:		
Housing fees	<u>\$5,259,758</u>	<u>\$5,247,613</u>
OPERATING EXPENDITURES:		
Residence hall grants	212,035	340,596
Residence hall services	618,442	629,064
Student housing	675,338	805,611
Residence hall housing	600,999	662,868
Telephones	376,429	261,577
Faculty/staff housing	44,742	40,668
Married housing	78,663	77,614
Cable	56,447	51,350
Laundry	19,891	37,097
Auxiliary maintenance	<u>796,929</u>	<u>857,300</u>
	<u>3,479,915</u>	<u>3,763,745</u>
REVENUES IN EXCESS OF OPERATING EXPENDITURES	<u>1,779,843</u>	<u>1,483,868</u>
DEBT SERVICE EXPENDITURES:		
Principal	820,000	770,000
Interest	<u>1,124,808</u>	<u>990,524</u>
	<u>1,944,808</u>	<u>1,760,524</u>
EXPENDITURES IN EXCESS OF REVENUES	<u>\$ (164,965)</u>	<u>\$ (276,656)</u>

MOREHEAD STATE UNIVERSITY

SUMMARY SCHEDULE OF BONDS, NOTE AND LEASES PAYABLE

JUNE 30, 1993

	<u>Original Issue</u>	<u>Outstanding June 30, 1993</u>
HOUSING AND DINING SYSTEM		
REVENUE BONDS:		
Series A	\$1,040,000	\$ 290,000
Series B	735,000	210,000
Series C	525,000	150,000
Series D	1,050,000	400,000
Series E	200,000	70,000
Series F	390,000	255,000
Series G	1,340,000	665,000
Series H	1,840,000	855,000
Series I	3,920,000	1,950,000
Series J	5,800,000	1,450,000
Series K	3,530,000	3,275,000
Series L	3,560,000	3,375,000
Series M	6,675,000	6,675,000
CONSOLIDATED EDUCATIONAL BUILDING		
REVENUE BONDS:		
Series C	1,950,000	225,000
Series D	5,300,000	1,360,000
Series E	4,350,000	820,000
Series F	4,100,000	1,285,000
Series H	3,160,000	2,880,000
Series I	5,700,000	5,515,000
Series J	3,775,000	3,775,000
PROJECT 48 BONDS	5,667,000	1,181,009
PROJECT 50 BONDS	7,400,501	6,980,095
PROJECT 52 BONDS	2,030,000	1,875,000
PROJECT 54 BONDS	5,175,000	5,108,066
NOTE PAYABLE	366,893	73,462
LEASE PURCHASE AGREEMENT	1,062,586	1,062,586
LEASE PURCHASE AGREEMENT WITH MSU FOUNDATION	69,000	<u>69,000</u>
TOTAL BONDS, NOTE AND LEASES PAYABLE		<u>\$51,829,218</u>

MOREHEAD STATE UNIVERSITY

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES

SINKING FUNDS

FOR THE YEAR ENDED JUNE 30, 1993

	<u>Sinking Fund</u>	<u>Housing and Dining System Debt Service Reserve Fund</u>
FUND BALANCES, June 30, 1992	\$ 383,806	\$ 2,126,866
RECEIPTS AND OTHER ADDITIONS:		
Transferred from Housing System Revenue Fund	1,480,860	-
Transferred from Consolidated Educational Revenue Fund	-	-
Income from investments	6,214	146,359
Redemption of investments	271,642	2,598,105
Transfer from Repair Fund	-	53,080
Increase in investments	-	26,637
Bond proceeds	-	-
Transfer from Debt Service Reserve Fund	<u>82,619</u>	<u>-</u>
	<u>1,841,335</u>	<u>2,824,181</u>
Total available funds	<u>2,225,141</u>	<u>4,951,047</u>
DISBURSEMENTS AND OTHER DEDUCTIONS:		
Redemption of bonds	820,000	-
Payment of interest	1,124,012	-
Purchase of investments	265,589	2,648,315
Transfer to Sinking Fund	-	82,619
Decrease in investments	6,072	-
Other	136	2,608
Transfer to Debt Service Reserve Fund	-	-
Premium on bond refunding	-	-
Bond issuance costs	<u>-</u>	<u>-</u>
	<u>2,215,809</u>	<u>2,733,542</u>
FUND BALANCES, June 30, 1993	<u>\$ 9,332</u>	<u>\$ 2,217,505</u>

<u>Repair Fund</u>	Consolidated Educational Building <u>Bonds</u>	<u>Totals</u>
<u>\$ 366,441</u>	<u>\$1,861,963</u>	<u>\$ 4,739,076</u>
63,913	-	1,544,773
-	2,166,033	2,166,033
20,385	140,026	312,984
52,070	13,203,882	16,125,699
-	-	53,080
-	538,687	565,324
-	4,372,558	4,372,558
-	-	<u>82,619</u>
<u>136,368</u>	<u>20,421,186</u>	<u>25,223,070</u>
<u>502,809</u>	<u>22,283,149</u>	<u>29,962,146</u>
-	5,050,000	5,870,000
-	967,068	2,091,080
19,418	13,758,237	16,691,559
-	-	82,619
32,564	-	38,636
-	-	2,744
53,080	-	53,080
-	36,700	36,700
-	<u>70,494</u>	<u>70,494</u>
<u>105,062</u>	<u>19,882,499</u>	<u>24,936,912</u>
<u>\$ 397,747</u>	<u>\$2,400,650</u>	<u>\$ 5,025,234</u>

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1993

<u>Year Ending</u> <u>June 30,</u>	<u>SERIES A</u>		<u>SERIES B</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1994	\$ 40,000	\$ 8,100	\$ 30,000	\$ 5,606
1995	45,000	6,825	30,000	4,744
1996	45,000	5,475	30,000	3,881
1997	45,000	4,125	30,000	3,019
1998	45,000	2,775	30,000	2,156
1999-2011	<u>70,000</u>	<u>1,725</u>	<u>60,000</u>	<u>1,525</u>
TOTALS	<u>\$290,000</u>	<u>\$ 29,025</u>	<u>\$210,000</u>	<u>\$ 20,931</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$319,025</u>		<u>\$230,931</u>

<u>SERIES C</u>		<u>SERIES D</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 20,000	\$ 4,375	\$ 40,000	\$ 13,300
20,000	3,750	40,000	11,900
20,000	3,125	40,000	10,500
25,000	2,422	45,000	9,013
25,000	1,641	45,000	7,438
<u>40,000</u>	<u>1,093</u>	<u>190,000</u>	<u>13,649</u>
<u>\$150,000</u>	<u>\$ 16,406</u>	<u>\$400,000</u>	<u>\$ 65,800</u>
	<u>\$166,406</u>		<u>\$465,800</u>

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1993

<u>Year Ending</u> <u>June 30,</u>	<u>SERIES E</u>		<u>SERIES F</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1994	\$ 5,000	\$ 2,278	\$ 25,000	\$ 8,184
1995	5,000	2,109	25,000	7,341
1996	5,000	1,941	25,000	6,497
1997	10,000	1,688	30,000	5,569
1998	10,000	1,350	30,000	4,556
1999-2011	<u>35,000</u>	<u>2,109</u>	<u>120,000</u>	<u>8,100</u>
TOTALS	<u>\$ 70,000</u>	<u>\$ 11,475</u>	<u>\$255,000</u>	<u>\$ 40,247</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$ 81,475</u>		<u>\$295,247</u>

<u>SERIES G</u>	
<u>Principal</u>	<u>Interest</u>
\$ 60,000	\$ 22,225
60,000	20,125
60,000	18,025
65,000	15,838
65,000	13,563
<u>355,000</u>	<u>31,937</u>
<u>\$665,000</u>	<u>\$ 121,713</u>
	<u>\$ 786,713</u>

<u>SERIES H</u>	
<u>Principal</u>	<u>Interest</u>
\$ 60,000	\$ 30,938
60,000	28,688
65,000	26,344
65,000	23,906
65,000	21,469
<u>540,000</u>	<u>73,875</u>
<u>\$ 855,000</u>	<u>\$ 205,220</u>
	<u>\$1,060,220</u>

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1993

<u>Year Ending</u> <u>June 30,</u>	<u>SERIES I</u>		<u>SERIES J</u>		<u>SERIES K</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1994	\$ 120,000	\$ 56,700	\$ 260,000	\$ 71,280	\$ 100,000	\$ 220,740
1995	125,000	53,025	280,000	56,700	105,000	213,821
1996	130,000	49,200	280,000	41,580	115,000	206,396
1997	135,000	45,225	305,000	25,785	125,000	198,296
1998	140,000	41,100	325,000	8,775	135,000	189,521
1999-2011	<u>1,300,000</u>	<u>162,300</u>	<u>-</u>	<u>-</u>	<u>2,695,000</u>	<u>1,277,401</u>
TOTALS	<u>\$1,950,000</u>	<u>\$ 407,550</u>	<u>\$1,450,000</u>	<u>\$ 204,120</u>	<u>\$3,275,000</u>	<u>\$2,306,175</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$2,357,550</u>		<u>\$1,654,120</u>		<u>\$5,581,175</u>

<u>SERIES L</u>		<u>SERIES M</u>		<u>Total Requirements</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 100,000	\$ 231,885	\$ 175,000	\$ 404,915	\$ 1,035,000	\$ 1,080,526
110,000	225,215	185,000	394,115	1,090,000	1,028,358
115,000	217,958	195,000	382,715	1,125,000	973,637
120,000	210,260	205,000	370,715	1,205,000	915,861
130,000	201,945	220,000	357,965	1,265,000	854,254
<u>2,800,000</u>	<u>1,481,920</u>	<u>5,695,000</u>	<u>3,099,918</u>	<u>13,900,000</u>	<u>6,155,552</u>
<u>\$3,375,000</u>	<u>\$2,569,183</u>	<u>\$6,675,000</u>	<u>\$ 5,010,343</u>	<u>\$19,620,000</u>	<u>\$11,008,188</u>
	<u>\$5,944,183</u>		<u>\$11,685,343</u>		<u>\$30,628,188</u>

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1993

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>SERIES C</u>	<u>Interest</u>
1994	\$225,000		\$ 6,750
1995	-		-
1996	-		-
1997	-		-
1998	-		-
1999 - 2007	<u>-</u>		<u>-</u>
TOTALS	<u>\$225,000</u>		<u>\$ 6,750</u>
TOTAL PRINCIPAL AND INTEREST			<u>\$231,750</u>

<u>SERIES D</u>		<u>SERIES E</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 280,000	\$ 55,760	\$ 260,000	\$ 39,360
530,000	44,280	275,000	26,880
550,000	22,550	285,000	13,680
-	-	-	-
-	-	-	-
-	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$1,360,000</u>	<u>\$ 122,590</u>	<u>\$ 820,000</u>	<u>\$ 79,920</u>
	 <u>\$1,482,590</u>		 <u>\$ 899,920</u>

MOREHEAD STATE UNIVERSITY

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

SUBSEQUENT TO JUNE 30, 1993

Year Ending June 30,	<u>SERIES F</u>		<u>SERIES H</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1994	\$ 190,000	\$ 70,725	\$ 60,000	\$ 190,849
1995	190,000	59,895	70,000	187,489
1996	205,000	49,065	75,000	183,464
1997	340,000	37,380	120,000	179,039
1998	360,000	18,000	130,000	171,779
1999-2007	<u>-</u>	<u>-</u>	<u>2,425,000</u>	<u>962,091</u>
TOTALS	<u>\$1,285,000</u>	<u>\$ 235,065</u>	<u>\$2,880,000</u>	<u>\$1,874,711</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$1,520,065</u>		<u>\$4,754,711</u>

<u>SERIES I</u>		<u>SERIES J</u>		<u>Total Requirements</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 160,000	\$ 327,165	\$ 245,000	\$ 175,759	\$ 1,420,000	\$ 866,368
170,000	317,725	290,000	145,750	1,525,000	782,019
180,000	307,695	300,000	134,150	1,595,000	710,604
185,000	297,075	325,000	122,150	970,000	635,644
200,000	286,160	340,000	109,150	1,030,000	585,089
<u>4,620,000</u>	<u>2,354,080</u>	<u>2,275,000</u>	<u>193,620</u>	<u>9,320,000</u>	<u>3,509,791</u>
<u>\$5,515,000</u>	<u>\$3,889,900</u>	<u>\$3,775,000</u>	<u>\$ 880,579</u>	<u>\$15,860,000</u>	<u>\$ 7,089,515</u>
	<u>\$9,404,900</u>		<u>\$4,655,579</u>		<u>\$22,949,515</u>

MOREHEAD STATE UNIVERSITY

SCHEDULE OF PRINCIPAL RETIREMENT AND INTEREST PAYMENTS

PROJECT 48, 50, 52 AND 54 BONDS AND OTHER LONG-TERM PAYABLES

SUBSEQUENT TO JUNE 30, 1993

Year Ending June 30,	<u>PROJECT 48</u>		<u>PROJECT 50</u>		<u>PROJECT 52</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1994	\$ 182,871	\$ 71,830	\$ 238,899	\$ 444,353	\$ 165,000	\$ 101,783
1995	195,761	67,883	253,248	430,257	175,000	93,278
1996	209,456	53,989	268,313	415,063	185,000	83,913
1997	224,762	38,912	284,455	398,696	195,000	73,648
1998	240,874	22,494	302,393	381,059	205,000	62,443
1999-2010	<u>127,285</u>	<u>4,646</u>	<u>5,632,787</u>	<u>2,567,430</u>	<u>950,000</u>	<u>118,850</u>
TOTALS	<u>\$1,181,009</u>	<u>\$ 259,754</u>	<u>\$6,980,095</u>	<u>\$ 4,636,858</u>	<u>\$1,875,000</u>	<u>\$ 533,915</u>
TOTAL PRINCIPAL AND INTEREST		<u>\$1,440,763</u>		<u>\$11,616,952</u>		<u>\$2,408,915</u>

<u>PROJECT 54</u>		<u>NOTE PAYABLE</u>		<u>CAPITAL LEASE OBLIGATION</u>		<u>CAPITAL LEASE OBLIGATION WITH MSU FOUNDATION</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>
\$ 123,318	\$ 178,126	\$ 73,461	\$ 3,288	\$ 365,000	\$ 12,825	\$ 9,426	\$ 4,206
132,782	137,311	-	-	339,458	38,367	9,261	3,323
140,202	129,944	-	-	358,128	19,697	9,832	2,751
147,888	122,256	-	-	-	-	10,438	2,150
157,212	112,788	-	-	-	-	11,082	1,501
<u>4,406,665</u>	<u>1,033,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,961</u>	<u>963</u>
<u>\$5,108,067</u>	<u>\$1,713,900</u>	<u>\$ 73,461</u>	<u>\$ 3,288</u>	<u>\$1,062,586</u>	<u>\$ 70,889</u>	<u>\$ 69,000</u>	<u>\$ 14,894</u>
	<u>\$6,821,967</u>		<u>\$ 76,749</u>		<u>\$1,133,475</u>		<u>\$ 83,894</u>

MOREHEAD STATE UNIVERSITY

SCHEDULE OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 1993

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>
United States Department of Health and Human Services:			
Direct Programs -			
Child Development Handicapped 87-88	84.027	08/01/87-07/31/88	Closed
Child Development 91-92	84.027	08/01/91-07/31/92	69,975
Child Development 92-93	84.027	09/01/92-07/31/93	83,753
Health Science Information 90-91	13.991	09/28/90-09/27/92	65,707
Health Science Information 91-92	13.991	09/28/90-09/27/92	18,741
Drug Education 91-92	84.241A	10/01/91-09/30/92	63,238
CNA Program 92		07/01/92-06/30/93	28,039
Passed Through Gateway Community Services, Inc. -			
Head Start 91-92	13.600	08/01/91-07/31/92	89,239
Head Start 92-93	13.600	08/01/92-07/31/93	94,632
Head Start 92-93	13.600	08/01/92-07/31/93	68,263
Head Start Aide 92-93	13.600	09/01/92-08/31/93	3,307
Passed through National Collegiate Athletics Association -			
NCAA Supplemental	-	06/01/90-05/31/92	2,345
NCAA Camp 1991	-	06/01/91-05/31/92	45,293
NCAA Camp 1992	-	06/01/92-05/31/93	42,500
NCAA Camp 1993	-	06/01/93-05/31/94	50,365
Passed through Kentucky Cabinet for Human Resources -			
JOBS Service Contract 1991	93.021	07/01/90-06/30/91	3,159
JOBS Family Support Services 1991	93.021	03/01/91-06/30/91	17,486
JOBS College Classes 91-92	93.021	07/01/91-06/30/92	4,372
JOBS Support Services	93.021	07/01/91-06/30/92	7,140
JOBS ABE/GED 91-92	93.021	07/01/91-06/30/92	26,643
JOBS ABE/GED 92-93	93.021	07/01/92-06/30/93	34,216
MSU JOBS ABE/GED 92-93	93.021	07/01/92-06/30/93	27,431
Total United States Department of Health and Human Services			
United States Department of Education:			
Direct Programs -			
College Work-Study	SFA(1)	07/01/92-06/30/93	790,414
Perkins Loan Program	SFA(1)	Indefinite	748,471
Supplemental Educational Opportunity Grant	SFA(1)	07/01/92-06/30/93	229,235
Pell Grant	SFA(1)	07/01/92-06/30/93	6,643,055

Unearned Revenue
(Revenue
Receivable)
as of
6/30/92

Funds Received
7/1/92 to
6/30/93

Funds Disbursed
7/1/92 to
6/30/93

Unearned Revenue
(Revenue
Receivable)
as of
6/30/93

\$ 300
12,622
-
(12,256)
(5,377)
10,657
-
5,946

\$ -
-
113,011
31,397
27,102
23,238
2,637
197,385

\$ 300
12,622
87,579
19,141
13,380
24,929
25,600
183,551

\$ -
-
25,432
-
8,345
8,966
(22,963)
19,780

(38,665)
-
-
-
(38,665)

39,846
-
75,153
-
114,999

1,181
85,225
70,311
3,294
160,011

-
(85,225)
4,842
(3,294)
(83,677)

1,707
(836)
28,475
-
29,346

-
-
9,413
33,745
43,158

2,160
-
37,017
981
40,158

(453)
(836)
871
32,764
32,346

(900)
2,180
(152)
5,046
(6,633)
-
-
(459)

900
-
142
-
6,633
34,216
27,431
69,322

-
2,180
-
5,046
-
32,451
24,095
63,772

-
-
(10)
-
-
1,765
3,336
5,091

(3,832)

424,864

447,492

(26,460)

-
(3,313,925)

738,131
4,780,793

701,633
4,779,205

36,498
(3,312,337)

-
(351,218)

229,235
6,643,055

229,235
6,415,182

-
(123,345)

MOREHEAD STATE UNIVERSITY

SCHEDULE OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 1993

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>
Guaranteed Student Loans	SFA(1)	07/01/92-06/30/93	-
Upward Bound 93-94	84.047A(1)	06/01/93-05/31/94	370,231
Upward Bound 92-93	84.047A(1)	06/01/92-05/31/93	370,231
Upward Bound 89-90	84.047A(1)	06/01/89-05/31/90	Closed
Upward Bound 90-91	84.047A(1)	06/01/90-05/31/91	226,048
Upward Bound 91-92	84.047A(1)	06/01/91-05/30/92	300,023
Talent Search 89-90	84.044A	07/01/89-06/30/90	Closed
Talent Search 90-91	84.044A	07/01/90-06/30/91	171,903
Talent Search 91-92	84.044A	07/01/91-06/30/92	234,069
Talent Search 92-93	84.044A	07/01/92-06/30/93	253,432
Cooperative Education 88-89	84.199	10/01/88-09/30/89	Closed
Special Services 89-90	84.042A	09/01/89-08/31/90	25,303
Special Services 90-91	84.042A	09/01/90-08/31/91	145,494
Special Services 91-92	84.042A	09/01/91-08/31/92	170,833
Special Services 92-93	84.042A	09/01/92-08/31/93	187,195
Veteran's Education Outreach 91-92	84.064	07/01/91-06/30/92	-
Veteran's Education Outreach '93	84.064	07/01/92-06/30/93	2,924
Destination Graduation-Academic	84.204A	10/01/92-09/30/93	23,021
Destination Graduation-Summer	84.204A	10/01/92-09/30/93	41,391
Upward Bound - Meals		07/01/92-06/30/93	10,000
Destination Graduation - Academic 91-92	84.204A	10/01/91-09/30/92	22,907
Destination Graduation - Summer 91-92	84.204A	10/01/91-09/30/92	44,000
Destination Graduation - Academic 90-91	84.204A	10/01/90-09/30/91	24,703
Destination Graduation - Summer 90-91	84.204A	10/01/90-09/30/91	42,338
Passed through State Department of Education -			
DOE-Jefferson Partnership 88-89 Student Recruitment Training 1991	84.151	07/01/88-09/30/90	2,742
Service Delivery System 1991	84.002	07/01/90-06/30/91	17,441
Agriculture Teacher	84.164	07/01/90-06/30/91	3,400
Health Education 91-92	84.215B	07/01/91-06/30/92	80,000
Health Education 92-93	84.215B	07/01/92-06/30/93	80,000
Educational Opportunity Center 91-92	84.066A	09/01/91-08/31/92	242,947
Educational Opportunity Center 92-93	84.066A	09/01/92-08/31/93	262,655
Wellness Education 92-93	84.048	10/01/92-09/30/93	58,751
Title 3 Improvement 92-93	84.048	10/01/92-09/30/93	142,070
Vocational Ed. Lab 91-92	84.048	07/01/91-06/30/92	67,214
Vocational Ed. - Chair	84.048	07/01/91-06/30/92	29,234

Unearned Revenue (Revenue Receivable) as of <u>6/30/92</u>	Funds Received 7/1/92 to <u>6/30/93</u>	Funds Disbursed 7/1/92 to <u>6/30/93</u>	Unearned Revenue (Revenue Receivable) as of <u>6/30/93</u>
-	5,468,013	5,468,013	-
-	50,000	78,678	(28,678)
(7,165)	273,485	302,540	(36,220)
80,045	-	80,045	-
(75,736)	75,736	-	-
(36,199)	36,199	-	-
(9,943)	9,943	-	-
36,366	-	36,366	-
(37,581)	37,581	-	-
-	220,000	262,370	(42,370)
1,206	-	-	1,206
7,360	-	7,360	-
12,280	-	12,280	-
17,684	15,000	32,810	(126)
-	144,093	150,071	(5,978)
13	4,760	183	4,590
-	-	1,404	(1,404)
-	23,265	24,861	(1,596)
-	4,500	14,434	(9,934)
-	8,182	-	8,182
(2,195)	3,542	1,347	-
(13,032)	38,758	25,716	10
(30)	-	-	(30)
(114)	-	-	(114)
<u>(3,692,184)</u>	<u>18,804,271</u>	<u>18,623,733</u>	<u>(3,511,646)</u>
45	-	45	-
(1,547)	-	56	(1,603)
(480)	-	-	(480)
(503)	503	-	-
16,619	15,000	29,552	2,067
-	70,000	63,946	6,054
17,687	37,947	55,634	-
-	180,001	204,530	(24,529)
-	40,000	41,189	(1,189)
-	95,000	90,431	4,569
(35,175)	40,544	6,253	(884)
(7,439)	4,923	-	(2,516)

MOREHEAD STATE UNIVERSITY

SCHEDULE OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 1993

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>
Passed through State Department of Education (continued) -			
Fashion Merchandising 91	84.048	07/01/91-06/30/92	8,321
Radio Technology	84.048	07/01/91-06/30/92	21,596
Office Management	84.048	07/01/91-06/30/92	14,904
Field Base 91-92	84.048	07/01/91-06/30/92	16,000
Business Teacher Enrichment	84.048	07/01/91-06/30/92	3,500
Home Economics 91-92	84.048	07/01/91-06/30/92	3,200
Administration Vocation	84.048	07/01/91-06/30/92	500
Agricultural Education	84.048	07/01/91-06/30/92	3,200
Applied Science	84.048	07/01/91-06/30/92	3,000
Vet Technology	84.048	07/01/91-06/30/92	58,500
Supplemental Vo-Ed	84.048	07/01/91-06/30/92	30,853
Passed through State Department of Adult and Technical Education -			
Home Economics Enrichment 89-90	84.049	07/01/89-06/30/90	Closed
Total United States Department of Education			
United States Department of Employment Services:			
JTPA MSU Learning Center 92-93	17.246-17.251	07/01/92-06/30/93	7,930
JTPA MSU Learning Center 90-91	17.246-17.251	07/01/90-06/30/91	15,960
ABE Food Stamp 89-90	17.246-17.251	10/01/89-09/30/90	15,930
ABE Food Stamp 1989	17.246-17.251	03/01/89-09/30/89	Closed
JTPA Morgan County 90-91	17.246-17.251	07/01/90-06/30/91	10,710
JTPA MOAR 90-91	17.246-17.251	04/01/90-07/31/91	52,888
JTPA MOAR 91-92	17.246-17.251	05/01/91-08/09/91	78,048
JTPA MOAR 93-94	17.246-17.251	05/01/93-08/09/93	87,685
JTPA LV Learning Center 92-93	17.246-17.251	07/01/92-06/30/93	5,070
JTPA Associate Degree 90-91	17.246-17.251	07/01/90-06/30/91	26,230
JTPA Associate Degree 91-92	17.246-17.251	07/01/91-06/30/92	17,922
JTPA Medical/Clerical/Retail 90-91	17.246-17.251	07/01/90-06/30/91	56,383
JTPA Pharmacy 90-91	17.246-17.251	07/01/90-06/30/91	22,655
JTPA Pharmacy 89-90	17.246-17.251	08/28/89-06/30/90	Closed
JTPA Pharmacy 88-89	17.246-17.251	07/01/88-06/30/89	Closed
JTPA Medical Aid 88-89	17.246-17.251	07/01/88-06/30/89	Closed
JTPA Contingency	17.246-17.251	Ongoing	767
Youth Education Services 89	17.246-17.251	03/27/89 - Spent	79
Pre-Employment Work Training 89	17.246-17.251	01/16/89-04/14/89	Closed
JTPA MOAR 92-93	17.246-17.251	05/01/92-08/09/92	82,033
JTPA MOAR Meals		07/01/92-06/30/93	-
Total United States Department of Employment Services			

Unearned Revenue (Revenue Receivable) as of <u>6/30/92</u>	Funds Received 7/1/92 to <u>6/30/93</u>	Funds Disbursed 7/1/92 to <u>6/30/93</u>	Unearned Revenue (Revenue Receivable) as of <u>6/30/93</u>
(1,301)	1,301	-	-
(15,886)	18,281	2,395	-
(2,933)	3,101	168	-
(9,537)	9,539	-	2
(1,683)	1,683	-	-
(1,056)	1,062	-	6
(76)	76	-	-
(1,385)	1,385	-	-
(1,300)	1,300	-	-
(47,147)	57,136	9,989	-
(5,331)	26,030	20,699	-
<u>(98,428)</u>	<u>604,812</u>	<u>524,887</u>	<u>(18,503)</u>
<u>(4)</u>	<u>4</u>	<u>-</u>	<u>-</u>
<u>(4)</u>	<u>4</u>	<u>-</u>	<u>-</u>
<u>(3,790,616)</u>	<u>19,409,087</u>	<u>19,148,620</u>	<u>(3,530,149)</u>
-	7,795	5,539	2,256
1,974	-	1,974	-
7,550	-	7,550	-
(2,170)	2,170	-	-
(1,033)	1,033	-	-
4,542	-	3,529	1,013
7,199	61	-	7,260
-	-	23,862	(23,862)
-	5,058	6,589	(1,531)
2,523	268	2,791	-
(5,731)	12,083	4,594	1,758
(606)	606	-	-
(1,248)	1,248	-	-
(21)	21	-	-
(5,698)	5,698	-	-
(5,262)	5,262	-	-
632	-	632	-
485	-	485	-
191	-	191	-
(21,843)	80,224	58,381	-
<u>-</u>	<u>4,888</u>	<u>-</u>	<u>4,888</u>
<u>(18,516)</u>	<u>126,415</u>	<u>116,117</u>	<u>(8,218)</u>

MOREHEAD STATE UNIVERSITY

SCHEDULE OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 1993

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>
Corporation for Public Broadcasting:			
CPB Grant 90-92	-	10/01/90-09/30/92	83,121
CPB Grant 86-88	-	10/01/86-09/30/88	Closed
CPB/NPPAG 92-94	-	10/01/92-09/30/94	30,519
CPB/NPPAG 91-93	-	10/01/91-09/30/93	80,044
Radio Tune-In 88	-	10/01/87-09/30/88	Closed
CPB/NPPAG 92-94	-	10/01/92-09/30/94	82,717
 Total Corporation for Public Broadcasting			
 Small Business Administration:			
SBDC Federal 92-93	59.037	09/30/92-09/29/93	138,600
SBDC Federal 90-91	59.037	09/30/90-09/29/91	126,600
SBDC Federal 91-92	59.037	09/30/91-09/29/92	138,600
Small Business Mini-Grant	59.037	Ongoing	5,591
Small Business Mini-Grant 92-93	59.037	Ongoing	3,500
 Total Small Business Administration			
 OTHER FEDERALLY-SPONSORED PROJECTS:			
 Appalachian Regional Commission:			
Forestry Technology 91-92	23.012	06/15/91-06/15/92	58,069
Forestry Technology 90-91	23.012	10/01/90-06/15/91	32,946
Forestry Technology 89-90	23.012	10/01/89-09/30/90	49,774
Forestry Technology 88-89	23.012	10/01/88-09/30/89	14,914
 Action:			
RSVP Action 93-94	72.002	03/01/93-06/30/94	54,203
RSVP Action 92-93	72.002	03/01/92-06/30/93	42,942
RSVP Action 91-92	72.002	03/01/91-06/30/92	Closed
RSVP Action 90-91	72.002	07/01/90-06/30/91	35,850
RSVP Mentor Program 91-92	72.002	07/01/91-06/30/92	5,000
Vista-Travel 89-90	72.002	06/26/89-06/25/90	Closed
Vista-Travel 91-92	72.002	06/26/91-06/25/92	4,500
 National Science Foundation:			
Math Teachers 92-93	47.066	05/01/90-04/30/91	19,369
Math Teachers 91-92	47.066	01/01/91-12/31/91	35,579
Sediment Water 92-93	47.066	04/01/92-03/31/93	7,960
Sediment Water 91-92	47.066	04/01/91-03/31/92	6,480
EPSSCOR Reeder	-	05/01/92-04/30/93	12,521
EPSOR Mattingly	-	05/01/92-04/30/93	15,000
Ky Middle Grades	47.070	07/01/92-06/30/93	31,227
EPSCOR Mattingly 93	-	05/31/93-04/30/94	15,000
NSF Ky Science	47.073	07/01/92-06/30/93	13,152

Unearned Revenue (Revenue Receivable) as of <u>6/30/92</u>	Funds Received 7/1/92 to <u>6/30/93</u>	Funds Disbursed 7/1/92 to <u>6/30/93</u>	Unearned Revenue (Revenue Receivable) as of <u>6/30/93</u>
(25)	25	-	-
(67)	67	-	-
-	30,519	30,519	-
11,749	-	11,749	-
(11)	11	-	-
<u>-</u>	<u>82,717</u>	<u>74,483</u>	<u>8,234</u>
<u>11,646</u>	<u>113,339</u>	<u>116,751</u>	<u>8,234</u>
-	67,290	103,619	(36,329)
(149)	149	-	-
(72,421)	100,725	26,597	1,707
1,927	-	1,972	(45)
<u>-</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
<u>(70,643)</u>	<u>171,664</u>	<u>132,188</u>	<u>(31,167)</u>
(12,980)	55,799	45,705	(2,886)
(12,330)	12,330	-	-
(21,517)	21,517	-	-
(783)	783	-	-
-	339	-	339
-	29,930	40,281	(10,351)
(4,645)	9,613	4,968	-
7	-	7	-
(4,679)	4,679	-	-
98	-	-	98
(495)	2,115	1,620	-
-	200	23,329	(23,129)
(3,432)	5,592	2,160	-
-	2,857	2,815	42
1,357	-	1,357	-
(8,588)	-	3,866	(12,454)
(6,338)	10,162	8,714	(4,890)
-	-	19,686	(19,686)
-	-	4,176	(4,176)
-	-	1,081	(1,081)

MOREHEAD STATE UNIVERSITY

SCHEDULE OF FEDERAL AWARDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 1993

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>
United States Department of Agriculture:			
NCAA Camp Food 92	10.599	07/01/92-08/02/92	16,515
NCAA Camp Food 90	10.599	06/25/90-07/27/90	18,861
U.S. Environmental Protection Agency:			
Micro Lab 91-92	-	04/09/91-06/30/91	3,050
Micro Lab 92-93	-	04/09/92-06/30/93	15,000
Total Other Federally-Sponsored Projects			
Total Federal Awards			

Unearned Revenue (Revenue Receivable) as of <u>6/30/92</u>	Funds Received 7/1/92 to <u>6/30/93</u>	Funds Disbursed 7/1/92 to <u>6/30/93</u>	Unearned Revenue (Revenue Receivable) as of <u>6/30/93</u>
-	17,504	17,504	-
(29)	29	-	-
(3,216)	14,827	14,131	(2,520)
<u>-</u>	<u>7,366</u>	<u>-</u>	<u>7,366</u>
<u>(77,570)</u>	<u>195,642</u>	<u>191,400</u>	<u>(73,328)</u>
<u><u>\$(3,949,531)</u></u>	<u><u>\$20,441,011</u></u>	<u><u>\$20,152,568</u></u>	<u><u>\$(3,661,088)</u></u>

(1) Major Federal Awards Program.



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF FEDERAL AWARDS

Members of the Board of Regents and
Dr. Ronald G. Eaglin, 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, 1993, and have issued our report thereon dated September 20, 1993. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 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 audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Morehead State University taken as a whole. The accompanying schedule of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Kelley, Galloway & Company, PSC

September 20, 1993



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS,
CONTRACTS AND GRANTS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Regents and
Dr. Ronald G. Eaglin, 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, 1993, and have issued our report thereon dated September 20, 1993.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Morehead State University is the responsibility of the University's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Morehead State University's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, Morehead State University complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Morehead State University had not complied, in all material respects, with those provisions.

This report is intended for the information and use of management, the Board of Regents, the cognizant Federal audit agency and other audit agencies. However, this report is a matter of public record, and its distribution is not limited.

Kelley, Galloway & Company, PSC

September 20, 1993



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Regents and
Dr. Ronald G. Eaglin, 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, 1993, and have issued our report thereon dated September 20, 1993.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Morehead State University for the year ended June 30, 1993, 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.

The management of Morehead State University is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure 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 internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- A. Accounting Controls
 - 1. Treasury or financing
 - 2. Revenue/receipts
 - 3. Purchases/disbursements
 - 4. Payroll/personnel
 - 5. External financial reporting.

- B. Controls Used in Administering Compliance With Laws and Regulations
 - 1. General Requirements
 - a. Political activity
 - b. Civil rights
 - c. Cash management
 - d. Federal financial reports
 - e. Allowable costs/cost principles
 - f. Drug-Free Workplace Act
 - g. Administrative requirements.

 - 2. Specific Requirements
 - a. Types of services allowed or disallowed
 - b. Eligibility
 - c. Matching, level of effort or earmarking
 - d. Reporting
 - e. Special requirements.

 - 3. Claims for Advances and Reimbursements.

 - 4. Amounts Claimed or Used for Matching.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have communicated to the management of Morehead State University in a separate letter dated September 20, 1993.

This report is intended for the information and use of management, the Board of Regents, the cognizant Federal audit agency and other audit agencies. However, this report is a matter of public record, and its distribution is not limited.

Kelley, Galloway & Company, PSC

September 20, 1993



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE
TO FEDERAL AWARDS PROGRAMS

Members of the Board of Regents and
Dr. Ronald G. Eaglin, 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, 1993, and have issued our report thereon dated September 20, 1993.

We have applied procedures to test Morehead State University's compliance with the following requirements applicable to its federal programs, which are identified in the accompanying schedule of federal awards, for the year ended June 30, 1993.

- a. Political activity
- b. Civil rights
- c. Cash management
- d. Federal financial reports
- e. Allowable costs/cost principles
- f. Drug-Free Workplace Act
- g. Administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Morehead State University's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Morehead State University has not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information and use of management, the Board of Regents, the cognizant Federal audit agency and other audit agencies. However, this report is a matter of public record, and its distribution is not limited.

Kelley, Galloway & Company, PSC

September 20, 1993



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS

Members of the Board of Regents and
Dr. Ronald G. Eaglin, 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, 1993, and have issued our report thereon dated September 20, 1993.

We have also audited Morehead State University's compliance with the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions; financial reports and claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal programs, which are identified in the accompanying schedule of federal awards, for the year ended June 30, 1993. The management of Morehead State University is responsible for the University's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Morehead State University complied, in all material respects, with the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions; financial reports and claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal programs for the year ended June 30, 1993.

This report is intended for the information and use of management, the Board of Regents, the cognizant Federal audit agency and other audit agencies. However, this report is a matter of public record, and its distribution is not limited.

Kelly, Galloway + Company, PSC

September 20, 1993



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
NONMAJOR PROGRAM TRANSACTIONS

Members of the Board of Regents and
Dr. Ronald G. Eaglin, 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, 1993, and have issued our report thereon dated September 20, 1993.

In connection with our audit of the financial statements of Morehead State University and with our consideration of the University's internal control structure used to administer federal programs, as required by Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions", we selected certain transactions applicable to certain nonmajor federal programs for the year ended June 30, 1993. As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing types of services allowed or not allowed and eligibility requirements that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the University's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Morehead State University had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information and use of management, the Board of Regents, the cognizant Federal audit agency and other audit agencies. However, this report is a matter of public record, and its distribution is not limited.

Kelley, Galloway & Company, PSC

September 20, 1993

MOREHEAD STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 1993

Questioned
Costs

STAFFORD LOAN OVERAWARD

Finding -

Of fifty Stafford borrowers tested, we noted one instance where a student was awarded \$115 more than allowed. Total Stafford awards for the year ended June 30, 1993 approximated \$5,468,013.

\$ 115

Recommendation -

We recommend procedures be followed in reviewing aggregate Stafford awards to ensure the proper limitations are observed.

ENTRANCE INTERVIEWS

Finding -

Of fifty Stafford borrowers tested, we noted fifteen students were first time borrowers. Of these fifteen, we noted one student was not given a required entrance interview.

\$ -

Recommendation -

Established Department of Education regulations should be followed in conducting entrance interviews.

EXIT INTERVIEWS

Finding -

Of fifty Stafford borrowers tested, we noted eleven students had left the institution in the current year. Of these eleven, we noted two did not have an exit interview. We also noted these students were not mailed exit interview information.

\$ -

Recommendation -

Established Department of Education regulations should be followed in conducting exit interviews.

REFUND/REPAYMENT CALCULATIONS

Finding -

Of thirty refund/repayment calculations tested from those performed by University personnel, it was determined that one had been miscalculated, resulting in an improper refund being returned to a Title IV program.

\$ 39

Recommendation -

Established regulations of the Department of Education should be followed with respect to refund/repayment calculations and their allocation to Title IV programs.

REFUND/REPAYMENT RETURN FUNDS TO PROGRAM/LENDER

Finding -

Of thirty refund/repayment calculations tested, it was determined that allocated funds were not returned to the proper program accounts within the required period in six instances.

\$ -

Recommendation -

Established regulations of the Department of Education should be followed with respect to the return of funds to the proper program accounts or lenders as a result of refunds/repayments. The University's employees responsible for returning the calculated amounts to the program accounts or lenders must be familiar with the time periods established by Department of Education regulations and coordinate with other University departments to ensure timely return of program funds.



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

SINGLE AUDIT REPORT ON THE INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

Members of the Board of Regents and
Dr. Ronald G. Eaglin, 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, 1993, and have issued our report thereon dated September 20, 1993. We have also audited the University's compliance with requirements applicable to major federal programs and have issued our report thereon dated September 20, 1993.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the University complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing our audits for the year ended June 30, 1993, we considered Morehead State University's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the University's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated September 20, 1993.

The management of Morehead State University is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, 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, and that federal awards programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal programs in the following categories:

- A. Accounting Controls
 - 1. Treasury or financing
 - 2. Revenue/receipts
 - 3. Purchases/disbursements
 - 4. Payroll/personnel
 - 5. External financial reporting.

- B. Controls Used in Administering Federal Award programs
 - 1. General Requirements
 - a. Political activity
 - b. Civil rights
 - c. Cash management
 - d. Federal financial reports
 - e. Allowable costs/cost principles
 - f. Drug-Free Workplace Act
 - g. Administrative requirements.

 - 2. Specific Requirements
 - a. Types of services allowed or disallowed
 - b. Eligibility
 - c. Matching, level of effort or earmarking
 - d. Reporting
 - e. Special requirements.

 - 3. Claims for Advances and Reimbursements.

 - 4. Amounts Claimed or Used for Matching.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1993, Morehead State University expended 90% of its total federal awards under major programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the University's major programs, which are identified in the accompanying schedule of federal awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operations that we have reported to the management of Morehead State University in a separate letter dated September 20, 1993.

This report is intended for the information of the Board of Regents, management, the cognizant federal audit agency and other audit agencies. However, this report is a matter of public record and its distribution is not limited.

Kelly, Galloway & Company, PSC

September 20, 1993

Morehead State University
Morehead, Kentucky

Exhibits for Presentation to Board of Regents

November 19, 1993

MOREHEAD STATE UNIVERSITY

INDEX TO EXHIBITS

JUNE 30, 1993

1. Financial Statements and Supplemental Information as of June 30, 1993 and 1992, together with independent auditor's reports.
2. Supplemental Letters.
 - Exhibit I -- Letter to Administration and Fiscal Services Committee
 - Exhibit II -- Letter Containing Internal Control Suggestions
 - Exhibit III -- Letter Reporting on Status of 1992 Audit Findings and Recommendations
 - Exhibit IV -- Letter Regarding Minimum Audit Scope for Compliance with KRS 164 A.



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT I

To the Administration and Fiscal Services Committee
Morehead State University
Morehead, Kentucky 40351

We have audited the financial statements of Morehead State University for the year ended June 30, 1993 and have issued our report thereon dated September 20, 1993.

In connection with our audit, and as required by Statement on Auditing Standards No. 61, we are required to make certain communications to you which are as follows:

The Auditor's Responsibility Under Generally Accepted Auditing Standards

The financial statements are the responsibility of the management of Morehead State University. Our responsibility was to express an opinion on the financial statements based on our audit.

We conducted our audit 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.

In planning and performing our audit, we considered the University's 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.

Significant Accounting Policies

The University's significant accounting policies are enumerated in Note 1 to the financial statements. During the year ended June 30, 1993, there were no new significant accounting policies.

Management Judgements and Accounting Estimates

During the year ended June 30, 1993, there were no new accounting estimates or judgements formulated that would be particularly sensitive because of their significance to the financial statements.

Significant Audit Adjustments

There were no significant audit adjustments made except for the normal recurring year-end audit adjustments necessary to reflect Plant Fund transfers and reclassifications. In addition, one large reclassification was made between vendors payable and accrued liabilities for payroll withholdings.

Other Information in Documents Containing Audited Financial Statements

Our responsibility with respect to information in documents containing financial statements audited by us does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in such documents, except to read the information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. No material inconsistencies or misstatement of facts were noted from reading other information contained in the University's annual report.

Disagreements With Management

There were no disagreements over the application of accounting principles, management's judgements about accounting estimates, scope of the audit, disclosures in the financial statements, or wording of the auditor's report.

Consultation With Other Accountants

We are not aware of any consultations by management with other accountants concerning auditing or accounting matters.

Major Issues Discussed With Management Prior to Retention

There were no issues discussed with management prior to our engagement as auditors.

Difficulties Encountered in Performing the Audit

We found all members of management and the employees to be cooperative and helpful throughout the course of our audit fieldwork.

Management Advisory Services

We performed no management advisory services for Morehead State University during the year ended June 30, 1993.

This report is intended solely for the information and use of the Administration and Fiscal Services Committee, Board of Regents and management of Morehead State University.

Kelley, Galloway & Company, PSC

September 20, 1993



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT II

Dr. Ronald G. Eaglin, President
Morehead State University
Morehead, Kentucky

Dear Dr. Eaglin:

In planning and performing our audit of the financial statements of Morehead State University as of and for the year ended June 30, 1993, we considered the University's 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 certain opportunities for strengthening internal controls and operating efficiency.

This letter does not affect our report dated September 20, 1993, on the financial statements of Morehead State University.

CONSTRUCTION IN PROGRESS

Statement of Condition

Substantial assets which had been placed in service during the year were still classified as construction in progress at June 30, 1993.

Cause of Condition

The University has no established procedures for reporting to the accounting department the date placed in service/project completion date for Plant Fund assets.

Effect of Condition

Assets are not capitalized and depreciated in the proper period.

Recommendation for Correction

Establish procedures to evaluate construction in progress on at least an annual basis to determine whether assets have been placed in service, and whether any amounts are of a non-capital nature. Such information should be communicated to the Office of Accounting and Budgetary Control for proper reporting in the Plant Fund.

Management's Response

A Quarterly Capital Construction Status Report is required to be sent to the Commonwealth of Kentucky Office of Management and Fiscal Affairs. Management intends to require that the personnel of Office of Accounting and Budgetary Control responsible for the accounting in the Plant Fund review this report on a quarterly basis for completion of projects in order to properly capitalize and depreciate Plant Fund assets.

Statement of Condition

All Payroll Office employees have maintenance rights to the Office of Human Resources data files.

Cause of Condition

The Payroll Office needs limited access to personnel data files for retirement reporting purposes. The computer system cannot currently grant limited maintenance rights, since access rights are given by program, not fields of data.

Effect of Condition

Improper segregation of duties exists. However, Department Heads and the Office of Budgets and Management Information review all expense accounts for propriety and the Internal Auditor performs "surprise" payroll payoffs, representing other checks and balances to help prevent unauthorized additions to payroll expenditures.

Recommendation for Correction

We recommend that the Payroll Office be denied access to the fields of the personnel data files not needed by them. Alternatively, we suggest that an employee of the Office of Human Resources review an "exception/maintenance" report of all personnel program accesses by Payroll Office employees on a daily or weekly basis for proper approval and verification that the change was approved and that such review be documented.

Management's Response

Management believes that appropriate checks and balances are in place to safeguard misuse of access; however, changes have been requested to the Office of Information Technology to eliminate access to the unneeded fields in the Office of Human Resources data files or to transfer the needed fields to the payroll program.

We have discussed these recommendations with various University management personnel and would be pleased to discuss them in further detail at your convenience, to perform any additional studies of these matters, or to assist the University in implementing the recommendations.

Kelly, Galloway + Company, PSC

September 20, 1993



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT III

September 20, 1993

Dr. Ronald G. Eaglin, President
Morehead State University
Morehead, Kentucky

Dear Dr. Eaglin:

In its letter to the University dated February 3, 1993, the Auditor of Public Accounts of the Commonwealth of Kentucky requested that, as part of our audit of Morehead State University's 1993 financial statements, we report on the status of 1992 audit findings and recommendations. The resolution status of findings and other recommendations are included in this letter, pursuant to their request.

The 1993 status of the 1992 audits Federal program non-compliance findings and other recommendations is as follows:

IMMATERIAL INSTANCES OF NON-COMPLIANCE RELATED TO TESTING COMPLIANCE WITH REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

STAFFORD LOAN OVERAWARD

Finding -

Of fifty Stafford borrowers tested, we noted one instance where a student was awarded \$300 more than allowed and one other instance where a student was awarded \$214 more than allowed. Total Stafford awards for the year ended June 30, 1992 approximated \$4,760,000.

Resolution -

During the period ending June 30, 1993, management responded to this by implementing an automated Stafford Loan Program which accounts for any amount of PLUS or SLS which exceeds the family contribution and includes that amount in "Estimated Financial Aid". The overawards, \$300 and \$214, have been returned to the lenders, less origination fees.

PARENT LOANS FOR UNDERGRADUATE STUDENTS (PLUS) OVERAWARD

Finding -

Of five PLUS borrowers tested, we noted one instance where the student was awarded \$370 more than allowed.

Resolution -

The \$370, less origination fees, has been returned to the lender. A new position was created to oversee all the loan programs and to ensure that proper loan limitations are observed.

SUPPLEMENTAL LOANS FOR STUDENTS (SLS) OVERAWARD

Finding -

Of five SLS tested, we noted one instance where the student was awarded \$600 more than allowed.

Resolution -

The \$600, less origination fees, has been returned to the lender. This finding occurred as a result of multiple loans, multiple applications, and professional judgment. The new automated loan program and position to oversee the loan programs should improve their ability to observe the appropriate loan limits.

VOCATIONAL REHABILITATION OVERAWARD

Finding -

Of fifty students awarded financial aid tested, we noted one instance where the student was awarded \$740 more than allowed for a Vocational Rehabilitation award.

Resolution -

The University had indicated that the student had zero unmet need; however, an award was made by Vocational Rehabilitation anyway. Therefore, \$340 has been returned to the SEOG and \$400 to Perkins Loan Fund for a total of \$740 returned to campus based programs.

EXIT INTERVIEWS

Finding -

Of fifty Stafford borrowers tested, we noted nine students had left the institution in the year under audit. Of these nine, we noted seven did not have an exit interview. We also noted these students were not mailed exit interview information.

Resolution -

The University mailed exit interview material to these students. The new Financial Aid Counselor position has been assigned the responsibility of ensuring that exit interviews are held and appropriate information given to students leaving the University.

REFUND/REPAYMENT RETURN FUNDS TO PROGRAM/LENDER

Finding -

Of twenty-five refund/repayment calculations tested, it was determined that allocated funds were not returned to the proper program accounts within the required period in six instances.

Resolution -

The University is striving to improve the timeliness of returning funds to the proper accounts; however, during the audit of fiscal year ending June 30, 1993, we noted six instances out of 30 refund/repayment calculations tested that allocated funds were not returned to the proper program accounts within the required period.

OTHER RECOMMENDATIONS FOR STRENGTHENING INTERNAL CONTROLS AND OPERATING EFFICIENCY

ACCOUNTS RECEIVABLE

Statement of Condition -

The University has no current information available for further aging of accounts over 90-days old and has no historical collection statistics to help evaluate the adequacy of management's estimate of the allowance for doubtful accounts.

Resolution -

The receivable software has been modified to extend the aging of accounts beyond ninety days. Information is being provided by the collection agencies to the University on a monthly basis and includes name, account number, account balance, collections on account, and the status of collection efforts. We also noted the University has implemented some policy and procedural changes, such as the timing of moving a delinquent account from an active status to a written-off status, and the placement of these written-off accounts with an outside collection agency. The new policy requires that accounts are reviewed three times per year. Any account for which a payment plan is not active will be transferred to a written-off status and placed with an outside collector.

BANK RECONCILIATIONS

Statement of Condition -

Bank reconciliations are sometimes not submitted for independent review on a timely basis. Also, the date the reconciliation was completed is not included on the reconciliation form.

Resolution -

We noted in the current year that the Senior Accountant reviews the reconciliations, and initials the report to document the review. A log is also maintained on a personal computer to record the date the reconciliations are completed and the date the reconciliations are reviewed. We noted no unusual delays in this process.

RECONCILIATION OF WITHHOLDING ACCOUNTS

Statement of Condition -

In July, 1992, the University discovered an overpayment of the November, 1991 state withholding. The overpayment to the state was not discovered at an earlier time since the reconciliation of payroll reports to the general ledger was not performed during the year.

Resolution -


The withholding accounts are now being reconciled from payroll reports to the general ledger on a monthly basis.

A separate letter dated September 20, 1993 contains our management letter comments developed during our 1993 audit. This letter does not affect our report dated September 20, 1993 on the financial statements on Morehead State University.

Please do not hesitate to contact us if you have any comments or questions related to this letter.

Very truly yours,

KELLEY, GALLOWAY & COMPANY, PSC

By: 

Ronald W. Timmons, CPA



Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

Members of the Board of Regents and
Dr. Ronald G. Eaglin, President
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 (the University) for the year ended June 30, 1993, and have issued our report thereon dated September 20, 1993. As a part of our audit, we considered the University's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements as required by generally accepted auditing standards.

Effective January 1, 1983, the Board of Regents of Morehead State University elected to adopt the provisions under KRS164A.550 to KRS164A.630, except for authority related to capital construction. Therefore, we also made a study of those internal accounting controls and administrative control procedures 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 KRS164A.550 to KRS164A.630, excluding capital construction provisions. Our study also included tests of compliance with such procedures during the year ended June 30, 1993.

The management of Morehead State University is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure 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 internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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 KRS164A.550 to KRS164A.630) are considered adequate by the Finance and Administration Cabinet for the purpose of determining compliance with the provisions of KRS164A.550 to KRS164A.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, including our consideration of the University's internal control structure for the year ended June 30, 1993, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the structure 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 KRS164A.550 to KRS164A.630.

This report is intended for use in connection with demonstrating compliance with KRS164A.550 to KRS164A.630 to the Commonwealth of Kentucky Finance and Administration Cabinet and is not to be used for any other purpose.

Kelly, Galloway + Company, PSC

September 20, 1993

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Kelley, Galloway & Company, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Regents and
Dr. Ronald G. Eaglin, President
Morehead State University
Morehead, Kentucky

We have audited the accompanying balance sheets of Morehead State University as of June 30, 1993 and 1992, 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, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". 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, 1993 and 1992, 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.

Kelley, Galloway & Company, PSC

September 20, 1993

MOREHEAD STATE UNIVERSITY

BALANCE SHEETS

JUNE 30, 1993 AND 1992

<u>ASSETS</u>	<u>1993</u>	<u>1992</u>
CURRENT FUNDS:		
Unrestricted:		
Cash (Note 4)	\$ 9,455,410	\$ 6,655,076
Accounts receivable, less allowance for doubtful accounts of \$121,000 at 1993 and \$243,410 at 1992	337,068	892,982
Inventories (Note 1)	1,788,596	1,901,353
Due from restricted current funds	698,943	637,604
Due from agency funds	-	38,622
Due from loan funds	<u>4,750</u>	<u>600</u>
 Total unrestricted	 <u>12,284,767</u>	 <u>10,126,237</u>
Restricted:		
Cash (Note 4)	395,113	314,655
Federal and state grants receivable	912,273	1,194,424
Due from agency funds	<u>372</u>	<u>-</u>
 Total restricted	 <u>1,307,758</u>	 <u>1,509,079</u>
 Total current funds	 <u>\$13,592,525</u>	 <u>\$11,635,316</u>
 LOAN FUNDS:		
Cash (Note 4)	\$ 215,004	\$ 174,560
Loans to students, less allowance for doubtful accounts of \$134,382 at 1993 and \$168,345 at 1992	3,186,969	3,159,399
Accounts receivable	<u>93,659</u>	<u>90,514</u>
 Total loan funds	 <u>\$ 3,495,632</u>	 <u>\$ 3,424,473</u>
 ENDOWMENT FUNDS:		
Investments - at cost (Notes 1, 4 and 6)	\$ 124,951	\$ 167,889
 Total endowment funds	 <u>\$ 124,951</u>	 <u>\$ 167,889</u>

LIABILITIES AND FUND BALANCES

	<u>1993</u>	<u>1992</u>
CURRENT FUNDS:		
Unrestricted:		
Accounts payable	\$ 755,300	\$ 525,767
Accrued vacation pay	967,332	958,432
Accrued salaries and related liabilities	1,896,278	1,752,531
Due to agency funds	<u>26,024</u>	<u>-</u>
	<u>3,644,934</u>	<u>3,236,730</u>
Fund balance -		
Allocated	7,221,372	5,693,593
Unallocated	<u>1,418,461</u>	<u>1,195,914</u>
	<u>8,639,833</u>	<u>6,889,507</u>
Total unrestricted	<u>12,284,767</u>	<u>10,126,237</u>
Restricted:		
Accounts payable	70,311	136,699
Accrued wages	42,738	23,392
Due to unrestricted current funds	698,943	637,604
Due to agency funds	-	70
Unearned revenue for Federal and state grants	467,099	638,283
Fund balance	<u>28,667</u>	<u>73,031</u>
Total restricted	<u>1,307,758</u>	<u>1,509,079</u>
Total current funds	<u>\$13,592,525</u>	<u>\$11,635,316</u>
LOAN FUNDS:		
Accounts payable	\$ 8,301	\$ 2,694
Loan awards payable	300	300
Due to unrestricted current funds	<u>4,750</u>	<u>600</u>
	<u>13,351</u>	<u>3,594</u>
Fund balance -		
U.S. Government contributions	4,807,343	4,809,909
Institutional contributions	543,136	542,866
Deficit	<u>(1,868,198)</u>	<u>(1,931,896)</u>
	<u>3,482,281</u>	<u>3,420,879</u>
Total loan funds	<u>\$ 3,495,632</u>	<u>\$ 3,424,473</u>
ENDOWMENT FUNDS--fund balance	<u>\$ 124,951</u>	<u>\$ 167,889</u>

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

MOREHEAD STATE UNIVERSITY

BALANCE SHEETS (CONCLUDED)

JUNE 30, 1993 AND 1992

ASSETS

	<u>1993</u>	<u>1992</u>
PLANT FUNDS:		
Unexpended -		
Cash (Note 4)	\$ 5,690,525	\$ 6,894,581
Total unexpended	<u>5,690,525</u>	<u>6,894,581</u>
Renewal and Replacement:		
Cash and certificates of deposit		
(Notes 1 and 4)	160,972	257,975
Investments - at cost (Notes 1, 4 and 6)	235,119	106,625
Accounts receivable	<u>1,656</u>	<u>1,841</u>
Total renewal and replacement	<u>397,747</u>	<u>366,441</u>
Retirement of Indebtedness:		
Cash and certificates of deposit		
(Notes 1 and 4)	317,665	2,198,768
Investments - at cost (Notes 1, 4 and 6)	4,296,998	2,161,963
Accounts receivable	<u>12,824</u>	<u>11,904</u>
Total retirement of indebtedness	<u>4,627,487</u>	<u>4,372,635</u>
Investment in Plant (Notes 1 and 2):		
Bond proceeds receivable	-	5,700,000
Land and improvements	5,910,989	5,676,943
Buildings	94,968,500	74,989,369
Library - books and periodicals	8,265,770	7,859,842
Charles M. Derrickson Agricultural		
Complex - livestock	185,206	160,932
Vehicles	975,290	996,690
Equipment	19,969,650	16,223,260
Construction in progress	4,322,435	23,230,564
Accumulated depreciation (Note 1)	<u>(58,880,390)</u>	<u>(55,351,261)</u>
Total investment in plant	<u>75,717,450</u>	<u>79,486,339</u>
Total plant funds	<u>\$ 86,433,209</u>	<u>\$ 91,119,996</u>
AGENCY FUNDS:		
Cash (Note 4)	\$ 876,915	\$ 949,807
Accounts receivable	1,877	837
Due from restricted current funds	-	70
Due from unrestricted current funds	<u>26,024</u>	<u>-</u>
Total agency funds	<u>\$ 904,816</u>	<u>\$ 950,714</u>

LIABILITIES AND FUND BALANCES

	<u>1993</u>	<u>1992</u>
PLANT FUNDS:		
Unexpended--restricted fund balance	\$ 5,690,525	\$ 6,894,581
Renewal and Replacement--fund balance	<u>397,747</u>	<u>366,441</u>
Retirement of Indebtedness--restricted fund balance	<u>4,627,487</u>	<u>4,372,635</u>
Investment in Plant:		
Bonds and note payable and capital lease obligations (Note 2)	51,829,218	53,400,913
Net investment in plant	<u>23,888,232</u>	<u>26,085,426</u>
Total investment in plant	<u>75,717,450</u>	<u>79,486,339</u>
Total plant funds	<u>\$ 86,433,209</u>	<u>\$ 91,119,996</u>
AGENCY FUNDS:		
Accounts payable	\$ 14,615	\$ 69,268
Due to unrestricted current funds	-	38,622
Due to restricted current funds	372	-
Deposits held in custody for others	<u>889,829</u>	<u>842,824</u>
Total agency funds	<u>\$ 904,816</u>	<u>\$ 950,714</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, 1993 AND 1992

	1993	
	<u>Unrestricted</u>	<u>Restricted</u>
CURRENT FUNDS:		
BALANCE, beginning of year	\$ 6,889,507	\$ 73,031
REVENUES AND OTHER ADDITIONS:		
Unrestricted current funds revenues	58,716,767	-
Federal and state grants and contracts	-	13,417,369
	<u>58,716,767</u>	<u>13,417,369</u>
EXPENDITURES AND OTHER DEDUCTIONS:		
Educational and general expenditures	44,499,938	13,166,447
Auxiliary enterprises expenditures	6,598,760	295,286
	<u>51,098,698</u>	<u>13,461,733</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):		
Mandatory -		
Transfers to plant funds-retirement of indebtedness and renewal and replacements (Note 2)	(5,510,174)	-
Transfers to loan funds and restricted current funds	(379,472)	-
Transfers from plant funds	737,790	-
Transfers to plant funds	(766,669)	-
Transfer from endowment funds	50,782	-
	<u>(5,867,743)</u>	<u>-</u>
NET INCREASE (DECREASE) FOR THE YEAR	<u>1,750,326</u>	<u>(44,364)</u>
BALANCE, end of year	<u>\$ 8,639,833</u>	<u>\$ 28,667</u>

1992	
<u>Unrestricted</u>	<u>Restricted</u>
\$ 7,094,316	\$ 51,181
59,158,923	-
-	12,951,521
59,158,923	12,951,521
46,956,113	12,644,075
6,451,453	285,596
53,407,566	12,929,671
(4,629,900)	-
(367,790)	-
1,062,536	-
(2,021,012)	-
-	-
(5,956,166)	-
(204,809)	21,850
<u>\$ 6,889,507</u>	<u>\$ 73,031</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, 1993 AND 1992

	<u>1993</u>	<u>1992</u>
LOAN FUNDS:		
BALANCE, beginning of year	\$3,420,879	\$3,340,155
REVENUES AND OTHER ADDITIONS:		
Interest on loans receivable	76,182	78,877
Cancellation reimbursement	37,639	36,369
Miscellaneous interest income	2,922	4,232
Federal contributions	2,422	2,422
Institutional contributions	270	460
Recovery of doubtful accounts previously written off	23,575	24,221
Other	<u>26</u>	<u>36</u>
	<u>143,036</u>	<u>146,617</u>
EXPENDITURES AND OTHER DEDUCTIONS:		
Loan principal and interest cancelled	53,178	46,340
Administrative and collection expense	23,292	14,766
Return of excess funds	4,988	4,749
Other	<u>176</u>	<u>38</u>
	<u>81,634</u>	<u>65,893</u>
NET INCREASE FOR THE YEAR	<u>61,402</u>	<u>80,724</u>
BALANCE, end of year	<u>\$3,482,281</u>	<u>\$3,420,879</u>
ENDOWMENT FUNDS:		
BALANCE, beginning of year	\$ 167,889	\$ 161,703
REVENUE -		
Investment income	<u>7,844</u>	<u>6,186</u>
TRANSFER AMONG FUNDS -		
Transfer to unrestricted current funds	<u>50,782</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>(42,938)</u>	<u>6,186</u>
BALANCE, end of year	<u>\$ 124,951</u>	<u>\$ 167,889</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, 1993 AND 1992

	<u>1993</u>		
	<u>Unexpended</u>	<u>Renewal and Replacement</u>	<u>Retirement of Indebtedness</u>
PLANT FUNDS:			
BALANCE, beginning of year	<u>\$6,894,581</u>	<u>\$ 366,441</u>	<u>\$4,372,635</u>
REVENUES AND OTHER ADDITIONS:			
Interest income	780,506	20,201	293,518
Proceeds from bond issuance	-	-	4,372,558
Retirement of indebtedness	-	-	-
Expended for plant fund facilities (including \$1,663,335 in 1993 and \$1,252,705 in 1992 charged to current funds expenditures)	-	-	-
Appropriations for plant funds	5,362,774	-	-
Gain on sale of investments	<u>-</u>	<u>272</u>	<u>-</u>
	<u>6,143,280</u>	<u>20,473</u>	<u>4,666,076</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Retirement of indebtedness	-	-	6,895,633
Interest on indebtedness	-	-	2,939,087
Expenditures for plant additions	7,293,006	-	-
Bond issuance and note payable	-	-	-
Depreciation	-	-	-
Miscellaneous	-	-	11,681
Deletions from plant facilities net of depreciation	-	-	-
Bond issuance costs	-	-	70,494
Premium on bond refunding	-	-	36,700
Loss on sale of investments	<u>-</u>	<u>-</u>	<u>40,179</u>
	<u>7,293,006</u>	<u>-</u>	<u>9,993,774</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):			
Transfers from unrestricted current funds for debt service (Note 2)	-	63,913	5,446,261
Transfer from unexpended to retirement of indebtedness	(83,209)	-	83,209
Transfer from unrestricted current funds	28,879	-	-
Transfer from renewal and replacement to retirement of indebtedness	<u>-</u>	<u>(53,080)</u>	<u>53,080</u>
	<u>(54,330)</u>	<u>10,833</u>	<u>5,582,550</u>
NET INCREASE (DECREASE) FOR THE YEAR	<u>(1,204,056)</u>	<u>31,306</u>	<u>254,852</u>
BALANCE, end of year	<u>\$5,690,525</u>	<u>\$ 397,747</u>	<u>\$4,627,487</u>

1993	1992			
<u>Investment in Plant</u>	<u>Unexpended</u>	<u>Renewal and Replacement</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
<u>\$26,085,426</u>	<u>\$8,398,335</u>	<u>\$347,185</u>	<u>\$3,587,176</u>	<u>\$23,480,501</u>
-	21,238	19,256	261,346	-
-	-	-	858,473	-
10,646,810	-	-	-	2,334,481
5,629,671	-	-	-	12,930,597
-	9,194,424	-	-	-
-	-	-	-	-
<u>16,276,481</u>	<u>9,215,662</u>	<u>19,256</u>	<u>1,119,819</u>	<u>15,265,078</u>
-	-	-	2,262,096	-
-	-	-	2,584,174	-
-	11,677,892	-	-	-
14,775,114	-	-	-	10,005,000
3,691,393	-	-	-	2,583,822
-	-	-	117,990	-
7,168	-	-	-	71,331
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>18,473,675</u>	<u>11,677,892</u>	<u>-</u>	<u>4,964,260</u>	<u>12,660,153</u>
-	-	-	4,629,900	-
-	-	-	-	-
-	958,476	-	-	-
-	-	-	-	-
-	958,476	-	4,629,900	-
<u>(2,197,194)</u>	<u>(1,503,754)</u>	<u>19,256</u>	<u>785,459</u>	<u>2,604,925</u>
<u>\$23,888,232</u>	<u>\$6,894,581</u>	<u>\$366,441</u>	<u>\$4,372,635</u>	<u>\$26,085,426</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, 1993 AND 1992

	1993	
	<u>Unrestricted</u>	<u>Restricted</u>
REVENUES:		
Tuition and fees	\$17,017,020	\$ -
State appropriations	30,760,047	-
Governmental grants and contracts	-	13,038,167
Matching funds	-	379,202
Indirect cost reimbursement	235,372	-
Sales and services of educational activities	754,506	-
Sales and services of auxiliary enterprises	8,984,548	-
Other sources	<u>965,274</u>	<u>-</u>
Total current revenues	<u>58,716,767</u>	<u>13,417,369</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
Educational and general -		
Instruction	21,053,571	1,743,483
Research	51,627	477,538
Public service	736,507	1,762,146
Library	1,755,294	81,334
Academic support	3,249,370	68,567
Student services	4,790,962	602,950
Institutional support	5,652,812	188,761
Operation and maintenance of plant	3,983,946	1,261
Student financial aid	<u>3,225,849</u>	<u>8,240,407</u>
Educational and general expenditures	<u>44,499,938</u>	<u>13,166,447</u>
Mandatory transfers for -		
Principal and interest	3,965,401	-
College Work Study, SEOG, Loan, and Endowment Fund matching funds	<u>328,690</u>	<u>-</u>
	<u>4,294,091</u>	<u>-</u>
Total educational and general	<u>48,794,029</u>	<u>13,166,447</u>
Auxiliary enterprises -		
Expenditures	6,598,760	295,286
Mandatory transfers for principal and interest and renewal and replacement	<u>1,544,773</u>	<u>-</u>
Total auxiliary enterprises	<u>8,143,533</u>	<u>295,286</u>
Total expenditures and mandatory transfers	<u>56,937,562</u>	<u>13,461,733</u>

<u>1993</u>	<u>1992</u>
<u>Totals</u>	<u>Totals</u>
\$17,017,020	\$15,869,010
30,760,047	32,141,800
13,038,167	12,593,564
379,202	357,957
235,372	202,708
754,506	1,021,190
8,984,548	8,523,534
<u>965,274</u>	<u>1,400,681</u>
<u>72,134,136</u>	<u>72,110,444</u>
22,797,054	23,162,682
529,165	688,551
2,498,653	2,711,818
1,836,628	1,909,998
3,317,937	3,893,261
5,393,912	5,815,680
5,841,573	6,202,398
3,985,207	4,467,072
<u>11,466,256</u>	<u>10,748,728</u>
<u>57,666,385</u>	<u>59,600,188</u>
3,965,401	2,843,067
<u>328,690</u>	<u>367,790</u>
<u>4,294,091</u>	<u>3,210,857</u>
<u>61,960,476</u>	<u>62,811,045</u>
6,894,046	6,737,049
<u>1,544,773</u>	<u>1,786,833</u>
<u>8,438,819</u>	<u>8,523,882</u>
<u>70,399,295</u>	<u>71,334,927</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 (CONCLUDED)

FOR THE YEARS ENDED JUNE 30, 1993 AND 1992

	1993	
	<u>Unrestricted</u>	<u>Restricted</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS) -		
Transfers from plant funds	\$ 737,790	\$ -
Transfers to plant funds	<u>(766,669)</u>	<u>-</u>
Total other transfers and additions (deductions)	<u>(28,879)</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ 1,750,326</u>	<u>\$ (44,364)</u>

<u>1993</u>	<u>1992</u>
<u>Totals</u>	<u>Totals</u>
\$ 737,790	\$ 1,062,536
<u>(766,669)</u>	<u>(2,021,012)</u>
<u>(28,879)</u>	<u>(958,476)</u>
<u>\$ 1,705,962</u>	<u>\$ (182,959)</u>

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

MOREHEAD STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1993 AND 1992

(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. 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.

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 for, 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.

Non-current funds of the University include:

Loan Funds - Such funds include monies available for loans to students. Additions to these funds are from governmental appropriations, interest on loans outstanding, and transfers from other University funds. Loans are normally made to students on an unsecured basis.

Endowment Funds - Endowment funds include funds subject to the restrictions of the gift instruments which require the principal be permanently invested and only the income be expended.

Plant Funds - Included in this group are funds to be used for the acquisition of physical properties for institutional purposes, but unexpended at the date of this report; funds expended for, and thus invested in, institutional properties; and funds set aside for debt service charges and for the retirement of indebtedness on institutional properties.

Sources of funds include appropriations of governmental bodies, proceeds from bond issues, income from investments, and transfers from other University funds.

Agency Funds - Included are funds received by the University as custodian or fiscal agent for others, and funds used for certain organized activities. Generally, these funds are disbursed on instructions and in behalf of those from whom received.

Investments

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

Investment in Plant

Investment in plant is stated at cost for purchased assets and at fair value at date of donation in the case of gifts. Expenditures which increase values or extend useful lives of the respective assets are capitalized, whereas expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of assets is computed using the straight-line method over the assets estimated useful lives. Estimated lives used for depreciation purposes are as follows:

<u>Classification</u>	<u>Estimated Life</u>
Improvements	20 years
Buildings	50 years
Vehicles	5-9 years
Equipment	5-15 years

Inventories

Inventories representing approximately 56% and 62% respectively, of total inventories at June 30, 1993 and 1992 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.

Accrued Vacation

Accrued vacation is included in the unrestricted current funds balance sheet and represents earned vacation available to employees at current compensation rates.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expenses. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing accounts that may become uncollectible.

(2) BONDS AND NOTE PAYABLE AND CAPITAL LEASE OBLIGATIONS

The following is a summary of bonds and note payable and capital lease obligations at June 30, 1993 and 1992:

	<u>1993</u>	<u>1992</u>
2.875 - 7.15% Housing and Dining System Bonds, Series A through M, repayable in annual installments with the final installment due on November 1, 2012	\$19,620,000	\$20,440,000
3 - 6.875% Consolidated Educational Building Revenue Bonds, Series C, D, E, F, H, I and J, repayable in annual installments with the final installment due on May 1, 2012	15,860,000	17,135,000
6.8 - 7.3% State Property and Buildings Commission Project 48 Bond Issue, repayable in semi-annual installments with the final installment due August 1, 1998	1,181,009	5,140,094
4.9 - 6.5% State Property and Buildings Commission Project 52 Bond Issue, repayable in semi-annual installments with the final installment due August 1, 2001	1,875,000	2,030,000
Note payable to a company, repayable in monthly principal installments of \$7,005, plus interest at prime (currently 6.0%), to June, 1994	73,462	149,739
5.9 - 7.0% State Property and Buildings Commission Project 50 Bond Issue, repayable in semi-annual installments with the final installment due February 1, 2010	6,980,095	7,206,080
5.5% Capital lease obligation with a bank, repayable in annual installments with the final installment due July 31, 1995	1,062,586	1,300,000
2.4 - 5.9% State Property and Buildings Commission Project 54 Bond Issue, repayable in semi-annual installments with the final installment due September 1, 2008	5,108,066	-

	<u>1993</u>	<u>1992</u>
6.0% Capital lease obligation with MSU Foundation, repayable in annual installments with the final installment due January 28, 2000	<u>69,000</u>	<u>-</u>
	<u>\$51,829,218</u>	<u>\$53,400,913</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 1993 the University transferred \$1,480,860 to the Housing and Dining System Revenue Bonds Sinking Fund and \$2,166,033 to the Consolidated Educational Building Revenue Bonds Sinking Fund for payment of current year principal and interest; and \$63,913 to the Housing and Dining System Repair Fund. In addition, during 1993, the University transferred \$1,799,368 in unrestricted current funds for the payment of principal and interest on the Project 48, 50, 52 and 54 bond issues, the capital lease obligations, and the note payable to a company.

The revenue bonds are collateralized by various buildings carried in the accounts at \$66,400,000. 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, lease purchase agreement, and note payable at June 30, 1993, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Repayment Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1994	\$ 3,612,975	\$ 2,763,305	\$ 6,376,280
1995	3,720,510	2,580,796	6,301,306
1996	3,890,931	2,389,598	6,280,529
1997	3,037,543	2,187,167	5,224,710
1998	3,211,561	2,019,628	5,231,189
1999-2012	<u>34,355,698</u>	<u>13,390,707</u>	<u>47,746,405</u>
	<u>\$51,829,218</u>	<u>\$25,331,201</u>	<u>\$77,160,419</u>

On May 1, 1993, the University issued \$3,775,000 in Consolidated Educational Buildings Series J Refunding Bonds, with an average interest rate of 4.0 percent to advance refund \$3,670,000 of outstanding 1971 Series G bonds with an average interest rate of 6.2 percent. The net proceeds were \$3,691,132 (after payment of \$83,868 issuance costs and discount). As a result, the 1971 Series G bonds are considered to be defeased and the liability for those bonds has been removed from the Investment in Plant Fund.

The University advance refunded the 1971 Series G bonds to reduce its total debt service payments over the next eight years by approximately \$323,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$205,000.

(3) PENSION PLAN

Faculty

All full-time employees occupying a position requiring certification by the state department of education or who have graduated from a four year college or university are covered under the defined benefit plan administered by KTRS. All benefits vest after five years of service.

The payroll for employees covered by KTRS for the year ended June 30, 1993 was \$20,442,778. The universities total payroll was \$29,240,336.

KTRS covered employees are required by Chapter 161 Section 540(1) of the Kentucky Revised Statutes (KRS) to contribute a fixed percentage of their gross earnings to the pension plan. The Commonwealth makes annual contributions to the pension equal to the amount required by state law. Current contribution rates for the plan are:

<u>Employee</u>	<u>Employer Contributions</u>
6.16%	10.59% plus 3.25%

For the year ended June 30, 1993 the Commonwealth contributed a total of \$2,829,282 to KTRS for benefit of participating employees.

Other Employees

Substantially all other full-time University employees are required by law to participate in the Kentucky Employee Retirement System (KERS), a cost sharing, multiple-employer, public employee retirement system. KERS provides retirement benefits based on an employee's final compensation and number of years of service. Benefits are subject to reduction if the employee retires before reaching age sixty-five or less than twenty-seven years of service. Vesting begins immediately upon entry into the system and a fully vested interest occurs after sixty months of service, of which twelve months must be current service. The plan also provides for disability retirement, death and survivor benefits and medical insurance.

Funding for the plan is provided from eligible employees who contribute 5.00% of their salary through payroll deductions and the University, which contributes 7.65% of current eligible employee's salaries to the KERS. University police officers participate in the Hazardous Duty Division of KERS. The officers contribute 7% of their salary through payroll deductions while the University contributes 15.05% of current eligible employee's salaries. University contribution rates are determined by the Board of Trustees of the Kentucky Retirement Systems each biennium. The rates are intended to fund the plan's normal cost plus 1% of unfunded past service costs.

The amount shown below as "pension benefit obligation" is a standardized disclosure measuring the present value of pension benefits for the entire KERS, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess KERS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and among employers. The measure is independent of the actuarial funding method used to determine contributions to the system.

The pension benefit obligation was obtained from a separately issued report on the KERS. That report also includes eight-year historical trend information which provides information about progress made in accumulating sufficient assets to pay benefits when due.

The unfunded pension benefit obligation was \$250,407,373 at June 30, 1992 as shown below:

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 945,539,959
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Current members:	
Accumulated employee contributions and credited interest	442,303,920
Employer-financed portion	<u>929,410,185</u>
Total pension benefit obligation	2,317,254,064
Net assets available for benefits, at cost	<u>2,066,846,691</u>
Unfunded pension benefit obligation	<u>\$ 250,407,373</u>

Payroll for KERS participating employees during the year ended June 30, 1993 was \$6,608,787. Payroll for all University employees during the year ended June 30, 1993 was \$29,240,336. Contributions to KERS during the year ended June 30, 1993 were:

<u>Contributions From</u>	<u>Amount</u>	<u>Percentage of Payroll of KERS Employees</u>
Employees through payroll deductions University, as included in current year expenditures	<u>\$337,277</u>	<u>5.01%</u>
	<u>\$505,501</u>	<u>7.65%</u>

(4) DEPOSITS AND INVESTMENTS

At June 30, 1993 the University had deposits as reflected by bank balances as follows:

Insured, commercial banks	\$ 200,000
Uninsured, commercial banks; collateral held by pledging institution's agent in the University's name	4,904,798
Maintained by Commonwealth of Kentucky	13,202,107
Uninsured, collateral held in Trust by the institution's agent	<u>378,637</u>
	<u>\$18,685,542</u>

At June 30, 1993 the University had investments as follows:

Uninsured, unregistered U.S. government obligation	\$ 703
Uninsured, unregistered U.S. government obligations, held by the institution's agent in the University's name	4,532,117
Repurchase agreement; held by the Commonwealth of Kentucky in the University's name	<u>124,248</u>
	<u>\$ 4,657,068</u>

The University may legally invest in repurchase agreements, U.S. Treasury obligations and U.S. government agency obligations.

(5) INTERFUND BORROWINGS

All interfund borrowings have been made from unrestricted funds. The amounts due to current unrestricted funds from current restricted funds, agency funds and unexpended plant funds are payable on demand without interest.

(6) INVESTMENTS

Investments are recorded at cost. Quoted market values of investments (primarily repurchase agreements and U.S. Treasury and U.S. agency debt securities) of the funds indicated were as follows:

	June 30, <u>1993</u>	June 30, <u>1992</u>
Endowment funds	\$ 124,951	\$ 167,889
Renewal and replacement	239,554	106,625
Retirement of indebtedness	4,312,784	2,161,963

(7) LEASES

The University has operating lease agreements for use of equipment and various parcels of real estate cancelable annually with the option to renew. The University recognizes the expenditures related to those obligations in the current unrestricted funds as lease payments are made. Total rent expenditures under operating type leases were approximately \$365,000 in 1993 and \$360,000 in 1992.

(8) CONSTRUCTION COMMITMENTS

Estimated cost to complete construction under contract at June 30, 1993 is approximately \$1,455,841. Such construction is principally financed by Commonwealth of Kentucky appropriations and long-term bonds payable.

(9) CONTINGENCIES

The University is defendant in several lawsuits; however, University management is of the opinion, based on advice of legal counsel, that the ultimate resolution of these litigation matters will not have a material effect on the future operations or financial position of the University.

(10) RECLASSIFICATIONS

Certain previously reported accounts have been reclassified in the accompanying 1992 financial statements to reflect comparability with account classifications adopted for fiscal 1993.