

6-23-1986 12:00 AM

**1986-06-23**

Board of Regents, Murray State University

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MINUTES OF THE MEETING OF THE BOARD OF REGENTS  
Murray State University  
June 23, 1986

The Board of Regents of Murray State University met June 23, 1986, in special session during its planning/retreat meeting at Pennyrile State Park, Dawson Springs, Kentucky. The meeting was called to order at 10:15 a.m., C.D.T., by Chairman William E. Beasley.

The following members were present: Mr. William E. Beasley, Mr. Richard L. Frymire, Dr. James Hammack, Jr., Mr. Andy Logan, Mr. Wendell Lynch, and Mr. Frank Nichols. Absent were: Mr. James W. Cooke, Mrs. Irma LaFollette, Mr. Jere McCuiston, and Mrs. Virginia Strohecker.

The Chairman stated a quorum was present to conduct business.

Present for the meeting were Dr. Kala M. Stroup, President of the University; Mrs. Patsy R. Dyer, Secretary of the Board; Mr. James E. Cofer, Treasurer of the Board and Vice President for Finance and Administrative Services; Dr. James L. Booth, Vice President for Academic Affairs; Dr. Frank Julian, Vice President for Student Development; Dr. David Perrin, Vice President for University Relations and Development; Mr. Lou Zimmerman, President, Student Government Association; and from the news media: Gene McCutcheon and Cathy Fisher.

Agenda

The following agenda for the meeting was presented:

AGENDA  
for  
Meeting of the Board of Regents of Murray State University  
Pennyrile Forest State Park  
June 23, 1986  
10:00 a.m.

1. Approval of the Minutes of the Meeting of the Board held May 14, 1986
2. Approval of the Audited Financial Statement for 1984-85 Mr. McCuiston  
or Mr. Cofer
3. Personnel Changes Dr. Stroup
  - A. Requests for Leave of Absence Without Pay
  - B. Instructional Improvement and Summer Professional Improvement Grants
  - C. Recommendation on Acting Director, Curris Center
  - D. Other Personnel Items
4. Discussion of the Rural Development Institute/ Commonwealth Center for Economic Development and any other questions Regents have after reviewing 1986-87 Budget Dr. Stroup
5. Other Business Dr. Stroup
6. Information Dr. Stroup
  - A. Quarterly Meeting Schedule
  - B. Fall Events/Dates
7. Oath of Office Administered to Mr. Louis Zimmerman

Minutes of the Meeting of the Board of Regents held May 14, 1986, Approved

Mr. Frymire moved that the Minutes of the Meeting of the Board of Regents held May 14, 1986, be approved as received. Mr. Nichols seconded and the motion carried.

Audited Financial Statement for 1984-85, Accepted

Mr. Cofer stated the Audited Financial Statement for 1984-85 was distributed to the Board at the May meeting. He reviewed the attached management letter and highlights of the Statement.

(See Attachment #1, Audited Statement and Management Letter)

Mr. Cofer stated that about two years ago, the Board indicated all grants and contracts were to be moved out of the Foundation. These have now been moved, and we have made significant progress. He reported that we are in process of developing policies to cover grants and contracts, and that at this time, we are in compliance with OMB A-110 in the Accounting Office.

Mr. Cofer stated that regarding the affiliated/non-affiliated status of the MSU Foundation, the Audit indicates because of the stance the University and the Foundation has taken, it is not clear which it is.

Dr. Stroup stated this is more complicated since the implementation of HB 622 and most Kentucky universities have this confusion. She added that the new auditors want it clarified soon, and indicated that she hoped by October, the Regents and the Foundation Trustees will discuss the affiliated/non-affiliated status.

Mr. Cofer stated we have employed an internal auditor, Norma Hamm, CPA, and her major function for three to five years will be writing policies and procedures.

Dr. Hammack stated there is confusion on campus regarding grant proposals and the faculty are concerned with regulations to the extent that it may not be worthwhile to go after grants. Mr. Cofer stated that we will be having seminars on campus this summer on changes effecting departments. Dr. Stroup stated that even though faculty write grant proposals, all grants are with the University and not with the individual.

Mr. Cofer stated that next year's audit probably will not be better. Authur Andersen & Co., the auditing firm for 1985-86, is a Big 8 firm and will be more thorough. Mr. Cofer stated we can identify the problems, but to correct these problems and to write procedures and policies takes additional time.

Mr. Frymire asked if there is a guide on A-110 to assist people with the mechanics, and Mr. Cofer responded we need to develop a project director's handbook.

Dr. Stroup stated some members of the Board were present and involved in the reorganization of the Finance and Administrative Services area, and this reorganization was with no increase in staff, but through reassignment of responsibilities. The new highly qualified staff is committed to improving the system.

Mr. Nichols moved that the Board accept the Audited Financial Statement for 1984-85. Mr. Lynch seconded and the following voted: Mr. Frymire, yes; Dr. Hammack, yes; Mr. Logan, yes; Mr. Lynch, yes; Mr. Nichols, yes; and Mr. Beasley, yes. Motion carried.

Requests for Leave of Absence without Pay, Granted

Mr. Frymire moved that the Board grant the following requests for a leave of absence without pay for the period indicated:

<u>Name</u>	<u>Assignment</u>	<u>Effective</u>
William F. Edwards	Chair & Professor, Economics	6/17/86—7/31/86

<u>Name</u>	<u>Assignment</u>	<u>Effective</u>
Edith A. Mathis	Inst. & Cataloger, Libraries	8/1/86—6/30/87
Wesley L. Shoop	Asst. Prof., Biological Sciences	8/1/86—5/31/87
Yvette R. Payne	Asst. Dir., Coop. Ed. & Placement	2/1/86—8/1/86
Felicia C. Perry	Security Guard, Art Gallery	4/11/86—6/16/86
Kenneth M. Beane	Custodian, Physical Plant	6/26/86—6/19/87

Mr. Nichols seconded and the motion carried.

Instructional Improvement and Summer Professional Improvement Grants, Approved

Mr. Nichols moved that the Board upon the recommendation of the President of the University approve Instructional Improvement Grants and Summer Professional Development Grants for the faculty listed on the attached list.

Mr. Logan seconded and the following voted: Mr. Frymire, yes; Dr. Hammack, yes; Mr. Logan, yes; Mr. Lynch, yes; Mr. Nichols, yes; and Mr. Beasley, yes. Motion carried.

(See Attachment #2)

James F. Carter named Acting Director of the Curris Center

Mr. Logan moved that Mr. James F. Carter be appointed as the Acting Director of the Curris Center, beginning June 7, 1986, at a salary of \$350.00 per month supplemental for the additional duties. Mr. Nichols seconded and the following voted: Mr. Frymire, yes; Dr. Hammack, yes; Mr. Logan, yes; Mr. Lynch, yes; Mr. Nichols, yes; and Mr. Beasley, yes. Motion carried.

Dr. James D. Davis named Chairman, Department of Agriculture

Mr. Nichols moved that the Board of Regents upon the recommendation of the President of the University approve the appointment of Dr. James D. Davis as Chair and Associate Professor of Animal Science of the Department of Agriculture effective August 1, 1986, at an annual salary of \$41,720, prorated to \$38,010 for 1986-87.

Mr. Logan seconded and the following voted: Mr. Frymire, yes; Dr. Hammack, yes; Mr. Logan, yes; Mr. Lynch, yes; Mr. Nichols, yes; and Mr. Beasley, yes. Motion carried.

Discussion of the Rural Development Institute/Commonwealth Center for Economic Development and Budget Items

President Stroup stated some of the Regents had raised questions about the budgeting of funds for the Rural Development Institute. She stated funds were put into that item because the University will be competing with other universities this year for Commonwealth Centers and funds received for the Centers will have to be matched. President Stroup reviewed the proposals for the Commonwealth Centers: A) A Commonwealth Center in International Education, B) Aquatic and Terrestrial Analysis Research Institute, C) Commonwealth Center for Business and Industrial Development, and D) a satellite Center for Robotics and Manufacturing Systems.

Mr. Frymire asked if the University of Kentucky has been designated as the Robotics Center, and Dr. Stroup responded that we have asked to be a satellite of the U. K. Center. She noted that the language used by the Governor indicated the Commonwealth Centers are tied to economic development of the State.

Mr. Frymire reviewed the U. K. fund raising success for the establishment of an endowed chair in banking and suggested Murray State consider such an effort in the business area. Dr. Stroup stated that there are several groups involved with the Center for Business and Industrial Development.

Dr. Hammack asked, if the University receives the Center for Business and Industrial Development, how will this effect the Waterfield Institute for Governmental Studies? Will it be absorbed in the Center or continue to operate separately? Dr. Stroup stated that we do not know at this time.

Dr. Hammack asked why graduate assistantship funds were reduced this year, and Vice President Booth responded they were not reduced but the accounting is different; each dean accounted for them differently in his/her budget. This was the final step in budgetary decisions and allocations for personnel being given to the deans.

#### 1986-87 Salary for President, Established

Chairman Beasley stated that the Board at its last meeting voted to extend Kala M. Stroup a contract as President of Murray State University for a four-year period effective July 1, 1986. He stated that he, Mr. Nichols, and Mr. McCuiston had discussed the President's salary, considered the presidents salaries at the eight Kentucky universities, and considered what was recommended for Murray State University staff for 1986-87. He added that the top administrative staff received approximately 6.3% increase in salary for 1986-87, and Chairman Beasley recommended that the salary for President Stroup be set at approximately 6.3%. Mr. Nichols moved that the salary for President Kala M. Stroup be no less than \$76,000 per year. Mr. Lynch seconded and the following voted: Mr. Frymire, yes; Dr. Hammack, yes; Mr. Logan, yes; Mr. Lynch, yes; Mr. Nichols, yes; and Mr. Beasley, yes. Motion carried.

Chairman Beasley stated that other benefits to be included in the contract had been discussed, and the Board Treasurer is doing some research on an insurance program. It was the consensus of the Board and Mr. Beasley directed Board Treasurer Jim Cofer to pursue research on an insurance program. Chairman Beasley stated that the contract is to be written after the salary was ratified by the Board of Regents.

#### Reports

President Stroup presented a request from a faculty member and the hearing committee for an extension within which the University Tenure Committee must grant a tenure appeal hearing. Since the faculty member was in Europe and most faculty members on the committee were gone for the summer, it was difficult to schedule meetings and conduct the hearing.

Following discussion, Mr. Nichols moved that the Board approve the suspension of the 120-day limitation based on the request of the appealing party and grant an extension to September 30, 1986, to conclude the hearing process. Dr. Hammack seconded and the motion carried.

Dr. Perrin highlighted the changes in the OVC, the NCAA compliance program, the Racer Caravan, and fund raising for athletic activities. President Stroup stated that the OVC was not willing to initiate associate membership at this time. Western Kentucky University had inquired about associate membership if the Conference decided to initiate a membership category that permitted partial participation in the Conference.

The site of the Industry and Technology Building, feasibility study for Racer Arena, and procedures for architect selection were discussed. Mr. Cofer informed the Board that the University has requested that an architect for the I & T Building be appointed by the State Department of Finance by July 1, 1986.

Dr. Julian briefed the Board on the sororities finding housing and/or meeting sites in Murray. All but two have relocated and if necessary, the University may provide these two with meeting rooms for rushing activities.

Dr. Julian was directed to draft a resolution for the Board's consideration regarding the antihazing law passed by the 1986 General Assembly.

President Stroup reported that the attorney for the National Bequest Consultants, Inc., and Jerry Davis has requested that the release authorized by the Board of Regents be modified to include a release of the Fidelity Union Life Insurance Company by the University and the MSU Foundation. The Foundation's attorney has agreed. Mr. Frymire moved that the approval given previously be amended to include the release of the Fidelity Union Life Insurance Company. Mr. Nichols seconded and the motion carried.

President Stroup called attention to the planning materials and the institutional perspective statement. Regents were asked to review these materials.

#### Information

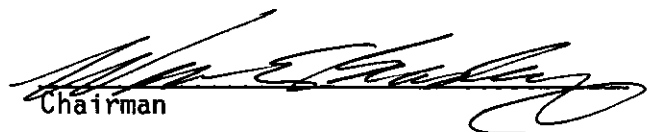
Chairman Beasley called attention to the following dates set for the quarterly meetings for 1986-87: September 13, 1986; November 15, 1986; February 7, 1987; and May 9, 1987.

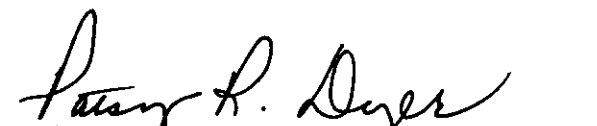
#### Oath of Office administered to Louis Zimmerman

The Oath of Office was administered to Mr. Louis Zimmerman, Student Regent, by Mrs. Patsy R. Dyer, Notary Public. Mr. Zimmerman's term of office is July 1, 1986, to July 1, 1987. Mr. Zimmerman is President of the Murray State University Student Government Association and being a resident of Kentucky qualified to serve as Student Regent.

#### Meeting Adjourned

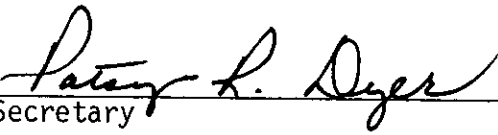
Mr. Nichols moved and Mr. Logan seconded that the meeting be adjourned. Motion carried. The meeting adjourned at 12:30 p.m.

  
Chairman

  
Secretary

6.

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Secretary

## Report to the Board of Regents

Audit Report and Management Letter  
for Year Ended June 30, 1985

## Institutional Comments

"The report on the University's financial statements is a disclaimer. A disclaimer of opinion states the auditor does not express an opinion on the financial statements. A disclaimer is appropriate when the auditor has not performed an examination sufficient in scope to permit formulating an opinion on the financial statements. The restrictions on the scope of the examination related to the inability to obtain sufficient, competent, evidential matter on which to base an opinion, and on inadequacies in the accounting records. The decision to disclaim is based not only on the existence of the above-mentioned factors but on the assessment of their magnitude."

This situation is not unexpected. In the fall of 1983 the Southern Association of Colleges and Schools (SACS) criticized the financial section of the University. In addition, during the summer of 1984 a consultant from NACUBO studied our financial situation. His report was highly critical of the system, the credentials of the people and the organizational structure in the financial area. In the academic area, we hire people with the proper credentials, usually those holding a Ph.D. The accounting function operated without individuals with the appropriate credentials. The Certified Public Accountant (CPA) is as important to accounting as the terminal degree is to academics. If the accounting office had been staffed by qualified personnel with credentials for today's complex financial environment, these problems would have been identified earlier.

How many years earlier? Our investigation shows that many of the findings by the auditors have their origins as early as the fifties and most assuredly the sixties and seventies. For example, OMB-A110 is a set of requirements developed by the federal government in 1978. We have just begun to implement these procedures. We closed a bank account that was opened in the 1950's and corrected a 1964 policy on vending funds. Collection of unauthorized fees in the residence halls has been happening over thirteen years. The financial accounting computer system was purchased over six years ago, and we are still correcting implementation errors.

Why did we find these problems now? Some problems were identified and attempts were made to correct them at an earlier date. The need had to be recognized by top management and the appropriate individuals had to be employed before corrective action could be taken. In November of 1984 the Board of Regents approved the reorganization of the area and the position descriptions for the Vice President for Finance and Administrative Services and the Director of Accounting. These changes were implemented July, 1985. We now have a professional management



team in accounting. We have four CPA's and they understand the role and function of the auditor and of accounting. They understand that the role of accounting is to safeguard the assets of the institution. These new staff are now in a position to identify and address these problems. More problems will be identified as we straighten out the financial and accounting systems.

The following matters are addressed in the Audit and Management Letter. We have attempted to answer these matters over the last nine months and our actions are noted below with each finding.

#### Finding - Financial Accounting System

"The FAS reporting system, as it is now used, reports revenue and expenditure information on a cash basis. Extraordinary amounts of time were spent by Finance and Administrative Services personnel and by our field auditors converting revenues and expenditures to the accrual basis of accounting, which is required by generally accepted accounting principles and House Bill 622. Significant current fund assets and liabilities were manually compiled, and an adequate and complete audit trail could not be established. Thus, change in fund balance resulting from revenues and expenditures "converted" to the accrual basis and change in fund balance resulting from net increases in current fund assets could not be reconciled."

#### Action - Financial Accounting System

The Information Associates Financial Accounting System is a general accounting system and has considerable reporting capability and flexibility. This system is at the center of several accounting sub-systems and can only function as well as the feeder sub-systems and the personnel operating the system. This system has been installed at several colleges and universities in this state and this region with highly acclaimed success. It is our opinion that this system, as it currently stands, is being utilized at about 40 percent of its capacity. There are two (2) factors that contribute to this significant under utilization.

1. The accounting sub-systems which feed this system (payroll, accounts payable, cash receipts, and accounts receivable) are severely limited in flexibility and sophistication. Improvement in this area has been noticed with the implementation of the Student Billing System. The full impact of this change will not be realized for a few months.
2. The implementation of this system is not complete and the maintenance or production of the system has been severely limited due, in our opinion, to unqualified personnel.

We are currently devoting considerable time and energy to improving the performance of the FAS System. Two (2) very qualified individuals are working to improve both the external and internal reporting functions. There have been a number of changes initiated to ensure data integrity for information being processed into this system. Considerable improvements are needed, however, to fulfill all of the reporting requirements of generally accepted accounting practices and regulating bodies and to meet the reporting needs of management. Adequate accounting and reporting capability will not be realized from the FAS System until all of the feeder sub-systems have been upgraded. The payroll/personnel system and accounts payable system are very outdated and need immediate attention. Therefore, we have begun to investigate software packages to handle the payroll/personnel system and will be going out for bids within the month.

#### Finding - Agency Funds

"The technical literature defines "agency funds" as ". . . funds held by the institution as custodian or fiscal agent for others such as student organizations, individual students, or faculty members." At June 30, 1985, several accounts were included in the University's agency funds group which did not meet this definition. Sources of deposits into these accounts included:

- Student activity fees assessed during registration;
- Summer Orientation registration fees;
- Residence hall activity fees;
- Fees from workshops conducted for the benefit of students, faculty, and the general public;
- Theatre ticket sales;
- Room key deposits;
- Carris Center game room receipts; and
- Vending machine receipts or commission checks.

Disbursements charged to these accounts were not processed through the University's Department of Purchasing and were not subject to controls designed to ensure compliance with State and University procurement standards."

#### Action - Agency Funds

By June 30, 1986, we will be in full compliance with generally accepted accounting practices related to agency funds. As new agency funds are established, appropriate information, including an agreement, will be obtained to ensure continued compliance.

#### Finding - Unauthorized Fees

"During previous registration periods, some University departments have charged students "departmental fees" which were not approved by the Board of Regents. In addition, dormitory residents have been assessed an "activity fee," also not approved by the Board. These fees were evidently assessed and collected by the respective departments outside the normal University registration process."

#### Action - Unauthorized Fees

The fees that were identified have been corrected by either suspension of fee collection or by obtaining approval for the fee. While we suspect there are still some instances of fees being assessed without Board approval, significant progress has been made in this area. As specific instances of this problem are brought to our attention, corrective measures will be taken.

#### Finding - Ticket Sales to Athletic Events

"Policies and procedures establishing internal controls over ticket sales to athletic events and other University-sponsored activities require significant improvement. Procedures should include accounting for unsold tickets; and budgetary control over ticket revenues, extraordinary athletic revenues, contracts with external organizations, etc., should be established, including comparison of actual revenue with budget estimates, recording on the accrual basis, independent control over issuance of credits or other adjustments and issuance of complimentary tickets. Expenditures associated with University-sponsored events should be processed through the Department of Purchasing."

#### Action - Ticket Sales to Athletic Events

This situation was brought to the attention of the responsible individuals last fall. However, football ticket sales were in process and a change in procedure would have caused significant problems. We did, however, address some of the cash receipts problems with improved procedures, and we corrected the extraordinary athletic revenue and contract problems. We have informed the Vice President for University Relations and Development of this problem, and we will begin to develop written procedures to correct this finding before fall.

#### Finding - Unauthorized Cash Accounts

"University funds have been deposited into bank accounts not under the control of the Finance and Administrative Services department. Disbursement of these funds is not subject to established procurement policies. The University should attempt to identify all bank accounts containing University funds and ensure proper recording is made of transactions and balances. More importantly, sufficient policies should be established and communicated to appropriate personnel to prevent or detect the collection of University funds by unauthorized departments or individuals."

#### Action - Unauthorized Cash Accounts

Several checking accounts have been closed and the funds turned in to the Accounting and Finance office. Corrective action will be taken any time specific information concerning unauthorized cash accounts is obtained.

#### Finding - Accounting for Student Deposits

"Student deposits for dormitory occupancy have been reflected as an agency fund liability. At June 30, 1985 a more proper classification, as a current unrestricted fund liability, has been made. Although the liability is \$206,000, the financial accounting system is now incapable of maintaining subsidiary records of students to whom deposits are refundable. Complete accounting capabilities of the financial accounting system should be implemented. This would include maintenance of all subsidiary records."

#### Action - Accounting for Student Deposits

The accounting and reporting of student deposits has been corrected.

#### Finding - Equipment Additions/Deletions

"The University does not maintain information regarding equipment inventory acquisitions and deletions. The EDP program provides a listing of equipment at a given time and only the "net" change in inventory is available. The system should be modified to reflect in detail all current period acquisitions and deletions. This would enable management to determine that proper authorization occurred."

#### Action - Equipment Additions/Deletions

We are in the process of determining a solution to this problem. The implementation of the solution will begin as time and personnel constraints allow.

#### Finding - Recording of College Work-Study Payroll

"The financial accounting system does not accommodate the recording of the institution's portion of Federal College Work-Study (CWS) salaries in the unrestricted funds; nor the Federal portion in the restricted funds."

#### Action - Recording of College Work-Study Payroll

With the transfer of the fiscal section of the Financial Aid Office to this department, adequate time, effort, and controls will be devoted to the recording and reconciliation of CWS payrolls to the University accounting records. This extra time and effort will provide a "band-aid" fix until a better method is available. Any new payroll/personnel system should include the capability to adequately account for and document CWS payrolls.

Finding - Violations of Laws or Regulations

OMB-A110

Because of findings to be reported to the Regional Inspector General in connection with our 1983-1984 and 1984-85 examination of Federal awards to the University under the provisions of OMB Circular No. A-110, a Federal examination of the University's compliance with various OMB circulars is probable.

"The University has not met the demands of generally accepted accounting principles and reporting standards that are even less stringent than these Federal guidelines. Accordingly, policies and procedures have not been implemented to provide reasonable assurance the University is in adequate compliance with Federal regulations. In addition, non-adherence to control policies and procedures which are in place, and lack of support from faculty and administrators for an adequate control environment, are concerns for the University."

Action - Violations of Laws or Regulations

OMB-A110

Several changes have been made and several others are being developed and initiated to ensure compliance with these regulations. The major focus points at this time are the development of Grants and Contracts policies and procedures and mop-up of old projects. This closing of all old project accounts is substantially complete at this time and should be as complete as possible given the cooperation received from faculty and administrators by June 30, 1986. A full-time employee has been employed expressly for the purpose of writing policies and procedures and tangible results should be forthcoming soon.

Finding - Sales and Use Tax

"Sales and use tax returns required by the Kentucky Revenue Cabinet were not timely filed for the period June 1, 1982 through June 30, 1985. The unremitted sales tax collected was provided for in the June 30, 1985 financial statements."

Action - Sales and Use Tax

Sales and Use Tax Returns have been filed for the 37 months indicated in the Management Letter and all sales tax returns for the current year have been filed on time.

Finding - City Taxes

"Employee-based city occupational tax imposed by the cities of Paducah and Owensboro has not been withheld from University personnel receiving compensation for services performed within those cities."

#### Action - City Taxes

City payroll taxes are still not being collected and paid for Paducah and Owensboro. At this time the information needed to collect and remit these taxes is not available to this department. A new payroll/personnel system should provide the capability to comply with these laws; however, considerable additional information will need to be provided by department heads authorizing work in these cities to fully comply.

#### Finding - IRS Regulation

"Internal Revenue Service regulations pertaining to the reporting of non-employee compensation have not been satisfied."

#### Action - IRS Regulation

1099 Reporting - This department is now complying with IRS regulations pertaining to non-employee compensation.

#### Finding - Relationship With MSU Foundation

"Management should consider all the activities of the Foundation which involve, or could involve, the responsibilities generally regarded as the responsibilities of management of Murray State University. These include responsibilities outlined by state regulations, directives of the Office of Management and Budget, gift instruments, etc. To the extent activities of the Foundation are subject to Federal or State directives, responsibility for meeting such directives should not be assigned to the Foundation unless advised by counsel."

#### Action - Relationship With MSU Foundation

As far as we now know, without an audit by the University auditors, all of the grants and contracts have been transferred to the University. However, all University funds have not. We have communicated our concerns to the Foundation management and are in the process of identifying and transferring funds to the University.

#### Finding - Internal Auditing

"All of the comments previously made in this letter result from weak or non-existent internal accounting control policies and procedures. Consequently, the establishment of sound policies and procedures monitored by an effective internal audit function is critical to improving financial integrity. Knowledge that adherence to University policies and procedures will be monitored is an essential element of an appropriate control environment."

### Action - Internal Auditing

To be effective, an internal auditor should have formal written accounting and administrative policies and procedures by which to audit activities of the University. Without these written policies and procedures, the effectiveness of an internal auditor would be severely limited. Currently there are very, very few written policies and procedures which are current and still acceptable. The task of writing and updating these policies and procedures is a continuous process. With the serious deficiencies in the University's systems of accounting and reporting, the personnel in this department do not have sufficient time to write procedures and make the needed improvements. We have employed a CPA with considerable audit experience to focus primarily on the development of workable formal written policies and procedures. After sufficient written policies and procedures have been developed and the deficiencies mentioned above corrected, the senior accountants in this department will assume this responsibility and the internal auditor may then begin performing the internal audit function. As policies and procedures are developed, it is probable that additional deficiencies will arise and we fully expect to have audits similar to this one for fiscal year 85-86. We estimate that it will take approximately three to five years to correct all of the accounting problems and deficiencies.

Footnote: All quotes are from the University's Management Letter

April 9, 1986

# Hundreds of Colleges Found Violating Accounting Rules in Finance Reports

WASHINGTON

A nationwide study has found that many colleges and universities are violating basic accounting rules. The finding came at a time when independent rule-making agencies were developing new standards for financial reporting by such institutions.

The study, by the accounting firm of Peat, Marwick, Mitchell & Co., found that most colleges and universities appeared to be complying "overall" with so-called generally accepted accounting principles.

In some areas, however, as many as several hundred institutions were found to be departing from recommended procedures and were thus suspected of providing misleading information about their financial activities to constituents, the public, and government officials.

The study encompassed survey data

from 889 institutions and analyses by Peat Marwick of financial statements provided by 598 of them. The survey was made last spring in cooperation with the National Association of College and University Business Officers.

In a report of the results, Peat Marwick gave these examples of "major divergences" from prescribed accounting practices by colleges and universities whose statements it reviewed:

▶ 269 of 348 institutions that included annuity funds on their balance sheets failed to record any liabilities for the annuities, meaning that they may have significantly overstated the funds' "expected ultimate value."

▶ 415 of 598 responding institutions did not record or disclose donors' pledges, ei-

*Continued on Page 38, Column 1*



# Hundreds of Colleges Found to Be Violating Accounting Principles in Financial Reports

Continued from Page 1

ther on their balance sheets or in notes to their financial statements.

► 89 of 185 institutions whose approach to investing their endowment funds included spending a portion of the appreciated value as well as earnings—under the so-called total-return concept—improperly reported the gains as "current-fund revenues" instead of as "transfers" from the endowment to current funds.

► 258 of 596 institutions with quasi-endowment funds—funds set up by governing boards that may be fully spent at the boards' discretion—violated the principle that so-called unrestricted revenues must be recorded first as "current fund revenues" before they can be transferred to other funds. By making direct additions to quasi-endowment funds, said the Peat Marwick report, the institutions were providing justification for criticisms that college and university financial statements are hard to understand and enable institutions to "manage" changes in their unrestricted fund balances.

► 194 of 462 institutions with investment pools used the book-value method of accounting for them, stating only their original cost, rather than the recommended market-value method, raising the possibility of "material misallocations" of gains and losses and a resulting misstatement of fund balances.

► 104 of 351 institutions with separately incorporated entities, such as athletic organizations or research foundations, made no financial disclosures about those activities.

► 91 of 547 responding institutions did not distinguish in their statements between mandatory and discretionary transfers of money from one fund to another, a practice that Peat Marwick said could "significantly affect the net change in fund balances" and therefore be misleading. An additional 14 of the institutions did not report transfers at all.

## Other Practices at Issue

Besides those variances, Peat Marwick said its study pointed to several "issues and concerns" involving potentially questionable accounting practices by colleges and universities, mainly in connection with investments.

For example, more than half of the institutions whose statements were examined had failed to disclose the composition of their investments, and about four-fifths had provided no information about investment performance. Peat Marwick said such practices made it difficult for readers of financial statements to "understand and assess an institution's effectiveness in managing investments."

Further, the firm reported, 463 of 847 surveyed institutions failed to account routinely for income they earned by investing so-called restricted gifts or grants, although most of the noncomplying institutions did add such income to restricted accounts when that was required by donors. The report's authors said it was not always clear why colleges and universities failed to observe generally accepted accounting principles. In some instances, they said, the reason seemed to be a lack of understanding or disagreement with a principle involved, while in other cases the recommended procedure may not have been "material."

Compliance with such principles is not generally required by law, but the guidelines tend to carry substantial weight because they are sanctioned by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers.

## More Consistent Rules Sought

Lately, both of those groups have been considering changes in their accounting guidelines. Perhaps even more important to institutions of higher education, however, are the plans of two other bodies—the Financial Accounting Standards Board and the Governmental Accounting Standards Boards—whose actions directly influence the accounting profession's recommendations for financial reporting.

The F.A.S.B., a private agency recognized as authoritative by the Securities and Exchange Commission, decided recently that it would develop standards for the first time in two areas affecting colleges and universities, among other not-for-profit organizations: accounting for contributions received and accounting for depreciation of buildings and other capital assets.

The goal, said Ronald J. Bossio, a project manager at the board, is to make accounting practices for not-for-profit organizations "more consistent" with those of for-profit corporations.

Meanwhile, the G.A.S.B., which was formed in 1984 to issue accounting standards for state and local governmental entities, is expected eventually to issue standards of its own that might differ from those established by the F.A.S.B. for colleges and universities.

Leaders of the National Association of College and University Business

Officers made clear that they do not want different sets of accounting standards for public and private institutions. Last month the association announced the formation of a "special advisory committee to ensure that accounting standards are consistently applied throughout higher education and are appropriate to both public and independent institutions."

The association said its board of directors had "gone on record stating that a division of accounting standards would be disruptive [and] duplicative, and would severely hamper the promulgation of sound accounting principles."

The depreciation question appears to be especially sensitive.

## Colleges Eschew Depreciation

Most colleges and universities do not use depreciation accounting on the premise that they do not have to determine net profit or loss. Some campus business officers say that making the procedure mandatory would wrongly treat them as though they were businesses by requiring them, in effect, to offset annual losses with equivalent amounts of revenue.

The resulting financial statements could mislead potential donors and other supporters of their institutions, those officials maintain.

Complicating the matter is a possibility that, while private institutions might be required under F.A.S.B. rules to use depreciation accounting, public institutions covered by G.A.S.B. might not have to do so. According to Emerson H. Fly, chairman of the business officers' special advisory committee, such inconsistency is likely to come about "unless some accord can be reached" between the two standard-setting agencies.

Adding that depreciation constituted "a significant expense," Mr. Fly, who is vice-president for business and finance at the University of Tennessee, said its required use by colleges and universities "would have a profound impact" on their financial statements.

New accounting standards on depreciation are not expected to be issued for about two years.

The survey by Peat Marwick, meanwhile, found substantial disagreement among campus business officers with some views of the National Association of College and University Business Officers. Nearly half of the respondents did not agree that "there should be no differences in accounting for public and private institutions," and about one-third did not go along with the association's opposition to recording depreciation in the current fund.

Copies of the Peat Marwick report, *Principles and Presentation: Higher Education*, are available for \$25 each from the firm's office at 345 Park Avenue, New York 10154. The 107-page publication includes research findings on annual reports by colleges and universities, as well as dozens of sample accounting notes from surveyed institutions.

The report was written by Frederick J. Turk, national director of higher-education services at Peat Marwick; John J. McLaughlin, partner-in-charge of professional practice in higher education; and Anne Farley, national senior manager for higher education.

## 1 in 3 Grant Audits Found Not Meeting U.S. Requirements

WASHINGTON

As many as a third of the independent audits of the administration of federal grants and contracts by colleges, universities, and other entities are sloppily done and do not meet all of the federal government's requirements, according to a report by the General Accounting Office.

The G.A.O., the investigative arm of Congress, based that estimate on major flaws found in 38 of a sample of 120 audits that independent accountants had conducted for eight federal agencies in 1984, including the Departments of Agriculture, Education, and Health and Human Services. At that rate, the G.A.O. estimated, more than 2,200 of the 6,420 audits done for the agencies in 1984 were inadequate.

The problems included auditors' failure to perform a major part of an audit or providing insufficient evidence to support its conclusions.

The study was done for the House Committee on Government Operations. The chairman, Rep. Jack Brooks, Democrat of Texas, warned that if the state and professional boards that regulate auditors did not crack down, Congress might have to consider legislation to correct the problems.

MURRAY STATE UNIVERSITY  
AUDIT REPORTS  
FOR THE YEAR  
ENDED  
JUNE 30, 1985

**Confidential**

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

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December 13, 1985

President Kala M. Stroup  
and Board of Regents  
Murray State University  
Murray, Kentucky

We have examined the financial statements of Murray State University for the year ended June 30, 1985, and have issued our reports thereon dated December 31, 1985. Our examinations included reporting on the extent of the University's compliance with House Bill 622 (KRS 164A.550 to 164A.630) and with the provisions of OMB Circular No. A-110 and related regulations. As part of our examination, we made a study and evaluation of the University's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the University's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Murray State University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

President Kala M. Stroup  
and Board of Regents  
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Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Murray State University taken as a whole. However, our study and evaluation disclosed conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Murray State University may occur and not be detected within a timely period.

\* \* \* \* \*

### ADMINISTRATIVE AND ACCOUNTING CONTROLS

Internal control is defined in professional auditing literature as:

"the plan of organization and all of the coordinate methods and measures adopted within an entity to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies."

The accounting profession recognizes, however, that this definition of internal control goes beyond the internal controls included in the audit process because it encompasses certain aspects of broad management controls (e.g. operational efficiency) which are not reviewed or considered in depth as a part of the traditional audit process. Consequently, the broader definition of internal control was amplified to recognize that there are two aspects of an overall control system: administrative controls and accounting controls. Professional auditing literature indicates the external auditor is primarily concerned with accounting controls.

As defined in professional auditing literature, administrative control includes, but is not limited to, "the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions." The decision-making process leading to the authorization of transactions is a management function directly associated with the responsibility for achieving the objectives of the organization. Authorization of transactions is a starting point for establishing accounting control.

Accounting control comprises the plan of organization and the procedures and records concerned with the safeguarding of assets and the reliability of financial records. Consequently, it is designed to provide reasonable assurance that the following broad objectives are achieved:

- Transactions are executed in accordance with management's general or specific authorization.
- Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements . . . and (2) to maintain accountability for assets.

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- Access to assets is permitted only in accordance with management's authorization.
- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

### MANAGEMENT AND REGENTS' RESPONSIBILITIES

The responsibility for ensuring that an adequate system of controls is in place at the University is and has been that of management. As part of this broad concern, management has the obligation to require that recordkeeping be adequate and detailed enough for internal purposes as well as for the regulatory officials and other users of information derived from those records. It is the responsibility of the Board of Regents to set management policy and periodically review the effects of management policy; consequently, their interest is in assuring themselves that members of management have discharged their responsibilities in carrying out directed policy. Regents have the right to rely upon management in areas where they believe management is competent and knowledgeable. It seems appropriate for the Board of Regents to review:

- How management has obtained reasonable assurances about the internal accounting control system.
- What actions management believes are necessary to correct weaknesses in the system.
- The rationale that exists for not correcting weaknesses, and
- Whether, in management's judgement, the University is in compliance with generally accepted accounting principles for colleges and universities; accounting and reporting directives of the Commonwealth of Kentucky; and accountability standards of the Office of Management and Budget and related Federal agencies.

### Auditors' Reports on the June 30, 1985 Financial Statements of Murray State University; and on Compliance with Federal and State Regulations

Our reports on the June 30, 1985 financial statements of Murray State University and on the extent of compliance with Federal and state regulations were qualified, or else we disclaimed rendering an opinion (with the exception of reports associated with Student Financial Aid programs and the Corporation for Public Broadcasting grant, which reports were unqualified). The report on the University's financial statements was a disclaimer. A disclaimer of opinion states the auditor does not express an opinion on the financial statements. A disclaimer is appropriate when the auditor has not performed an examination sufficient in scope to permit formulating an opinion on the financial statements. The restrictions on the scope of our examination related to the inability to obtain sufficient, competent, evidential matter on which to base an opinion, and on inadequacies in the accounting records.

President Kala M. Stroup  
and Board of Regents  
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Our decision to disclaim or qualify our opinions is based not only on the existence of these factors but on our assessment of their magnitude. The potential effects of the matters in question relate to many financial statement items, to possible sanctions imposed by external organizations, and to events or transactions which can or should be reflected in the financial statements, but which may not be reflected. The following comments address various matters whose preponderance, and in some cases whose individual significance, resulted in the disclaimer of opinion on the University's 1984-1985 financial statements.

### Financial Accounting System (FAS)

The FAS reporting system, as it is now used, reports revenue and expenditure information on a cash basis. Extraordinary amounts of time were spent by Finance and Administrative Services personnel and by our field auditors converting revenues and expenditures to the accrual basis of accounting, which is required by generally accepted accounting principles and House Bill 622. Significant current fund assets and liabilities were manually compiled, and an adequate and complete audit trail could not be established. Thus, change in fund balance resulting from revenues and expenditures "converted" to the accrual basis and change in fund balance resulting from net increases in current fund assets could not be reconciled.

The University has demonstrated a commitment to improving the organizational strengths and capabilities of the financial administration area. Improved technical skills and experience at critical management positions were a necessary first step to improving overall financial accountability. However, without the resources necessary to completely implement the financial accounting system and the policies and procedures necessary to enhance the capabilities of the financial accounting system, the risks associated with poor accounting records will remain. These resources include an absolute commitment by the Board and management to support the design, implementation, and monitoring of an effective accounting system; and to enforce adherence to prescribed policies and procedures. This accounting system must be designed to prevent, or detect, errors or irregularities the likes of which are addressed in this report, as well as others which did not come to our attention.

### SPECIFIC INSTANCES OF INADEQUATE ACCOUNTING CONTROLS

#### Agency Funds

The technical literature defines "agency funds" as ". . . funds held by the institution as custodian or fiscal agent for others such as student organizations, individual students, or faculty members." At June 30, 1985, several accounts were included in the University's agency funds group which did not meet this definition. Sources of deposits into these accounts included:

President Kala M. Stroup  
and Board of Regents  
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- Student activity fees assessed during registration;
- Summer Orientation registration fees;
- Residence hall activity fees;
- Fees from workshops conducted for the benefit of students, faculty, and the general public;
- Theatre ticket sales;
- Room key deposits;
- Curris Center game room receipts; and
- Vending machine receipts or commission checks.

Disbursements charged to these accounts were not processed through the University's Department of Purchasing and were not subject to controls designed to ensure compliance with State and University procurement standards.

Most of the deposits identified above were either tuition and fees, sales and services of educational activities, or sales and services of auxiliary enterprises - all of which are revenues of the current unrestricted funds. Expenditures, likewise, should have been classified as current funds expenditures - student services, auxiliary enterprise operations, etc. Personnel in the Finance and Administrative Services area analyzed these transactions and reclassified revenues and expenditures of \$656,000 and \$400,000, respectively, as current unrestricted fund activity.

Adequate policies should be developed to ensure all receipts by the University and for University-sponsored activities are deposited into the appropriate accounts of the University. Controls over expenditures should extend to agency funds.

Each established agency account should be reviewed for appropriateness. Accounts which are not legitimate agency accounts should be deleted from the system. In addition, an agreement between the University and a representative of each agency organization should be obtained. This agreement should document an understanding of the rights and responsibilities of the agency organization and the University. Requests for disbursement of agency funds should be refused unless an agreement is on file and the requesting agency follows established policies regarding the funds.

Management has made progress in implementing this recommendation.

#### Unauthorized Fees

During previous registration periods, some University departments have charged students "departmental fees" which were not approved by the Board of Regents. In addition, dormitory residents have been assessed an "activity fee," also not approved by the Board. These fees were evidently assessed and collected by the respective departments outside the normal University registration process.

Only those fees authorized by the Board of Regents should be assessed students. Voluntary contributions to activities sponsored by departments or dormitories, and the expenditure of such, are legitimate agency fund transactions.

According to management, the assessment of unauthorized fees has been suspended.

### Ticket Sales to Athletic Events

Policies and procedures establishing internal controls over ticket sales to athletic events and other University-sponsored activities require significant improvement. Procedures should include accounting for unsold tickets; and budgetary control over ticket revenues, extraordinary athletic revenues, contracts with external organizations, etc., should be established, including comparison of actual revenue with budget estimates, recording on the accrual basis, independent control over issuance of credits or other adjustments and issuance of complimentary tickets. Expenditures associated with University-sponsored events should be processed through the Department of Purchasing.

### Unauthorized Cash Accounts

University management is responsible for the collection, receipting, recording, disbursement and reporting of all University and State funds applicable to the operation of Murray State University. Accordingly, all bank accounts which have University or State funds deposited therein should be under the direct control of financial management.

University funds have been deposited into bank accounts not under the control of the Finance and Administrative Services department. Disbursement of these funds is not subject to established procurement policies. The University should attempt to identify all bank accounts containing University funds and ensure proper recording is made of transactions and balances. More importantly, sufficient policies should be established and communicated to appropriate personnel to prevent or detect the collection of University funds by unauthorized departments or individuals.

### Accounting for Student Deposits

Student deposits for dormitory occupancy have been reflected as an agency fund liability. At June 30, 1985 a more proper classification, as a current unrestricted fund liability, has been made. Although the liability is \$206,000, the financial accounting system is now incapable of maintaining subsidiary records of students to whom deposits are refundable. Complete accounting capabilities of the financial accounting system should be implemented. This would include maintenance of all subsidiary records.



### Equipment Additions/Deletions

The University does not maintain information regarding equipment inventory acquisitions and deletions. The EDP program provides a listing of equipment at a given time and only the "net" change in inventory is available. The system should be modified to reflect in detail all current period acquisitions and deletions. This would enable management to determine that proper authorization occurred.

Annually, responsibility for compiling equipment inventory information is assigned to those administrative personnel to whom accountability is charged. Department heads, etc. are asked to "inventory" their equipment against a listing provided by the Department of Purchasing. Deletions or other changes are based on replies to this request.

An individual independent of the responsible department should, on a test basis, check the returned inventory lists for accuracy. This would include testing existing equipment against the equipment list, checking items on the list for physical existence, and verification of assigned cost.

### Recording of College Work-Study Payroll

The financial accounting system does not accommodate the recording of the institution's portion of Federal College Work-Study (CWS) salaries in the unrestricted funds; nor the Federal portion in the restricted funds. While sufficient records are maintained to comply with U.S. Department of Education requirements and to support entries in the accounting records, the methods by which CWS payroll is processed create timing differences in recording the payroll and reflecting reimbursement for the Federal share. The reconciliation process - CWS wages per Student Financial Aid Office records to CWS wages per the financial accounting system - is very tedious. While maintaining accountability should be the primary concern, the CWS payroll should be interfaced with the financial accounting system. This should enhance controls over CWS payroll and accountability for the Federal portion received as reimbursement.

### VIOLATIONS OF LAWS OR REGULATIONS - WITH POTENTIALLY SIGNIFICANT IMPACT

Because of findings to be reported to the Regional Inspector General in connection with our 1983-1984 and 1984-1985 examinations of Federal awards to the University under the provisions of OMB Circular No. A-110, a Federal examination of the University's compliance with various OMB circulars is probable. These findings have previously been communicated to senior management of the University. Sanctions which could be imposed as a result of a Federal examination create a significant uncertainty, and it cannot be determined whether the financial statements should be adjusted or in what amount. This uncertainty contributed to our disclaimer of opinion on the June 30, 1985 financial statements of the University.

President Kala M. Stroup  
and Board of Regents  
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OMB Circular No. A-110 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education and Other Non-Profit Organizations and OMB Circular No. A-21 Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions are the primary Federal regulations addressing the University's responsibilities for the use of Federal funds in achieving any of its institutional objectives. Each directive contains explicit information concerning the propriety of expenditures for which reimbursement is requested. Today's atmosphere demands absolute fiscal integrity, including an uncompromising position in conforming to the guidance of these circulars and other authoritative literature. The University has not met the demands of generally accepted accounting principles and reporting standards that are even less stringent than these Federal guidelines. Accordingly, policies and procedures have not been implemented to provide reasonable assurance the University is in adequate compliance with Federal regulations. In addition, non-adherence to control policies and procedures which are in place, and lack of support from faculty and administrators for an adequate control environment, are concerns for the University.

Because of the importance of grants and contracts, mostly funded through Federal agencies, to the operations of the University, the following recommendations should receive the immediate attention of management.

- Cooperate with the Regional Inspector General, Office of Audit, Department of Health and Human Services in their follow-up of the report filed under provisions of OMB Circular No. A-110. This may include an on-campus visit for the purpose of determining the extent of unallowable costs, if any, which would be reimbursed by the University.
- Continue developing adequate policies and procedures designed to provide reasonable assurance non-compliance with regulations will be prevented or detected timely. These policies and procedures should be presented in response to audit findings and be determined adequate by the cognizant agencies.
- Sufficiently modify or enhance the financial accounting system to provide information required by the regulations and other reporting directives. The system should provide a suitable audit trail of transactions and events.
- Provide a suitable monitoring system designed to ensure adherence to policies and procedures implemented by management, including the reporting of deviations to the audit committee of the Board of Regents.

President Kala M. Stroup  
and Board of Regents  
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Although the potential impact on the University is less than that suggested by the above comments, violations of other laws or regulations have occurred. These include:

- Sales and use tax returns required by the Kentucky Revenue Cabinet were not timely filed for the period June 1, 1982 through June 30, 1985. The unremitted sales tax collected was provided for in the June 30, 1985 financial statements.
- Employee-based city occupational tax imposed by the cities of Paducah and Owensboro has not been withheld from University personnel receiving compensation for services performed within those cities.
- Internal Revenue Service regulations pertaining to the reporting of non-employee compensation have not been satisfied.

Suitable inquiries designed to correct these deficiencies have begun. Policies and procedures should be designed to assign responsibility for ensuring such matters are receiving proper attention.

#### OTHER MATTERS

##### Relationship with Murray State University Foundation, Inc.

KRS 164A.610 requires "affiliated corporations" to adhere to the principles of accounting and purchasing used by the institution with which it is affiliated. "'Affiliated corporation' means a corporate entity which is not a public agency and which is organized pursuant to the provisions of KRS Chapter 273 over which an institution exercises effective control, by means of appointments to its board of directors, and which could not exist or effectively operate in the absence of substantial assistance from an institution." (KRS 164A.550)

While this definition is ambiguous and certainly subject to legal interpretation, the transactions involving the Foundation and the University should be communicated to the Board of Regents for self-examination. While both the University and the Foundation have taken an "unaffiliated" position, some events or circumstances in the relationship enjoyed by the two might suggest affiliation.

- Historically, grants and contracts awarded to the University have been assigned to the Foundation; the ability to assign may presume a certain exercise of control.

- Although the University does not appoint directors to the Foundation board, the relationships of past and current Foundation board members to the University tie the two institutions together.
- A considerable amount of office space and administrative services are made available to the Foundation by the University, at no cost. Rental of bookstore facilities to the Foundation is not monitored by the University.
- Some gifts to the University are being held by the Foundation, although for the benefit of the University. A more proper accounting treatment of these funds would be current restricted funds if expendable for operating purposes but restricted by donors; or endowment funds if gift principal is to be maintained inviolate and in perpetuity.
- Other funds, such as student fees, workshop fees, rental of University facilities, etc., have been on deposit in the Foundation. Transactions and balances associated with these funds have not been recorded in the financial statements of the University.
- The University's bookstore operations, assigned to the Foundation in 1979, appear critical to the financial health of the Foundation; a fact which suggests substantial assistance from the University is necessary for the existence or effective operation of the Foundation.
- The Foundation has apparently obtained eleemosynary concessions in external debt arrangements.

Management should consider all the activities of the Foundation which involve, or could involve, the responsibilities generally regarded as the responsibilities of management of Murray State University. These include responsibilities outlined by state regulations, directives of the Office of Management and Budget, gift instruments, etc. To the extent activities of the Foundation are subject to Federal or State directives, responsibility for meeting such directives should not be assigned to the Foundation unless advised by counsel.

#### INTERNAL AUDITING

In our December 7, 1984 letter to management, we addressed the importance of an effective internal audit function. All of the comments previously made in this letter result from weak or non-existent internal accounting control policies and procedures. Consequently, the establishment of sound policies and procedures monitored by an effective internal audit function is critical to improving financial integrity. Knowledge that adherence to University policies and procedures will be monitored is an essential element of an appropriate control environment.

President Kala M. Stroup  
and Board of Regents  
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December 13, 1985

### SUMMARY

Establishing and maintaining a system of internal accounting control is management's responsibility. Knowledge of material weaknesses in internal accounting control is essential for management to discharge this responsibility by instituting corrective action as necessary in the circumstances. Procedures by which management may obtain knowledge of such weaknesses include, but are not limited to, periodic discussions with other levels of management with respect to weaknesses that come to their attention, reports of internal auditors, and communications from the independent auditor.

Each matter addressed in this letter is a material weakness in internal accounting controls or symptomatic of a material weakness. Management's immediate attention should be directed to implementing sufficient measures to ensure corrective action is taken.

We recommend the Board of Regents see the following steps are taken in response to comments in this letter:

- A comprehensive system of administrative and accounting controls must be developed and implemented.
- The University's financial accounting system must be enhanced, modified, or expanded sufficient to accommodate recording and reporting of financial transactions and events in accordance with generally accepted accounting principles and other reporting directives.
- Policies and procedures complementary to the financial accounting system must be established to provide reasonable assurance the requirements of Federal and State directives are met.
- Specific measures taken by management to resolve the auditors' findings in the report on compliance with OMB Circular No. A-110 should be communicated to the Board.
- The University's relationship with the Murray State University Foundation, Inc. should be clearly established with respect to accounting policies and fiscal responsibility.
- As soon as adequate policies and procedures designed to maintain accounting controls are established, an internal audit department should be ready to monitor compliance.

\* \* \* \* \*

President Kala M. Stroup  
and Board of Regents  
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December 13, 1985

We would be pleased to assist the University with the implementation of these recommendations.

This report is intended solely for the use of management of Murray State University and should not be used for any other purpose.

Very truly yours,

*James R. Meany & Associates*

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

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To President Kala M. Stroup  
and Board of Regents  
Murray State University  
Murray, Kentucky  
and  
Secretary for Finance and  
Administration Cabinet  
Frankfort, Kentucky

We have examined the financial statements of Murray State University for the year ended June 30, 1985, and have issued our report thereon dated December 13, 1985. We disclaimed from reporting because (1) we were unable to apply adequate audit procedures regarding the completeness of information in the financial statements; (2) the outcome of a possible examination of Federal awards, if made, cannot presently be determined, but, if made, may have a significant effect on the financial statements; and no provision for any liability that may result has been made in the financial statements; and (3) certain restricted grants and contracts awarded to the University are not included in the financial statements, a departure from generally accepted accounting principles. Effective July 1, 1983 the Board of Regents of Murray State University elected to adopt the provisions of House Bill 622 (KRS 164A.550 to 164A.630), except for authority related to capital construction. As part of our examination, we made a study and evaluation of the University's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the criteria established by the Commonwealth of Kentucky Finance and Administration Cabinet as set forth in the Minimum Audit Scope for Compliance with House Bill 622 (dated August, 1983), excluding capital construction provisions. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the University's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Murray State University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with

President Kala M. Stroup  
and Board of Regents of  
Murray State University  
and  
Secretary for Finance and  
Administration Cabinet  
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management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

We understand that procedures in conformity with the criteria referred to in the first paragraph of this report are considered by the Finance and Administration Cabinet to be adequate for its purpose in accordance with House Bill 622 and related regulations, and that procedures not in conformity with those criteria indicate some inadequacy for such purposes. Based on this understanding and on our study, we believe Murray State University's procedures were adequate for the agency's purpose, except for the condition described in the following paragraph, which we believe is a material weakness in relation to House Bill 622.

The University's internal accounting controls do not provide reasonable assurance 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. In addition, the University's financial accounting system, at its present stage of implementation, does not produce accrual basis financial statements.

This report is intended for the information of the Board of Regents, Murray State University, and the Finance and Administration Cabinet, Commonwealth of Kentucky, and should not be used for any other purpose.

*James R. Meany & Associates*

December 13, 1985



MURRAY STATE UNIVERSITY

AUDIT  
REPORT

1984-1985



# Annual Financial Report

MURRAY STATE UNIVERSITY

Members of the Board of Regents

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Paducah, Kentucky

Irma LaFollette  
Murray, Kentucky

Melvin Henley, Vice-Chairman  
Faculty Representative  
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Virginia Strohecker  
Horse Cave, Kentucky

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**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

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To President Kala M. Stroup and  
Board of Regents  
Murray State University  
Murray, Kentucky

We have examined the balance sheet of Murray State University as of June 30, 1985 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. Except as explained in the following two paragraphs, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The University's records do not permit the application of adequate audit procedures regarding the completeness of all transactions and accounts that should be presented in the financial statements. Also, the University may experience an examination of Federal awards by the Regional Inspector General, Office of Audit, Department of Health and Human Services. The outcome of this audit, if performed, may have a significant effect on the financial statements of the University which amount cannot be determined; and no provision for any liability that may result has been made in the financial statements.

As more fully explained in Note 12 to the financial statements, certain restricted grants and contracts awarded to the University are not included in the accompanying financial statements. In our opinion, the omission of that information is a departure from generally accepted accounting principles.

Because we were unable to apply adequate audit procedures regarding the completeness of information in the financial statements and because of the uncertainty referred to above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above.

Selected comparative data for the prior year has been presented in the accompanying financial statements. In our report dated December 7, 1984, we expressed a qualified opinion, similar to the qualification in paragraph three above, on the financial statements of Murray State University for the year ended June 30, 1984.

*James R. Meany & Associates*

December 13, 1985

FINANCIAL STATEMENTS

MURRAY STATE UNIVERSITY

BALANCE SHEET

June 30, 1985

with Comparative Figures at June 30, 1984

ASSETS	Current Year	Prior Year
<b>CURRENT FUNDS</b>		
Unrestricted:		
Cash	\$ 6,502,099	\$ 2,818,117
Investments (Note 2)	500,000	4,000,050
Investment in Foundation Bookstore (Note 11)	486,159	486,159
Accounts receivable (Note 3)	226,459	155,847
Due from other funds (Note 4)	949,214	419,810
Inventories, at lower of cost (first-in, first-out method) or market (Note 8)	<u>406,257</u>	<u>398,317</u>
 Total unrestricted	 <u>9,070,188</u>	 <u>8,278,300</u>
Restricted:		
Cash	159,046	128,346
Accounts receivable (Note 3)	181,372	112,170
Unbilled charges (Note 3)	229,058	259,425
Prepaid travel	-0-	15,709
Travel advances	<u>-0-</u>	<u>32,093</u>
 Total restricted	 <u>569,476</u>	 <u>547,743</u>
 Total current funds	 <u>\$ 9,639,664</u>	 <u>\$ 8,826,043</u>
 <b>LOAN FUNDS</b>		
Cash	\$ 237,201	\$ 217,809
Loans to students; less allowance for doubtful accounts of \$314,700 current year, and \$314,700 prior year	<u>4,161,011</u>	<u>4,181,540</u>
 Total loan funds	 <u>\$ 4,398,212</u>	 <u>\$ 4,399,349</u>
 <b>PLANT FUNDS</b>		
Unexpended:		
Cash	\$ 1,233,595	\$ 2,198,794
Due from other funds (Note 4)	<u>542,975</u>	<u>2,248,648</u>
 Total unexpended	 <u>1,776,570</u>	 <u>4,447,442</u>

See accompanying Notes to Financial Statements.

## LIABILITIES AND FUND BALANCES

	Current Year	Prior Year
<b>CURRENT FUNDS</b>		
Unrestricted:		
Accounts payable	\$ 381,059	\$ 394,943
Due to other funds (Note 4)	1,138,973	2,248,648
Other liabilities (Notes 1 and 9)	704,323	311,429
Deposits (Note 1)	206,357	-0-
Accrued salaries	420,018	382,410
Accrued travel	4,479	9,912
Accrued liabilities	262,519	364,076
Accrued compensated absences (Note 9)	681,954	678,878
Deferred revenue	110,121	103,758
Fund balance (Note 6)	<u>5,160,385</u>	<u>3,784,246</u>
Total unrestricted	<u>9,070,188</u>	<u>8,278,300</u>
Restricted:		
Accounts payable	29,014	8,070
Due to other funds (Note 4)	330,467	350,731
Accrued salaries	53,715	52,521
Accrued travel	3,267	4,006
Accrued liabilities	15,030	16,922
Advances	-0-	3,044
Fund balance	<u>137,983</u>	<u>112,449</u>
Total restricted	<u>569,476</u>	<u>547,743</u>
Total current funds	<u>\$ 9,639,664</u>	<u>\$ 8,826,043</u>
<b>LOAN FUNDS</b>		
Due to other funds (Note 4)	\$ -0-	\$ 27,089
Fund balance:		
Restricted	<u>4,398,212</u>	<u>4,372,260</u>
Total loan funds	<u>\$ 4,398,212</u>	<u>\$ 4,399,349</u>
<b>PLANT FUNDS</b>		
Unexpended:		
Due to other funds (Note 4)	\$ 156,575	\$ -0-
Fund balance:		
Reserve for encumbrances	\$ 216,153	\$ 90,688
Unrestricted	542,975	-0-
Restricted	<u>860,867</u>	<u>4,356,754</u>
	<u>1,619,995</u>	<u>4,447,442</u>
Total unexpended	<u>1,776,570</u>	<u>4,447,442</u>

MURRAY STATE UNIVERSITY  
BALANCE SHEET (Continued)  
June 30, 1985  
with Comparative Figures at June 30, 1984

ASSETS	Current Year	Prior Year
PLANT FUNDS (Continued)		
Renewals and replacements		
Due from other funds (Note 4)	\$ 595,998	\$ -0-
Total renewals and replacements	<u>595,998</u>	<u>-0-</u>
Retirement of indebtedness:		
Cash on deposit with trustee	5,415	6,698
Investments (Note 2)	<u>3,728,300</u>	<u>3,842,963</u>
Total retirement of indebtedness	<u>3,733,715</u>	<u>3,849,661</u>
Investment in plant (Note 5):		
Land	2,187,732	2,187,732
Buildings	75,134,898	74,510,872
Improvements other than buildings	5,002,747	3,984,150
Equipment	11,672,853	11,512,898
Library books	9,460,267	8,921,259
Livestock	63,550	60,350
Construction in progress	2,607,588	2,209,844
Assets acquired under capital leases (Note 13)	<u>2,340,983</u>	<u>2,331,783</u>
Total investment in plant	<u>108,470,618</u>	<u>105,718,888</u>
Total plant funds	<u>\$114,576,901</u>	<u>\$114,015,991</u>
AGENCY FUNDS		
Cash	\$ 369,036	\$ 400,767
Investments (Note 2)	100,000	100,000
Due from other funds (Note 4)	-0-	8,893
Receivable from Foundation	<u>12,365</u>	<u>13,149</u>
Total agency funds	<u>\$ 481,401</u>	<u>\$ 522,809</u>

See accompanying Notes to Financial Statements.



LIABILITIES AND FUND BALANCES	Current Year	Prior Year
PLANT FUNDS (Continued)		
Renewals and replacements:		
Fund balance		
Unrestricted	\$ 595,998	\$ -0-
Total renewals and replacements	<u>595,998</u>	<u>-0-</u>
Retirement of indebtedness:		
Fund balance:		
Restricted	3,042,360	3,241,801
Unrestricted	<u>691,355</u>	<u>607,860</u>
Total retirement of indebtedness	<u>3,733,715</u>	<u>3,849,661</u>
Investment in plant:		
Bonds payable (Note 7)	27,510,000	28,695,000
Obligations under capital leases (Note 13)	1,869,278	2,034,523
Net investment in plant	<u>79,091,340</u>	<u>74,989,365</u>
Total investment in plant	<u>108,470,618</u>	<u>105,718,888</u>
Total plant funds	<u>\$114,576,901</u>	<u>\$114,015,991</u>
AGENCY FUNDS		
Due to other funds (Note 4)	\$ 462,172	\$ 50,883
Deposits held in custody for others	19,229	419,797
Fund balance - Unallocated	<u>-0-</u>	<u>52,129</u>
Total agency funds	<u>\$ 481,401</u>	<u>\$ 522,809</u>

MURRAY STATE UNIVERSITY

STATEMENT OF CHANGES IN FUND BALANCES  
For the Year Ended June 30, 1985

	- - - Current Funds - - -	
	Unrestricted	Restricted
<b>REVENUES AND OTHER ADDITIONS</b>		
Unrestricted current funds revenues	\$ 45,696,726	\$ -0-
Government grants and contracts	-0-	4,963,238
Expenditures for plant facilities	-0-	-0-
Retirement of indebtedness	-0-	-0-
Investment earnings	-0-	-0-
Federal and state contributions	-0-	-0-
Other sources	-0-	-0-
Reduction in lease obligations	-0-	-0-
Total revenues and other additions	<u>45,696,726</u>	<u>4,963,238</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Educational and general expenditures	37,160,358	4,880,046
Auxiliary enterprise expenditures	5,352,879	57,658
Loan cancellations and write-offs	-0-	-0-
Administration, collection, litigation costs	-0-	-0-
Expended for plant facilities	-0-	-0-
Retirement of indebtedness	-0-	-0-
Interest on indebtedness	-0-	-0-
Disposals/deletions/transfers among assets	-0-	-0-
Total expenditures and other deductions	<u>42,513,237</u>	<u>4,937,704</u>
<b>TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS)</b>		
Mandatory:		
Principal and interest	( 2,135,107)	-0-
Nonmandatory:		
Transfer from unexpended plant funds to unrestricted current funds	302,978	-0-
Transfer from retirement of indebtedness plant funds to unrestricted current funds	140,000	-0-
Transfer from unexpended plant funds to renewals and replacements plant funds	-0-	-0-
Transfer from unrestricted current funds to renewals and replacements plant funds	( 167,350)	-0-
Transfer from agency funds to unrestricted current funds	52,129	-0-
Total transfers	<u>( 1,807,350)</u>	<u>-0-</u>
Net increase/(decrease) for the year	<u>1,376,139</u>	<u>25,534</u>
Fund balance at beginning of year	<u>3,784,246</u>	<u>112,449</u>
Fund balance at end of year	<u>\$ 5,160,385</u>	<u>\$ 137,983</u>

See accompanying Notes to Financial Statements.

		----- Plant Funds -----				
Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	5,221,032	-0-
-0-	-0-	-0-	-0-	-0-	1,185,000	-0-
91,237	24,534	-0-	324,153	-0-	-0-	-0-
75,283	-0-	-0-	-0-	-0-	-0-	-0-
4,135	213,700	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	165,245	-0-
<u>170,655</u>	<u>238,234</u>	<u>-0-</u>	<u>324,153</u>	<u>6,571,277</u>	<u>-0-</u>	<u>-0-</u>
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
78,321	-0-	-0-	-0-	-0-	-0-	-0-
66,382	-0-	-0-	-0-	-0-	-0-	-0-
-0-	2,334,055	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	1,185,000	-0-	-0-	-0-
-0-	-0-	-0-	1,250,206	-0-	-0-	-0-
-0-	-0-	-0-	-0-	2,469,302	-0-	-0-
<u>144,703</u>	<u>2,334,055</u>	<u>-0-</u>	<u>2,435,206</u>	<u>2,469,302</u>	<u>-0-</u>	<u>-0-</u>
-0-	-0-	-0-	2,135,107	-0-	-0-	-0-
-0-	( 302,978)	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	( 140,000)	-0-	-0-	-0-
-0-	( 428,648)	428,648	-0-	-0-	-0-	-0-
-0-	-0-	167,350	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	( 52,129)	
-0-	( 731,626)	595,998	1,995,107	-0-	( 52,129)	
25,952	( 2,827,447)	595,998	( 115,946)	4,101,975	( 52,129)	
<u>4,372,260</u>	<u>4,447,442</u>	<u>-0-</u>	<u>3,849,661</u>	<u>74,989,365</u>	<u>52,129</u>	
<u>\$ 4,398,212</u>	<u>\$ 1,619,995</u>	<u>\$ 595,998</u>	<u>\$ 3,733,715</u>	<u>\$ 79,091,340</u>	<u>\$ -0-</u>	

MURRAY STATE UNIVERSITY

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,  
AND OTHER CHANGES

For the Year Ended June 30, 1985  
with Comparative Figures at June 30, 1984

REVENUES	- - - - - Current Year - - - - -			Prior Year
	Unrestricted	Restricted	Total	
Educational and general:				
Tuition and fees	\$ 9,580,269	\$ -0-	\$ 9,580,269	\$ 8,642,204
Government appropriations	27,519,298	-0-	27,519,298	26,977,142
Government grants and contracts	-0-	4,880,046	4,880,046	4,421,326
Indirect and administrative cost recovery	117,777	-0-	117,777	249,788
Sales and services of educational activities	308,982	-0-	308,982	384,155
Other sources	1,663,090	-0-	1,663,090	1,688,176
Total educational and general	39,189,416	4,880,046	44,069,462	42,362,791
Auxiliary enterprises	6,507,310	57,658	6,564,968	5,762,829
Total revenues	45,696,726	4,937,704	50,634,430	48,125,620
<b>EXPENDITURES AND MANDATORY TRANSFERS</b>				
Educational and general:				
Instruction	15,486,352	1,054,063	16,540,415	16,652,372
Research	160,740	187,552	348,292	267,045
Public service	2,243,438	485,741	2,729,179	2,722,996
Libraries	1,478,745	51,237	1,529,982	1,619,631
Academic support	1,674,794	253,447	1,928,241	2,127,574
Student services	3,677,676	109,479	3,787,155	3,409,744
Institutional support	4,635,616	60,865	4,696,481	4,497,764
Operation and maintenance of plant	5,418,913	5,545	5,424,458	5,578,378
Student financial aid	2,384,084	2,672,117	5,056,201	4,445,268
Educational and general expenditures	37,160,358	4,880,046	42,040,404	41,320,772
Mandatory transfers for:				
Principal and interest	1,577,528	-0-	1,577,528	1,604,299
Loan fund matching grant	-0-	-0-	-0-	480
Total educational and general	38,737,886	4,880,046	43,617,932	42,925,551
Auxiliary enterprises:				
Expenditures	5,352,879	57,658	5,410,537	5,122,839
Mandatory transfers for:				
Principal and interest	557,579	-0-	557,579	581,878
Total auxiliary enterprises	5,910,458	57,658	5,968,116	5,704,717
Total expenditures and mandatory transfers	44,648,344	4,937,704	49,586,048	48,630,268

See accompanying Notes to Financial Statements.

MURRAY STATE UNIVERSITY

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,  
AND OTHER CHANGES (Continued)  
For the Year Ended June 30, 1985  
with Comparative Figures at June 30, 1984

OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS)	----- Current Year -----			Prior Year
	Unrestricted	Restricted	Total	
Excess of restricted receipts over transfers to revenues	\$ -0-	\$ 25,534	\$ 25,534	\$ 6,078
Nonmandatory transfers:				
Transfer to plant funds (	167,350)	-0-	( 167,350)	( 2,784,417)
Transfer from plant funds	442,978	-0-	442,978	-0-
Transfer from agency funds	<u>52,129</u>	<u>-0-</u>	<u>52,129</u>	<u>44,862</u>
Net increase (decrease) in fund balance	<u>\$ 1,376,139</u>	<u>\$ 25,534</u>	<u>\$ 1,401,673</u>	<u>(\$ 3,238,125)</u>

See accompanying Notes to Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

#### Accrual basis

The financial statements of Murray State University have been prepared on the accrual basis of accounting except for depreciation accounting as explained in Note 5 to the financial statements. 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 nonmandatory nature for all other cases.

Revenues of Summer School academic terms are reported in the fiscal year in which the programs predominantly fall. Therefore, deferred tuition revenue is not recorded, except when tuition fees are received for academic terms which have not begun at fiscal year end.

#### Fund accounting

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 activities 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, in the accompanying financial statements, funds that have similar characteristics have been combined and reported as four balanced fund groups: current funds, loan funds, plant funds and agency funds. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each 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 be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the University retains control to use in achieving its institutional purposes.

## Note 1. Summary of Significant Accounting Policies (Continued)

Current funds are used primarily to account for the transactions affecting the general operations of the University. These resources are expendable for performing the primary and support objectives of the University; i.e., instruction, research, operation and maintenance of plant, student aid and auxiliary activities. Restricted gifts, grants, appropriations, 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 expenses.

Loan funds, primarily financed by the Federal government, are used to account for loan programs available to students.

Plant funds are used to account for the transactions relating to investment in University property. They include (1) unexpended plant, (2) renewals and replacements, (3) retirement of indebtedness, and (4) investment in plant subgroups. The unexpended plant subgroup consists of funds to be used for the acquisition and/or construction of physical properties for institutional purposes but unexpended at the reporting date. The renewals and replacements subgroup consists of funds to be expended for renewals and replacements of plant fund assets, including some renewals and replacements of a type not ordinarily capitalized in the investment in plant subgroup. The retirement of indebtedness subgroup consists of funds set aside for debt service reserves and charges, and for retirement of indebtedness on institutional properties. The investment in plant subgroup consists of funds expended for and thus invested in institutional properties and the bond indebtedness incurred to finance plant acquisitions and construction.

Agency funds account for assets held by the University as custodian or fiscal agent for others and used for certain organized activities.

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

### Other significant accounting policies

The appropriation for the state contribution to teachers retirement is made directly to the Kentucky Teachers Retirement System by the state; however, to reflect the total resources that support the University, \$1,499,998 and \$1,445,042 have been included as both income and expenditures on the affected financial statements of June 30, 1985 and 1984, respectively.

## Note 1. Summary of Significant Accounting Policies (Continued)

For the year ended June 30, 1985, the University has classified, as current unrestricted funds transactions, revenues and expenditures previously recorded as receipts and disbursements of Agency funds. Refundable deposits, previously classified as a liability of Agency funds, are reflected as a current unrestricted fund liability at June 30, 1985. Additionally, assets and liabilities related to the University's self-insurance fund, which in prior periods were not included in the financial statements, have been presented on the current unrestricted funds balance sheet at June 30, 1985. The financial statements for the year ended June 30, 1984 have been restated to reflect this change. University management is of the opinion that any liabilities associated with the insurance claims through June 30, 1985 will not be materially in excess of available assets at June 30, 1985.

Other significant accounting policies are set forth in the financial statements and accompanying notes.

## Note 2. Investments

Investments exclusive of physical plant are recorded at cost. Quoted market value of investments (all marketable debt securities) of the funds at June 30 follows:

	1985	1984
Current unrestricted funds	\$ 500,000	\$4,050,000
Retirement of indebtedness fund	3,909,000	3,950,000
Agency funds	100,000	100,000

Investments in current unrestricted and retirement of indebtedness funds consist of U. S. Government securities or certificates of deposit. The agency funds are invested in the pooled investments of Murray State University Foundation, Inc.

## Note 3. Accounts Receivable and Unbilled Charges

A summary of accounts receivable and unbilled charges at June 30 follows:

	1985	1984
Current unrestricted funds		
Accounts receivable:		
Outside cash sales	\$ 91,159	\$ 41,558
Due from state agencies	-0-	35,421
Murray State University Foundation, Inc.	132,019	75,556
Other receivables	<u>3,281</u>	<u>3,312</u>
	<u>\$226,459</u>	<u>\$155,847</u>



Note 3. Accounts Receivable and Unbilled Charges (Continued)

	1985	1984
Current restricted funds		
Accounts receivable:		
Grants and contracts	<u>\$181,372</u>	<u>\$112,170</u>
Unbilled charges:		
Grants and contracts	<u>\$229,058</u>	<u>\$259,425</u>

Note 4. Interfund Obligations

Amounts due from or to various funds result from interfund borrowings or unremitted transfers and are payable on demand without interest. A summary of transactions resulting in interfund obligations at June 30, 1985 and 1984 follows:

1985

Amounts due from (to) resulting from:

Transfers from unrestricted to unexpended plant funds for construction projects, etc.

Transfers from unrestricted to renewals and replacements fund for the establishment of the fund

Expenditures of current operating funds for unexpended plant funds

Expenditures of current operating funds for restricted grants and contracts

Current operating funds deposited into the agency fund account

Reported in the June 30, 1985 accompanying balance sheet as:

Due from other funds

Due to other funds

1984

Amounts due from (to) resulting from:

Transfers from unrestricted to restricted for College Work Study salary matching in excess of requirement

Transfers from unrestricted to unexpended plant funds for CERR capital outlay (\$428,648); Wilson Hall renovation (\$1,550,000); and laboratory school (BSA) (\$270,000)

Expenditures of current operating funds for restricted grants and contracts

Expenditures of current operating funds on behalf of agency funds

Expenditures of current operating funds for NDSL administrative costs

Expenditures of agency funds on behalf of current restricted funds for travel advances

Reported in the June 30, 1984 accompanying balance sheet as:

Due from other funds

Due to other funds

----- FUND -----					
Current Unrestricted	Current Restricted	Loan	Unexpended Plant	Renewals and Replacements	Agency
(\$ 542,975)	\$ -0-	\$ -0-	\$ 542,975	\$ -0-	\$ -0-
( 595,998)	-0-	-0-	-0-	595,998	-0-
156,575	-0-	-0-	( 156,575)	-0-	-0-
330,467	( 330,467)	-0-	-0-	-0-	-0-
<u>462,172</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 462,172)</u>
<u>(\$ 189,759)</u>	<u>(\$330,467)</u>	<u>\$ -0-</u>	<u>\$ 386,400</u>	<u>\$ 595,998</u>	<u>(\$462,172)</u>
\$ 949,214	\$ -0-	\$ -0-	\$ 542,975	\$ 595,998	\$ -0-
( 1,138,973)	( 330,467)	-0-	( 156,575)	-0-	( 462,172)
<u>(\$ 189,759)</u>	<u>(\$330,467)</u>	<u>\$ -0-</u>	<u>\$ 386,400</u>	<u>\$ 595,998</u>	<u>(\$462,172)</u>
\$ 20,942	(\$ 20,942)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
( 2,248,648)	-0-	-0-	2,248,648	-0-	-0-
320,896	( 320,896)	-0-	-0-	-0-	-0-
50,883	-0-	-0-	-0-	-0-	( 50,883)
27,089	-0-	( 27,089)	-0-	-0-	-0-
<u>-0-</u>	<u>( 8,893)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,893</u>
<u>(\$1,828,838)</u>	<u>(\$350,731)</u>	<u>(\$ 27,089)</u>	<u>\$2,248,648</u>	<u>\$ -0-</u>	<u>(\$ 41,990)</u>
\$ 419,810	\$ -0-	\$ -0-	\$2,248,648	\$ -0-	\$ 8,893
( 2,248,648)	( 350,731)	( 27,089)	-0-	-0-	( 50,883)
<u>(\$1,828,838)</u>	<u>(\$350,731)</u>	<u>(\$ 27,089)</u>	<u>\$2,248,648</u>	<u>\$ -0-</u>	<u>(\$ 41,990)</u>

### Note 5. Physical Plant and Equipment

Physical plant and equipment are stated at cost at date of acquisition or at fair value at date of donation in the case of gifts. Depreciation on physical plant and equipment is not recorded.

### Note 6. Current Unrestricted Fund Balance

Internal allocations applicable to the fund balance at June 30, 1985 and 1984 follow:

	1985	1984
Allocated:		
Athletic endowment	\$ 213,192	\$ 235,248
Inventories	406,257	398,317
Encumbrances	196,040	44,989
Change and other cash funds	49,000	49,000
Prior year account balances	1,122,485	567,829
Renovation project balances carried forward	148,492	156,032
Diagnostic lab balances	227,132	271,870
Investment in Foundation bookstore	486,159	-0-
Operating budget of subsequent years	<u>600,000</u>	<u>730,000</u>
Total allocated	3,448,757	2,453,285
Unallocated	<u>1,711,628</u>	<u>1,330,961</u>
Total	<u>\$5,160,385</u>	<u>\$3,784,246</u>

### Note 7. Bonds Payable

The Consolidated Educational Buildings Revenue Bonds, Series A through E and F Refunding, were sold to construct or renovate certain academic and service buildings on campus. The bonds mature in varying amounts through May 1, 2000 with interest payable at rates ranging from 3.0% to 5.875%. Student registration fees are pledged for debt service on these bonds.

Housing and Dining System Revenue Bonds, Series A through L, were sold to construct or renovate certain housing and dining facilities on campus. The bonds mature in varying amounts through September 1, 2008 with interest payable at rates ranging from 2.75% to 3.75%. Revenues from student housing and dining facilities and other auxiliary services as well as student fees are pledged for the retirement of the bonds.

**Note 7. Bonds Payable (Continued)**

A schedule of the mandatory principal and interest payments for the next five fiscal years and later years is presented below:

Year Ending June 30	Consolidated Educational Building Revenue Bonds	Housing and Dining System Revenue Bonds	Total
1986	\$ 1,762,626	\$ 678,563	\$ 2,441,189
1987	1,768,351	671,685	2,440,036
1988	1,766,831	669,469	2,436,300
1989	1,768,414	671,829	2,440,243
1990	1,772,802	668,807	2,441,609
Later years	<u>16,745,644</u>	<u>10,089,776</u>	<u>26,835,420</u>
Total	<u>\$25,584,668</u>	<u>\$13,450,129</u>	<u>\$39,034,797</u>

Reserves of \$1,812,478 and \$679,823 for the consolidated educational sinking fund and the housing and dining sinking fund, respectively, are on deposit with the trustee.

**Note 8. Inventories**

Inventories at June 30, 1985 and 1984 consisted of:

	1985	1984
Central stores - supplies	\$132,862	\$113,899
Central stores - furniture and equipment	109,506	132,780
Food and food service supplies	<u>163,889</u>	<u>151,638</u>
	<u>\$406,257</u>	<u>\$398,317</u>

**Note 9. Employee Benefits**

Employees of the University are covered under one of the two pension plans:

- A. Kentucky Teacher's Retirement System - Under KTRS the employee's contribution is 5.905% of their gross salary, the State contributes 10.335%. The State's contribution is paid directly to the system by the State, but as explained in Note 1, these funds are included in the financial statements of the University.

## Note 9. Employee Benefits (Continued)

- B. Kentucky Employee's Retirement System - Full-time service personnel are covered under KERS and their contribution is 4% of their gross salary and the State's contribution is 7.25%. The State's contribution is funded from the budget of the University and those costs are included in the financial statements of the University.
- C. The University maintains a self-insurance account for employees' health and accident insurance. The University funds the entire plan for all permanent full-time employees and their families. Total funding for the fiscal year ended June 30, 1985 charged to employee benefits was \$1,602,844. At June 30, 1985, \$665,923 was available in the fund for future claims, with balances reflected in the accompanying current unrestricted funds balance sheet. The current unrestricted funds balance sheet at June 30, 1984 has been restated to include assets available to fund future claims of \$311,429 and a self-insurance fund liability of \$311,429. Refer to Note 1 for further explanations.

Other employee benefits paid by the University include tuition and fees of faculty and staff, life insurance, worker's compensation, and unemployment compensation, which, in the aggregate, was approximately \$311,000 and \$250,000 for 1985 and 1984, respectively.

University employees begin to accumulate annual vacation allowance from the initial date of employment. The maximum accumulation of vacation days is that which can be accumulated in one and one-half years. Current fund expenditures for the fiscal year ended June 30, 1985 include \$3,076 for current year increase in accrued compensated absences.

Expenditures for all employee benefits are included as expenditures within the appropriate functional area.

## Note 10. Litigation

The University is a defendant in various lawsuits. The University attorney has advised that at this stage in the various proceedings, the probable outcomes are uncertain. Although collectively claims for damages are significant, management believes individual lawsuits are without merit, or ultimate damages assessed against the University will be insignificant.

## Note 11. Investment in Foundation Bookstore

In September, 1979 the University transferred operation and control of the University Bookstore to Murray State University Foundation, Inc. Inventories, cash funds, and receivables, net of liabilities, totaled \$486,159. These were made available to the Foundation upon transfer. Accordingly, the University reflects this amount as "Investment in Foundation Bookstore" in the accompanying balance sheet at June 30, 1985.

**Note 11. Investment in Foundation Bookstore (Continued)**

Since the operation of the bookstore is, by transfer, a function of the Foundation, the bookstore's results of operations and assets, liabilities, and fund balance are excluded from the accompanying financial statements.

The Murray State University Foundation, Inc. University Bookstore, operating as an autonomous entity, issues its own financial report.

**Note 12. Grants, Contracts, and Other University Funds Administered by the Foundation**

Various grants and contracts awarded by outside agencies to the University, in addition to other University funds, are administered by the Murray State University Foundation, Inc. Receipts under grants and contracts for the fiscal years ended June 30, 1985 and 1984 totaled approximately \$386,000 and \$598,000, respectively. Related expenditures totaled approximately \$433,000 and \$542,000, respectively. These receipts and expenditures, as well as those related to other University funds, have not been included in the accompanying statement of current funds revenues, expenditures, and other changes. Also, any assets, liabilities or fund balances applicable to these grants, contracts and other funds have not been included in the accompanying balance sheet.

Grants awarded to the University by the Department of Education are not assigned to the Murray State University Foundation, Inc. These grants are accounted for and administered by the University.

The Murray State University Foundation, Inc., operating as an autonomous entity, issues its own financial reports.

**Note 13. Leases**

The University leases a telephone system and various items of machinery and equipment. Most leases are written for one year with an annual renewal. The majority of leases are considered to have terms of three to ten years, as it is the intent of the University to renew annually most leases written for one year terms.

Note 13. Leases (Continued)

At June 30, 1985, assets acquired under capital leases totaled \$2,340,983. The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments:

Years ending June 30,	
1986	\$ 395,897
1987	389,725
1988	383,615
1989	377,753
1990	361,275
Thereafter	<u>711,631</u>
Total minimum lease payments	2,619,896
Less: amount representing interest	<u>750,618</u>
Present value of minimum lease payments	<u>\$1,869,278</u>

At June 30, 1984, the present value of minimum lease payments was \$2,034,523, net of \$933,123 interest.

Approximate annual rentals required under operating leases in effect at June 30, 1985 are:

Fiscal year ending June 30,	Amount
1986	\$146,691
1987	114,455
1988	96,843
1989	74,207
1990	38,742
Thereafter	<u>47,921</u>
	<u>\$518,859</u>

Rental expense for fiscal years ended 1985 and 1984 applicable to operating leases was \$150,224 and \$121,962, respectively.

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

911 COLLEGE STREET, P.O. BOX 1196, BOWLING GREEN, KY 42102-1196 • (502) 781-0111

To President Kala M. Stroup and  
Board of Regents  
Murray State University  
Murray, Kentucky

The accompanying information shown on pages 17 to 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Our examination of the basic financial statements was made for the purpose of forming an opinion on those statements taken as a whole. Our examination of the basic financial statements resulted in a disclaimer of opinion because of scope limitations and a significant uncertainty and, accordingly, we express no opinion on the accompanying information relative to those financial statements.

Also, as mentioned in our report on the basic financial statements, the University has not followed generally accepted accounting principles in the exclusion from the financial statements of certain restricted grants and contracts awarded to the University and subsequently assigned to the Murray State University Foundation, Inc.

*James R. Meany & Associates*

December 13, 1985



MURRAY STATE UNIVERSITY

SCHEDULE OF CURRENT FUNDS REVENUES  
For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL</b>			
Tuition and fees:			
Fall 1984	\$ 4,134,024	\$ -0-	\$ 4,134,024
Spring 1985	3,848,615	-0-	3,848,615
Summer 1985	703,277	-0-	703,277
Miscellaneous tuition	297,177	-0-	297,177
Student activity fees	333,366	-0-	333,366
Other course fees	263,810	-0-	263,810
Total tuition and fees	<u>9,580,269</u>	<u>-0-</u>	<u>9,580,269</u>
State appropriations:			
Regular appropriation	24,830,508	-0-	24,830,508
Kentucky Teachers Retirement System	1,499,998	-0-	1,499,998
Diagnostic lab	1,188,792	-0-	1,188,792
Total state appropriations	<u>27,519,298</u>	<u>-0-</u>	<u>27,519,298</u>
Government grants and contracts:			
College work study	-0-	372,510	372,510
Pell	-0-	2,462,118	2,462,118
SEOG	-0-	209,999	209,999
Grants and contracts	-0-	1,835,419	1,835,419
Total grants and contracts	<u>-0-</u>	<u>4,880,046</u>	<u>4,880,046</u>
Indirect costs recovered:			
Federal/state grant cost	65,023	-0-	65,023
Commonwealth workstudy overhead	2,593	-0-	2,593
Pell administrative overhead	10,825	-0-	10,825
Teacher loan cancellation	1,766	-0-	1,766
NDSL administrative overhead	-0-	-0-	-0-
NDSL collection cost	27,571	-0-	27,571
SEOG administrative overhead	9,999	-0-	9,999
Total indirect costs recovered	<u>117,777</u>	<u>-0-</u>	<u>117,777</u>
Sales and services - Educational			
Departments:			
Art workshops	653	-0-	653
Art cash sales	4,729	-0-	4,729
Adult learning center	525	-0-	525
Chemistry breakage	1,024	-0-	1,024
Farm	184,652	-0-	184,652
GED	2,720	-0-	2,720
Industrial Arts supplies	1,616	-0-	1,616
Murray State News advertising	52,924	-0-	52,924
Jesse Stuart collection	161	-0-	161
Nursery school fees	11,700	-0-	11,700
University theatre	18,891	-0-	18,891
Speech and hearing test fees	6,213	-0-	6,213
Testing fees	7,094	-0-	7,094

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY

SCHEDULE OF CURRENT FUNDS REVENUES (Continued)  
For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL (Continued)</b>			
Sales and services - Educational			
Departments: (Continued)			
VDRC testing	\$ 9,156	\$ -0-	\$ 9,156
Summer writing workshop	6,559	-0-	6,559
Literacy publications	365	-0-	365
Total sales and services	<u>308,982</u>	<u>-0-</u>	<u>308,982</u>
Other sources:			
Alumni placement fee	757	-0-	757
Athletic receipts	250,180	-0-	250,180
Expo Center	58,363	-0-	58,363
Extraordinary athletic receipts	13,443	-0-	13,443
Facility rental	2,370	-0-	2,370
Graduation fees	18,392	-0-	18,392
Interest income - Trust and Agency	253,966	-0-	253,966
Library services	28,560	-0-	28,560
Library fines	760	-0-	760
Long distance telephone	813	-0-	813
Other income	111,433	-0-	111,433
Parking fines and permits	50,934	-0-	50,934
Return check charge	3,488	-0-	3,488
Schedule changes	21,693	-0-	21,693
Summer theatre	6,682	-0-	6,682
Summer youth	211,707	-0-	211,707
Transcripts	19,216	-0-	19,216
SGA	68,801	-0-	68,801
Unclassified	6,991	-0-	6,991
Interest income - CEBR	188,399	-0-	188,399
Special programs	112,076	-0-	112,076
Summer Orientation	43,692	-0-	43,692
Breathitt Vet Center	105,013	-0-	105,013
Wickliffe Mounds	28,437	-0-	28,437
Wickliffe Mounds Gift Shop	1,510	-0-	1,510
SGA radio station	5,054	-0-	5,054
National student exchange	630	-0-	630
Outdoor recreation resource center	1,244	-0-	1,244
Thesis binding	464	-0-	464
VA education report	1,147	-0-	1,147
Collection agency clearing	9,710	-0-	9,710
Post Office contract	4,861	-0-	4,861
Post Office box rent	114	-0-	114
Sale of surplus property	32,190	-0-	32,190
Total other sources	<u>1,663,090</u>	<u>-0-</u>	<u>1,663,090</u>
Total educational and general	<u>39,189,416</u>	<u>4,880,046</u>	<u>44,069,462</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
 SCHEDULE OF CURRENT FUNDS REVENUES (Continued)  
 For the Year Ended June 30, 1985

AUXILIARY ENTERPRISES	Unrestricted	Restricted	Total
Food service			
Housing	\$ 3,176,628	\$ -0-	\$ 3,176,628
Curris Center	2,736,758	-0-	2,736,758
Work study student wages	103,614	-0-	103,614
Interest income - Housing and Dining	-0-	57,658	57,658
Miscellaneous	153,062	-0-	153,062
	<u>337,248</u>	<u>-0-</u>	<u>337,248</u>
Total auxiliary enterprises	<u>6,507,310</u>	<u>57,658</u>	<u>6,564,968</u>
Total current funds revenues	<u>\$ 45,696,726</u>	<u>\$ 4,937,704</u>	<u>\$50,634,430</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
 SCHEDULE OF CURRENT FUNDS EXPENDITURES AND  
 MANDATORY TRANSFERS  
 For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>			
Instruction:			
General academic instruction:			
College of Business and Public Affairs:			
Accounting and Finance	\$ 332,043	\$ 3,771	\$ 335,814
Computer Studies	439,070	2,247	441,317
Economics	398,799	2,648	401,447
Management and Marketing	454,537	3,263	457,800
Office Administration and Business Education	206,156	2,654	208,810
Political Science and Legal Studies	297,819	1,290	299,109
Criminal Justice	63,453	24	63,477
Off Campus MBA	2,184	-0-	2,184
Owensboro MBA	46,998	-0-	46,998
Undistributed Business & Public Affairs	19,992	-0-	19,992
Other	2,844	-0-	2,844
Total College of Business and Public Affairs	<u>2,263,895</u>	<u>15,897</u>	<u>2,279,792</u>
College of Fine Arts and Communication:			
Art	557,317	10,409	567,726
Journalism and Radio/TV	342,952	1,138	344,090
Music	695,026	7,600	702,626
Speech and Theatre	376,201	3,942	380,143
Undistributed Fine Arts and Communication	63,721	-0-	63,721
Other	22,180	3,362	25,542
Total College of Fine Arts and Communication	<u>2,057,397</u>	<u>26,451</u>	<u>2,083,848</u>
College of Science:			
Nursing	590,189	3,274	593,463
Diagnostic Services	22,979	-0-	22,979
Biological Sciences	640,295	6,721	647,016
Chemistry	494,155	8,177	502,332
Geosciences	311,847	3,144	314,991

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY

SCHEDULE OF CURRENT FUNDS EXPENDITURES AND  
MANDATORY TRANSFERS (Continued)  
For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL EXPENDITURES (Continued)</b>			
Instruction: (continued)			
General academic instruction: (Continued)			
College of Science: (Continued)			
Mathematics	\$ 517,010	\$ 3,087	\$ 520,097
Physics	438,265	4,717	442,982
Undistributed Science	18,715	-0-	18,715
Other	5,666	-0-	5,666
Total College of Science	<u>3,039,121</u>	<u>29,120</u>	<u>3,068,241</u>
College of Education:			
Summer challenge	18,315	-0-	18,315
Instruction and learning	626,961	8,801	635,762
Environmental Education Center	2,290	-0-	2,290
Professional Studies	443,173	2,395	445,568
Center for Leadership Studies	2	-0-	2
Psychology	328,050	4,197	332,247
Recreational and Physical			
Education	523,729	7,697	531,426
Special Education	414,346	2,315	416,661
Office of Field Service	134,090	3,171	137,261
Other	542	-0-	542
Undistributed Education	18,509	-0-	18,509
Total College of			
Education	<u>2,510,007</u>	<u>28,576</u>	<u>2,538,583</u>
College of Humanistic Studies:			
English	855,064	7,767	862,831
Foreign Languages	223,482	2,872	226,354
History	441,070	7,050	448,120
Philosophy and Religious Studies	137,371	3,136	140,507
Sociology and Anthropology	330,975	4,184	335,159
Ky Institute for European Studies	42,788	-0-	42,788
Undistributed Humanistic Studies	9,476	-0-	9,476
Other	8,439	-0-	8,439
Total College of Humanistic			
Studies	<u>2,048,665</u>	<u>25,009</u>	<u>2,073,674</u>
College of Industry and Technology:			
Engineering Technology	427,514	3,503	431,017
Graphic Arts Technology	143,582	2,652	146,234
Industrial Education	303,028	3,050	306,078
Safety Engineering and Health	190,993	1,040	192,033
Military Science	16,084	3,493	19,577
Agriculture	512,710	4,579	517,289

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
 SCHEDULE OF CURRENT FUNDS EXPENDITURES AND  
 MANDATORY TRANSFERS (Continued)  
 For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL EXPENDITURES (Continued)</b>			
Instruction: (continued)			
General academic instruction: (continued)			
College of Industry and Technology:			
(continued)			
Agriculture education	\$ 83,239	\$ -0-	\$ 83,239
Horses	42,547	1,214	43,761
Home economics	313,507	6,977	320,484
Undistributed Industry & Technology	26,825	-0-	26,825
Other	9,083	-0-	9,083
Total College of Industry and Technology	<u>2,069,112</u>	<u>26,508</u>	<u>2,095,620</u>
Other instruction:			
Wellness center	39,122	-0-	39,122
Outdoor recreation and resource center	24,235	-0-	24,235
Correspondence study	2,678	-0-	2,678
Extended campus programs	217,559	-0-	217,559
Center for International Programs	24,818	2,064	26,882
Adult Learning Center	1,087	-0-	1,087
Summer leaves and salaries	702,350	-0-	702,350
Computer for instruction and research	231,155	-0-	231,155
Matching grants and contracts	1,064	897,455	898,519
Unallotted academic programs	43,097	-0-	43,097
Other	20,030	-0-	20,030
Total general academic instruction	<u>15,295,391</u>	<u>1,051,080</u>	<u>16,346,471</u>
Community education:			
Office of Conferences and Continuing Education	71,089	-0-	71,089
Total community education	<u>71,089</u>	<u>-0-</u>	<u>71,089</u>
Preparatory/remedial instruction:			
Learning Center	118,654	2,983	121,637
Accrual for compensated absences	1,217	-0-	1,217
Total instruction	<u>15,486,352</u>	<u>1,054,063</u>	<u>16,540,415</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
 SCHEDULE OF CURRENT FUNDS EXPENDITURES AND  
 MANDATORY TRANSFERS (Continued)  
 For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL EXPENDITURES (Continued)</b>			
<b>Research:</b>			
Institutional sponsored research	\$ 160,644	\$ 1,032	\$ 161,676
Matching grants and contracts	-0-	186,520	186,520
Accrual for compensated absences	96	-0-	96
Total research	<u>160,740</u>	<u>187,552</u>	<u>348,292</u>
<b>Public service:</b>			
<b>Community service:</b>			
Office of Conferences and Continuing Education	35,086	-0-	35,086
Rural Development Institute	52,380	-0-	52,380
Summer Youth	259,638	-0-	259,638
Social programs	72,145	-0-	72,145
Breathitt Veterinary Center			
Administrative services	401,342	-0-	401,342
Serology	119,035	-0-	119,035
Virology	120,892	-0-	120,892
Microbiology	150,372	-0-	150,372
Pathology	425,233	-0-	425,233
Therapy and field services	84,680	-0-	84,680
Diagnostic and Research Capital	72,330	-0-	72,330
Waterfield Center	1,500	-0-	1,500
AHES	50,624	-0-	50,624
Livestock and Exposition Center	95,563	1,206	96,769
National Boy Scout Museum	98,223	-0-	98,223
Matching grants and contracts	750	482,135	482,885
Other	42,053	-0-	42,053
Total community service	<u>2,081,846</u>	<u>483,341</u>	<u>2,565,187</u>
<b>Public broadcasting services:</b>			
WKMS - Radio station	158,747	2,400	161,147
Accrual for compensated absences	2,845	-0-	2,845
Total public service	<u>2,243,438</u>	<u>485,741</u>	<u>2,729,179</u>
<b>Libraries</b>	<u>1,478,745</u>	<u>51,237</u>	<u>1,529,982</u>
<b>Academic support:</b>			
<b>Museums, galleries, and theatre:</b>			
University theatre	13,175	-0-	13,175
Clara Eagle Art Gallery	10,329	-0-	10,329
Summer Theatre	13,216	-0-	13,216
Wrather West Ky. Museum	54,886	1,090	55,976
Wickliffe mounds	46,212	-0-	46,212
Total museums and galleries	<u>137,818</u>	<u>1,090</u>	<u>138,908</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
 SCHEDULE OF CURRENT FUNDS EXPENDITURES AND  
 MANDATORY TRANSFERS (Continued)  
 For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL EXPENDITURES (Continued)</b>			
Academic support: (Continued)			
Educational media services:			
Teaching and media resource center	\$ 160,794	\$ 3,055	\$ 163,849
Total educational media services	<u>160,794</u>	<u>3,055</u>	<u>163,849</u>
Ancillary support:			
SACS self study	200	-0-	200
Academic Council	1,501	-0-	1,501
Farms	269,466	8,439	277,905
Faculty senate	6,739	-0-	6,739
Unallocated academic	7,160	-0-	7,160
Total ancillary support	<u>285,066</u>	<u>8,439</u>	<u>293,505</u>
Academic administration:			
Fullbright Scholar	-0-	-0-	-0-
Extended campus administration	10,513	1,924	12,437
Dean - Business and Public Affairs	213,528	3,216	216,744
Dean - Fine Arts and Communication	124,959	2,252	127,211
Dean - Science	218,416	3,266	221,682
Dean - Education	114,457	4,584	119,041
Dean - Humanistic Studies	91,686	2,195	93,881
Dean - Industry and Technology	82,066	429	82,495
Office of Grants Development	56,007	1,296	57,303
Total academic administration	<u>911,632</u>	<u>19,162</u>	<u>930,794</u>
Academic personnel development:			
Faculty recruitment and travel	72,342	-0-	72,342
Total academic personnel development	<u>72,342</u>	<u>-0-</u>	<u>72,342</u>
Course and curriculum development:			
Curriculum development	12,047	-0-	12,047
Unit plan and program development	25,749	-0-	25,749
American Humanics	51,018	-0-	51,018
Total course and curriculum development	<u>88,814</u>	<u>-0-</u>	<u>88,814</u>
Matching grants and contracts	18,328	221,701	240,029
Accrual for compensated absences	-0-	-0-	-0-
Total academic support	<u>1,674,794</u>	<u>253,447</u>	<u>1,928,241</u>
Student services:			
Student service administration:			
VP student development	108,446	-0-	108,446
Student Government Association	65,617	-0-	65,617
Currus Center administration	110,300	-0-	110,300
Housing	59,736	-0-	59,736
Total student service administration	<u>344,099</u>	<u>-0-</u>	<u>344,099</u>

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MURRAY STATE UNIVERSITY

SCHEDULE OF CURRENT FUNDS EXPENDITURES AND  
MANDATORY TRANSFERS (Continued)  
For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL EXPENDITURES (Continued)</b>			
Student services: (continued)			
Social and cultural development:			
SGA radio station	\$ 10,338	\$ -0-	\$ 10,338
The Shield	14,376	3,216	17,592
Murray State News	49,826	7,701	57,527
Other	40,763	-0-	40,763
Total social and cultural develop-	<u>115,303</u>	<u>10,917</u>	<u>126,220</u>
ment			
Counseling and career guidance:			
Counseling and testing	145,447	4,167	149,614
Cooperative Ed and Placement	134,122	-0-	134,122
Catalogs and bulletins	28,172	-0-	28,172
Total counseling and career	<u>307,741</u>	<u>4,167</u>	<u>311,908</u>
guidance			
Financial aid administration:			
Student Financial Aid	279,975	6,391	286,366
Student health services	175,133	2,015	177,148
Intercollegiate athletics:			
Athletic medical expenses	18,428	-0-	18,428
Athletic director	649,235	590	649,825
Sports information director	9,278	1,053	10,331
Athletic grants in aid	555,822	-0-	555,822
Cheerleaders	12,589	-0-	12,589
Football	112,821	2,651	115,472
Basketball	77,926	1,975	79,901
Baseball	36,795	1,398	38,193
Men's track	20,536	2,013	22,549
Men's tennis	18,304	1,005	19,309
Men's golf	6,539	-0-	6,539
Women's track	17,606	890	18,496
Women's basketball	37,796	359	38,155
Women's tennis	6,890	-0-	6,890
Women's volleyball	7,706	-0-	7,706
Undistributed athletic expenses	57,601	-0-	57,601
Total intercollegiate athletics	<u>1,645,872</u>	<u>11,934</u>	<u>1,657,806</u>
Student admissions and records:			
Admissions and records	521,458	10,823	532,281
Recruitment and retention	18,739	-0-	18,739
Commencement expense	11,371	-0-	11,371
Total student admissions and	<u>551,568</u>	<u>10,823</u>	<u>562,391</u>
records			

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
 SCHEDULE OF CURRENT FUNDS EXPENDITURES AND  
 MANDATORY TRANSFERS (Continued)  
 For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL EXPENDITURES (Continued)</b>			
Student services: (Continued)			
Campus recreation	\$ 66,825	\$ 6,321	\$ 73,146
Minority student affairs	41,220	1,158	42,378
Athletic concessions	32,790	-0-	32,790
Summer orientation	46,392	-0-	46,392
Other student services	66,909	-0-	66,909
Accrued compensated absences	3,849	-0-	3,849
Matching grants and contracts	-0-	55,753	55,753
Total student services	<u>3,677,676</u>	<u>109,479</u>	<u>3,787,155</u>
Institutional support:			
Executive management:			
Board of Regents	8,679	-0-	8,679
President's Office	279,956	1,108	281,064
VP Administrative Services	106,418	141	106,559
Legal Services	70,559	-0-	70,559
VP Student Development	166,420	3,536	169,956
VP University Relations and Development	97,113	737	97,850
VP Academic Programs	276,872	2,855	279,727
Undistributed	12,007	-0-	12,007
Other	( 9,805)	3,162	( 6,643)
Total executive management	<u>1,008,219</u>	<u>11,539</u>	<u>1,019,758</u>
Fiscal operations:			
Business services	146,884	2,112	148,996
Accounting services	161,573	193	161,766
Total fiscal operations	<u>308,457</u>	<u>2,305</u>	<u>310,762</u>
General administration and logistical services:			
Purchasing and general services	348,147	1,768	349,915
Personnel services	75,940	984	76,924
Printing services	229,722	3,611	233,333
Communications	740,986	8,994	749,980
Campus Safety	290,975	2,992	293,967
Undistributed VPAS	145,558	-0-	145,558
Workmen's compensation	178,754	-0-	178,754
Unemployment compensation	4,224	-0-	4,224
Public address system	7,297	-0-	7,297
Motor pool	139,804	804	140,608
Total general administration and logistical services	<u>2,161,407</u>	<u>19,153</u>	<u>2,180,560</u>

SEE ACCOUNTANTS' REPORT PAGE 1

MURRAY STATE UNIVERSITY

SCHEDULE OF CURRENT FUNDS EXPENDITURES AND  
MANDATORY TRANSFERS (Continued)  
For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL EXPENDITURES (Continued)</b>			
Institutional support: (continued)			
Public relations and development:			
Employee scholarship	\$ 31,454	\$ -0-	\$ 31,454
Office of development	35,761	3,000	38,761
Information and public services	168,320	2,241	170,561
Office of publications	60,770	2,584	63,354
Alumni affairs	107,108	2,772	109,880
Undistributed VPUS	7,897	-0-	7,897
Total public relations and development	<u>411,310</u>	<u>10,597</u>	<u>421,907</u>
Administrative computing support:			
Computing and information systems	409,435	6,121	415,556
Accrual for compensated absences	( 8,118)	-0-	( 8,118)
Total administrative computing support	<u>401,317</u>	<u>6,121</u>	<u>407,438</u>
Other institutional support	<u>344,906</u>	<u>11,150</u>	<u>356,056</u>
Total institutional support	<u>4,635,616</u>	<u>60,865</u>	<u>4,696,481</u>
Operation and maintenance of plant:			
Physical plant administration:			
Administration	158,588	-0-	158,588
Engineering and architectural services	134,614	982	135,596
Seasonal labor	29,058	-0-	29,058
Total physical plant administration	<u>322,260</u>	<u>982</u>	<u>323,242</u>
Building maintenance:			
Building and equipment maintenance	1,370,546	276	1,370,822
Grounds maintenance	352,669	980	353,649
Property insurance	128,885	-0-	128,885
Total building maintenance	<u>1,852,100</u>	<u>1,256</u>	<u>1,853,356</u>
Custodial maintenance	761,102	3,307	764,409
Utilities	2,293,767	-0-	2,293,767
Major repairs and renovation	162,745	-0-	162,745
Other	26,451	-0-	26,451
Accrual for compensated absences	488	-0-	488
Total operation and maintenance of plant	<u>5,418,913</u>	<u>5,545</u>	<u>5,424,458</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY

SCHEDULE OF CURRENT FUNDS EXPENDITURES AND  
MANDATORY TRANSFERS (Continued)  
For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL EXPENDITURES (Continued)</b>			
Student financial aid:			
Scholarships and fellowships	\$ 2,384,084	\$ -0-	\$ 2,384,084
Pell and SEOG grant awards	-0-	2,672,117	2,672,117
Total student financial aid	<u>2,384,084</u>	<u>2,672,117</u>	<u>5,056,201</u>
 Total educational and general expenditures	 <u>37,160,358</u>	 <u>4,880,046</u>	 <u>42,040,404</u>
 <b>EDUCATIONAL AND GENERAL MANDATORY TRANSFERS</b>			
Mandatory transfers:			
Debt service	<u>1,577,528</u>	-0-	<u>1,577,528</u>
Total mandatory transfers	<u>1,577,528</u>	<u>-0-</u>	<u>1,577,528</u>
 Total educational and general expenditures and mandatory transfers	 <u>38,737,886</u>	 <u>4,880,046</u>	 <u>43,617,932</u>
 <b>AUXILIARY ENTERPRISES EXPENDITURES</b>			
Food service	2,875,169	5,260	2,880,429
Housing	1,853,512	43,779	1,897,291
Curris Center	399,693	8,619	408,312
Other auxiliary services	98,471	-0-	98,471
Mandatory transfers for debt service	557,579	-0-	557,579
Accrual for compensated absences	3,325	-0-	3,325
Renovation expense	<u>122,709</u>	<u>-0-</u>	<u>122,709</u>
 Total auxiliary enterprises	 <u>5,910,458</u>	 <u>57,658</u>	 <u>5,968,116</u>
 Total current funds expenditures and mandatory transfers	 <u>\$ 44,648,344</u>	 <u>\$ 4,937,704</u>	 <u>\$49,586,048</u>

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MURRAY STATE UNIVERSITY

SCHEDULE OF CURRENT FUNDS EXPENDITURES  
AND MANDATORY TRANSFERS BY MAJOR OBJECT  
For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL</b>			
Expenditures:			
Instruction:			
Personal services	\$ 14,605,682	\$ 896,170	\$15,501,852
Current operating expenses	785,096	145,395	930,491
Capital outlay	95,574	12,498	108,072
Total	<u>15,486,352</u>	<u>1,054,063</u>	<u>16,540,415</u>
Research:			
Personal services	67,371	135,728	203,099
Current operating expenses	87,268	36,335	123,603
Capital outlay	6,101	15,489	21,590
Total	<u>160,740</u>	<u>187,552</u>	<u>348,292</u>
Public service:			
Personal services	1,435,823	291,377	1,727,200
Current operating expenses	726,966	186,936	913,902
Capital outlay	80,649	7,428	88,077
Total	<u>2,243,438</u>	<u>485,741</u>	<u>2,729,179</u>
Libraries:			
Personal services	808,267	51,237	859,504
Current operating expenses	644,974	-0-	644,974
Capital outlay	25,504	-0-	25,504
Total	<u>1,478,745</u>	<u>51,237</u>	<u>1,529,982</u>
Academic support:			
Personal services	1,234,195	170,512	1,404,707
Current operating expenses	448,238	81,365	529,603
Capital outlay (recovery)	( 7,639)	1,570	( 6,069)
Total	<u>1,674,794</u>	<u>253,447</u>	<u>1,928,241</u>
Student services:			
Personal services	2,057,885	99,360	2,157,245
Current operating expenses	1,613,511	10,119	1,623,630
Capital outlay	6,280	-0-	6,280
Total	<u>3,677,676</u>	<u>109,479</u>	<u>3,787,155</u>
Institutional support:			
Personal services	3,419,436	60,865	3,480,301
Current operating expenses	987,404	-0-	987,404
Capital outlay	228,776	-0-	228,776
Total	<u>4,635,616</u>	<u>60,865</u>	<u>4,696,481</u>
Operation and maintenance of plant:			
Personal services	2,376,248	5,545	2,381,793
Current operating expenses	2,912,379	-0-	2,912,379
Capital outlay	130,286	-0-	130,286
Total	<u>5,418,913</u>	<u>5,545</u>	<u>5,424,458</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
 SCHEDULE OF CURRENT FUNDS EXPENDITURES  
 AND MANDATORY TRANSFERS BY MAJOR OBJECT (Continued)  
 For the Year Ended June 30, 1985

	Unrestricted	Restricted	Total
<b>EDUCATIONAL AND GENERAL (continued)</b>			
Student financial aid:			
Personal services	\$ -0-	\$ -0-	\$ -0-
Current operating expenses	2,384,084	2,672,117	5,056,201
Capital outlay	-0-	-0-	-0-
Total	<u>2,384,084</u>	<u>2,672,117</u>	<u>5,056,201</u>
Total expenditures:			
Personal services	26,004,907	1,710,794	27,715,701
Current operating expenses	10,589,920	3,132,267	13,722,187
Capital outlay	565,531	36,985	602,516
Total	<u>37,160,358</u>	<u>4,880,046</u>	<u>42,040,404</u>
Mandatory transfers:			
Principal and interest	<u>1,577,528</u>	-0-	<u>1,577,528</u>
Total	<u>1,577,528</u>	<u>-0-</u>	<u>1,577,528</u>
<b>AUXILIARY ENTERPRISES</b>			
Expenditures:			
Personal services	2,236,691	57,658	2,294,349
Current operating expenses	3,022,352	-0-	3,022,352
Capital outlay	93,836	-0-	93,836
Total	<u>5,352,879</u>	<u>57,658</u>	<u>5,410,537</u>
Mandatory transfers:			
Principal and interest	<u>557,579</u>	-0-	<u>557,579</u>
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>			
Expenditures:			
Personal services	28,241,598	1,768,452	30,010,050
Current operating expenses	13,612,272	3,132,267	16,744,539
Capital outlay	659,367	36,985	696,352
Total	<u>42,513,237</u>	<u>4,937,704</u>	<u>47,450,941</u>
Mandatory transfers:			
Principal and interest	<u>2,135,107</u>	-0-	<u>2,135,107</u>
Total	<u>2,135,107</u>	<u>-0-</u>	<u>2,135,107</u>
Total current funds	<u>\$ 44,648,344</u>	<u>\$ 4,937,704</u>	<u>\$49,586,048</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
LOAN FUNDS

SCHEDULE OF CHANGES IN FUND BALANCES  
For the Year Ended June 30, 1985

	Student Nurse Loan Program Fund	N.D.S.L. Student Loan Fund	Norris Loan Program Fund	Total
Fund balance June 30, 1984	<u>\$190,179</u>	<u>\$4,164,424</u>	<u>\$ 17,657</u>	<u>\$4,372,260</u>
Additions:				
Interest	2,722	83,556	4,959	91,237
Federal and state reim- bursement	-0-	75,283	-0-	75,283
Other income	907	-0-	3,228	4,135
Total additions	<u>3,629</u>	<u>158,839</u>	<u>8,187</u>	<u>170,655</u>
Deductions:				
Cancellations - Death	-0-	4,487	-0-	4,487
Cancellations - Teaching	-0-	23,049	-0-	23,049
Cancellations - Disability	-0-	968	-0-	968
Cancellation - Bankrupt	764	4,803	277	5,844
Legal expense	1,152	28,258	202	29,612
Collection costs	-0-	25,741	-0-	25,741
Employment cancellations	10,477	-0-	-0-	10,477
Default cancellations	-0-	33,496	-0-	33,496
Other costs or losses	4,635	10	6,384	11,029
Total deductions	<u>17,028</u>	<u>120,812</u>	<u>6,863</u>	<u>144,703</u>
Fund balance June 30, 1985	<u>\$176,780</u>	<u>\$4,202,451</u>	<u>\$ 18,981</u>	<u>\$4,398,212</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
UNEXPENDED PLANT FUNDS

SCHEDULE OF CHANGES IN FUND BALANCES  
For the Year Ended June 30, 1985

Fund balance June 30, 1984	<u>\$4,447,442</u>
Additions:	
Investment earnings	24,534
Increase in allotments (transfer from current funds)	45,532
Revenue sharing	<u>213,700</u>
Total additions	<u>283,766</u>
Deductions:	
Current expenditures	2,334,055
Transfer to renewals and replacements fund	428,648
Expenditures made by current unrestricted fund for unexpended plant fund	156,575
Account balances for completed or cancelled projects returned to funding source (transfer to current funds)	<u>191,935</u>
Total deductions	<u>3,111,213</u>
Fund balance June 30, 1985	<u>\$1,619,995</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1



MURRAY STATE UNIVERSITY  
UNEXPENDED PLANT FUNDS

SCHEDULE OF PROJECT ALLOTMENTS  
June 30, 1985

	State Appropriation	Trust and Agency Fund
100 Clearing account	\$ 343	\$ -0-
101 Storage for chemicals-Blackburn	-0-	-0-
112 UC lighting and landscaping	-0-	17,000
121 North pedestrian mall	-0-	321,960
123 Central pedestrian mall	-0-	122,767
131 Land acquisitions	-0-	287,713
144 Elizabeth roof	-0-	124,263
146 Energy conservation	-0-	-0-
153 Football field resurfacing	-0-	486,304
154 Stewart Stadium water line	-0-	13,495
155 Wilson Hall-HVAC	-0-	2,014,540
159 Former laboratory school (BSA)	-0-	30,000
161 Roof replacement - Lowry and Applied Science	-0-	5,617
162 Roof replacement - Pogue and Carr Health	-0-	-0-
164 Barn Drainage - BVC	-0-	510
180 Outdoor racquetball and paddle tennis courts	-0-	362
186 UC Bowling alley ventilation	-0-	5,126
189 Student activity building	7,681,758	234,874
192 Wrather renovation	474,723	277
193 Diagnostic lab	250,000	-0-
194 Wrather hall security system	50,000	-0-
198 Wrather landscaping	-0-	-0-
199 Landscaping - Curris Center	47,992	-0-
202 Elevator control modification	-0-	-0-
216 South Gymnasium floor replacement	22,016	-0-
218 Third floor renovation - Lowry Center	-0-	-0-
219 Repair of chillers - Central Utility Plant	-0-	-0-
220 Tuckpointing - various buildings	126,684	-0-
300 CEHRB clearing	-0-	-0-
749 Two minor energy projects	-0-	-0-
750 Handicapped access	-0-	14,500
751 Fire safety projects	-0-	-0-
752 Energy projects	-0-	-0-
754 Handicapped improvements	-0-	-0-
761 Repair and upgrade fire alarm systems	-0-	-0-
762 Upgrade fire alarm system	-0-	-0-
763 Automatic lightning control	-0-	-0-
764 Renovate facilities	-0-	-0-
	<u>\$8,653,516</u>	<u>\$3,679,308</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

Investment Income	State and Federal Revenue Sharing	Revenue Bond Proceeds	Other	Total
\$ 56	\$ -0-	\$ 62,282	\$ -0-	\$ 62,681
-0-	38,000	-0-	-0-	38,000
-0-	-0-	-0-	-0-	17,000
-0-	-0-	-0-	-0-	321,960
-0-	-0-	-0-	-0-	122,767
356,267	-0-	-0-	-0-	643,980
-0-	-0-	-0-	-0-	124,263
-0-	24,690	-0-	-0-	24,690
-0-	-0-	-0-	-0-	486,304
-0-	-0-	-0-	-0-	13,495
-0-	-0-	-0-	-0-	2,014,540
-0-	-0-	-0-	-0-	30,000
-0-	59,835	-0-	-0-	65,452
-0-	98,134	-0-	-0-	98,134
-0-	-0-	-0-	-0-	510
-0-	-0-	-0-	-0-	362
-0-	-0-	-0-	-0-	5,126
-0-	300,000	-0-	-0-	8,216,632
388,850	57,048	250,000	50,000	1,220,898
250,000	2,200,000	-0-	-0-	2,700,000
-0-	-0-	-0-	-0-	50,000
-0-	3,205	-0-	-0-	3,205
-0-	-0-	-0-	-0-	47,992
-0-	189,160	-0-	-0-	189,160
-0-	-0-	-0-	-0-	22,016
64,000	-0-	-0-	-0-	64,000
-0-	65,000	-0-	-0-	65,000
-0-	-0-	-0-	-0-	126,684
248,805	-0-	815,911	-0-	1,064,716
-0-	46,565	-0-	-0-	46,565
-0-	327,600	-0-	-0-	342,100
-0-	15,736	-0-	-0-	15,736
-0-	368,368	-0-	-0-	368,368
-0-	39,900	-0-	-0-	39,900
-0-	55,000	-0-	-0-	55,000
-0-	20,000	-0-	-0-	20,000
-0-	10,509	-0-	-0-	10,509
-0-	32,000	-0-	-0-	32,000
<u>\$1,307,978</u>	<u>\$3,950,750</u>	<u>\$1,128,193</u>	<u>\$ 50,000</u>	<u>\$18,769,745</u>

MURRAY STATE UNIVERSITY  
UNEXPENDED PLANT FUNDS

SCHEDULE OF PROJECT ACCOUNTS  
For the Year Ended June 30, 1985

		- - - - - Allotments - - - - -			
		Prior to	Received	Other	
		July 1, 1984	1984-85	Adjustments	Total
				1984-85	
100	Clearing account	\$ 562,229	(\$ 70,900)	(\$ 428,648)	\$ 62,681
101	Storage for chemicals- Blackburn	38,000	-0-	-0-	38,000
112	UC lighting and landscaping	17,000	-0-	-0-	17,000
121	North pedestrian mall	321,960	-0-	-0-	321,960
123	Central pedestrian mall	138,840	( 16,073)	-0-	122,767
131	Land acquisitions	643,980	-0-	-0-	643,980
144	Elizabeth roof	134,318	( 10,055)	-0-	124,263
146	Energy conservation	24,690	-0-	-0-	24,690
153	Football field resurfacing	500,000	( 13,696)	-0-	486,304
154	Stewart Stadium waterline	-0-	13,495	-0-	13,495
155	Wilson Hall -HVAC	1,804,540	210,000	-0-	2,014,540
159	Former laboratory school	30,000	-0-	-0-	30,000
161	Roof replacement - L & AS	60,000	5,452	-0-	65,452
162	Roof replacement - P & CH	118,600	( 20,466)	-0-	98,134
164	Barn Drainage - BVC	7,700	( 7,190)	-0-	510
180	Outdoor courts	50,000	( 49,638)	-0-	362
186	UC Bowling alley ventilation	-0-	5,126	-0-	5,126
189	Student activity building	8,221,750	( 5,118)	-0-	8,216,632
192	Wrather renovation	1,225,850	( 4,952)	-0-	1,220,898
193	Diagnostic lab	2,787,000	( 87,000)	-0-	2,700,000
194	Wrather hall security system	50,000	-0-	-0-	50,000
198	Wrather landscaping	5,000	( 1,795)	-0-	3,205
199	Landscaping - Curris Center	48,000	( 8)	-0-	47,992
202	Elevator control modification	20,900	168,260	-0-	189,160
216	South gymnasium floor replacement	-0-	22,016	-0-	22,016
218	Third floor renovation - Lowry Center	-0-	64,000	-0-	64,000
219	Repair of chillers - Central utility plant	-0-	65,000	-0-	65,000
220	Tuckpointing - various bldgs.	-0-	126,684	-0-	126,684
300	CEBRB clearing	1,207,816	( 143,100)	-0-	1,064,716
749	Two minor energy projects	46,565	-0-	-0-	46,565
750	Handicapped access	402,100	( 60,000)	-0-	342,100
751	Fire safety projects	235,996	( 220,260)	-0-	15,736
752	Energy projects	378,877	( 10,509)	-0-	368,368
754	Handicapped improvements	39,900	-0-	-0-	39,900
761	Repair and upgrade fire alarm system	55,000	-0-	-0-	55,000
762	Upgrade fire alarm system	-0-	20,000	-0-	20,000
763	Automatic lighting controls business bldg.	-0-	10,509	-0-	10,509
764	Renovation paint spray fac.	-0-	32,000	-0-	32,000
	Total	<u>\$19,176,611</u>	<u>\$ 21,782</u>	<u>(\$ 428,648)</u>	<u>\$18,769,745</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

----- Expenditures -----

Prior to July 1, 1984	Expenditures 1984-85	Total	Outstanding Encumbrances	Project Balance June 30, 1985
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 62,681
-0-	14,751	14,751	-0-	23,249
12,739	4,261	17,000	-0-	-0-
304	299,353	299,657	700	21,603
122,767	-0-	122,767	-0-	-0-
638,958	-0-	638,958	-0-	5,022
124,263	-0-	124,263	-0-	-0-
9,604	15,086	24,690	-0-	-0-
486,304	-0-	486,304	-0-	-0-
-0-	-0-	-0-	-0-	13,495
367,820	1,254,066	1,621,886	130,475	262,179
5,000	-0-	5,000	22,500	2,500
3,750	61,702	65,452	-0-	-0-
85,049	13,085	98,134	-0-	-0-
-0-	510	510	-0-	-0-
362	-0-	362	-0-	-0-
-0-	5,126	5,126	-0-	-0-
8,157,749	3,874	8,161,623	-0-	55,009
1,220,898	-0-	1,220,898	-0-	-0-
2,314,907	363,625	2,678,532	4,531	16,937
49,014	986	50,000	-0-	-0-
3,205	-0-	3,205	-0-	-0-
-0-	47,992	47,992	-0-	-0-
-0-	119,821	119,821	57,947	11,392
-0-	22,016	22,016	-0-	-0-
-0-	55,529	55,529	-0-	8,471
-0-	21,034	21,034	-0-	43,966
-0-	-0-	-0-	-0-	126,684
882,764	-0-	882,764	-0-	181,952
39,472	7,093	46,565	-0-	-0-
277,529	-0-	277,529	-0-	64,571
-0-	-0-	-0-	-0-	15,736
368,368	-0-	368,368	-0-	-0-
8,557	6,412	14,969	-0-	24,931
47,246	7,754	55,000	-0-	-0-
-0-	7,790	7,790	-0-	12,210
-0-	2,189	2,189	-0-	8,320
-0-	-0-	-0-	-0-	32,000
<u>\$15,226,629</u>	<u>\$ 2,334,055</u>	<u>\$17,560,684</u>	<u>\$ 216,153</u>	<u>\$ 992,908</u>

MURRAY STATE UNIVERSITY  
RENEWALS AND REPLACEMENTS FUND  
SCHEDULE OF CHANGES IN FUND BALANCE  
For the Year Ended June 30, 1985

Fund balance June 30, 1984	\$ -0-
Additions	
Transfer from current funds	367,550
Transfer from unexpended plant fund	<u>428,648</u>
	796,198
Deductions:	
Transfer to current funds	<u>200,200</u>
Fund balance June 30, 1985	<u>\$595,998</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
 RETIREMENT OF INDEBTEDNESS FUNDS  
 SCHEDULE OF CHANGES IN FUND BALANCES  
 For the Year Ended June 30, 1985

	Consolidated Education Bond and Interest Sinking Fund	- - Housing and Dining - - Bond and Interest Sinking Fund	Repair and Maintenance	Total
Fund balance June 30, 1984	<u>\$1,821,320</u>	<u>\$ 916,595</u>	<u>\$1,111,746</u>	<u>\$3,849,661</u>
Additions:				
Investment earnings	179,151	82,693	62,309	324,153
Transfer from unrestricted current fund	<u>1,577,528</u>	<u>557,579</u>	<u>-0-</u>	<u>2,135,107</u>
Total additions	<u>1,756,679</u>	<u>640,272</u>	<u>62,309</u>	<u>2,459,260</u>
Deductions:				
Bonds paid	840,000	345,000	-0-	1,185,000
Interest paid	925,162	325,044	-0-	1,250,206
Transfer to current unre- stricted funds	<u>-0-</u>	<u>-0-</u>	<u>140,000</u>	<u>140,000</u>
Total deductions	<u>1,765,162</u>	<u>670,044</u>	<u>140,000</u>	<u>2,575,206</u>
Fund balance June 30, 1985	<u>\$1,812,837</u>	<u>\$ 886,823</u>	<u>\$1,034,055</u>	<u>\$3,733,715</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
INVESTMENT IN PLANT

SCHEDULE OF CHANGES IN FUND BALANCES  
For the Year Ended June 30, 1985

Fund balance June 30, 1984	<u>\$74,989,365</u>
Additions:	
Assets acquired under capital leases	29,200
Reduction in lease obligations	165,245
Livestock	15,600
Payment on bond principal	1,185,000
Buildings	624,026
Equipment	492,148
Improvements other than buildings	1,168,597
Library books	557,406
Construction in progress	<u>2,334,055</u>
Total additions	<u>6,571,277</u>
Deductions/disposals/transfers	
Assets acquired under capital leases	20,000
Improvements other than buildings	150,000
Equipment	332,193
Livestock	12,400
Library books	18,398
Construction in progress	<u>1,936,311</u>
Total deductions	<u>2,469,302</u>
Fund balance June 30, 1985	<u>\$79,091,340</u>

SEE ACCOUNTANTS' REPORT ON PAGE 1

MURRAY STATE UNIVERSITY  
 SCHEDULE OF INVESTMENTS BY FUND GROUPS  
 June 30, 1985

	U. S. Treasury Bills	Certificate of Deposit	Pooled Investment	Total
Current unrestricted funds	\$ -0-	\$ 500,000	\$ -0-	\$ 500,000
Retirement of indebtedness funds	3,728,300	-0-	-0-	3,728,300
Agency funds	<u>-0-</u>	<u>-0-</u>	<u>100,000</u>	<u>100,000</u>
Total investments	<u>\$3,728,300</u>	<u>\$ 500,000</u>	<u>\$ 100,000</u>	<u>\$4,328,300</u>

Note: Investments are stated at cost.

SEE ACCOUNTANTS' REPORT ON PAGE 1



MURRAY STATE UNIVERSITY  
SCHEDULE OF BONDS PAYABLE  
For the Year Ended June 30, 1985

**HOUSING AND DINING SYSTEM REVENUE BONDS**

Series A bonds dated 9-1-65 with an interest rate of 2 3/4%. Final principal payment date 9-1-95. Woods Hall  
Series B bonds dated 9-1-65 with an interest rate of 2 7/8%. Final principal payment date 9-1-97. Student Union Building  
Series C bonds dated 9-1-65 with an interest rate of 3 1/8%. Final principal payment date 9-1-00. Richmond Hall  
Series D bonds dated 9-1-65 with an interest rate of 3 1/8%. Final principal payment date 9-1-00. Clark Hall  
Series E bonds dated 9-1-65 with an interest rate of 3 1/2%. Final principal payment date 9-1-01. College Court I  
Series F bonds dated 9-1-65 with an interest rate of 3 1/2%. Final principal payment date 9-1-01. Franklin Hall and Winslow Cafeteria  
Series G bonds dated 9-1-65 with an interest rate of 3 3/8%. Final principal payment date 9-1-00. College Court II  
Series H bonds dated 9-1-65 with an interest rate of 3 3/8%. Final principal payment date 9-1-03. Elizabeth & Springer Halls  
Series I bonds dated 9-1-65 with an interest rate of 3 5/8%. Final principal payment date 9-1-04. Hart Hall  
Series J bonds dated 9-1-65 with an interest rate of 3 3/4%. Final principal payment date 9-1-04. College Court III  
Series K bonds dated 9-1-65 with an interest rate of 3%. Final principal payment date 9-1-02. Hester and White Hall  
Series L bonds dated 9-1-68 with an interest rate of 3%. Final principal payment date 9-1-08. Regents Hall  
Total housing and dining system revenue bonds

**CONSOLIDATED EDUCATIONAL BUILDINGS REVENUE BONDS**

Series A bonds dated 5-1-61 with interest rates from 3% to 4 1/8%. Final principal payment date 5-1-86. Business Education Building  
Series B bonds dated 11-1-63 with interest rates from 3 1/4% to 3 7/8%. Final principal payment due 5-1-94. Various buildings  
Series C bonds dated 4-1-66 with an interest rate of 3%. Final principal payment due 5-1-96. Various buildings  
Series D bonds dated 4-1-66 with interest rates from 4 1/4% to 4 1/2%. Final principal payment due 5-1-94. Various buildings  
Series E bonds dated 5-1-71 with an interest rate of 3%. Final principal payment due 5-1-98. Various buildings  
Series F bonds dated 5-1-71 with interest rates from 6 1/2% to 7 1/4%. Final principal payment originally due 5-1-00. All bonds called in fiscal 1981-1982.  
Series F refunding bonds dated 5-1-81 with interest rates from 5 3/10% to 5 7/8%. Final principal payment due 5-1-00. Various buildings  
Total consolidated educational buildings revenue bonds

Total all bond issues

SEE ACCOUNTANTS' REPORT ON PAGE 1

Original Issue	- Matured and Funded - Current Year	- To Date	Not Matured June 30, 1985	Interest Paid Current Year	Bonds Maturing 1985-86	Interest Due 1985-86
\$ 705,000	\$ 25,000	\$ 400,000	\$ 305,000	\$ 8,731	\$ 27,500	\$ 8,044
605,000	20,000	285,000	320,000	9,487	20,000	8,913
635,000	20,000	250,000	385,000	12,344	20,000	11,719
760,000	20,000	315,000	445,000	14,219	22,500	13,594
387,000	10,000	137,000	250,000	8,925	10,000	8,575
1,290,000	40,000	405,000	885,000	31,675	40,000	30,275
400,000	15,000	125,000	275,000	9,534	15,000	9,028
1,845,000	50,000	520,000	1,325,000	45,563	55,000	43,790
2,250,000	50,000	783,000	1,467,000	54,085	55,000	52,182
510,000	15,000	170,000	340,000	13,031	15,000	12,468
3,280,000	60,000	1,115,000	2,165,000	65,850	60,000	64,050
<u>2,000,000</u>	<u>20,000</u>	<u>290,000</u>	<u>1,710,000</u>	<u>51,600</u>	<u>25,000</u>	<u>50,925</u>
<u>14,667,000</u>	<u>345,000</u>	<u>4,795,000</u>	<u>9,872,000</u>	<u>325,044</u>	<u>365,000</u>	<u>313,563</u>
1,400,000	85,000	1,310,000	90,000	7,219	90,000	3,713
2,360,000	75,000	970,000	1,390,000	56,442	75,000	53,592
2,721,000	105,000	1,366,000	1,355,000	43,800	110,000	40,650
5,280,000	195,000	2,855,000	2,425,000	117,705	205,000	109,125
2,733,000	100,000	1,110,000	1,623,000	51,690	105,000	48,690
12,500,000	-0-	12,500,000	-0-	-0-	-0-	-0-
<u>11,770,000</u>	<u>280,000</u>	<u>1,015,000</u>	<u>10,755,000</u>	<u>648,306</u>	<u>290,000</u>	<u>631,856</u>
<u>38,764,000</u>	<u>840,000</u>	<u>21,126,000</u>	<u>17,638,000</u>	<u>925,162</u>	<u>875,000</u>	<u>887,626</u>
<u>\$53,431,000</u>	<u>\$1,185,000</u>	<u>\$25,921,000</u>	<u>\$27,510,000</u>	<u>\$1,250,206</u>	<u>\$1,240,000</u>	<u>\$1,201,189</u>

Note: The minimum balance required for the Consolidated Educational Buildings Revenue Bonds Debt Service Reserve is \$1,812,478. This amount is completely funded.

The minimum balance required for the Housing and Dining System Revenue Bond Debt Service Reserve is \$679,823. This amount is completely funded.

# Annual Financial Report

MURRAY STATE UNIVERSITY  
MURRAY, KENTUCKY 42071

MURRAY STATE UNIVERSITY  
MURRAY, KENTUCKY

ENTITY IDENTIFICATION NUMBER: 1-610600439-B7

GRANT AWARDS  
TWO YEARS ENDED JUNE 30, 1985

DECEMBER 13, 1985



**JAMES R. MEANY & ASSOCIATES, P.S.C.**  
Certified Public Accountants

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## INTRODUCTION

### Background

Murray State University is an institution of higher education located in Murray, Kentucky and accredited by the Southern Association of Colleges and Schools. The University participates in numerous Federal, state, and private grants. Grant expenditures (grantor share only) for the two years ended June 30, 1985 totaled approximately \$3,650,000 excluding student financial aid programs. Our examination was directed toward the objectives set forth in audit guides relating to audits of Federal awards to educational institutions.

### Scope of Audit

In connection with our examination of the financial statements of Murray State University for the years ended June 30, 1985 and 1984, we performed procedures to fulfill the additional auditing and reporting requirements set forth in the U. S. Department of Health and Human Services (DHHS) Guidelines for Audits of Federal Awards to Educational Institutions dated December, 1983. Our examination was conducted in accordance with generally accepted auditing standards and the financial and compliance elements of the Standards for Audits of Governmental Organizations, Programs, Activities, and Functions (1981 Revision) issued by the U. S. Comptroller General. To meet the above requirements our examination included:

- Reporting on the financial statements and accompanying information - Schedule of Grant Awards for the years ended June 30, 1985 and 1984;
- Evaluating the University's system of internal accounting controls;
- Evaluating the University's system of administrative controls in the areas outlined in Section III of the Federal Awards to Educational Institutions Audit Guide and commenting on compliance with OMB Circular No. A-110 Administrative Requirements, OMB Circular No. A-21 Cost Principles, and specific compliance requirements for selected federal awards.

The audit covered the period July 1, 1983 through June 30, 1985.

This audit report does not address the National Direct Student Loan Program, College Work-Study Program, Supplemental Educational Opportunity Grants Program and Pell Grants Program of Murray State University. A separate audit was performed in connection with our examination of the financial statements of Murray State University for the year ended June 30, 1985 and 1984 to fulfill the additional auditing and reporting requirements set forth in the U. S. Department of Education (ED) Audit Guide, Student Financial Assistance Programs dated March, 1984 and the reports were issued on a dual-dated basis as of November 30, 1984 and December 7, 1984 and November 4, 1985 and December 13, 1985 for the fiscal years ending in 1984 and 1985, respectively. The 1984 report was submitted to the E. D. Regional Inspector General for Audit in January, 1985. The 1985 report is expected to be issued approximately May 1, 1986.

## HIGHLIGHTS OF AUDIT RESULTS

We disclaimed from reporting on the University's 1985 comprehensive financial statements. Our disclaimer, which appears in the FINANCIAL section of this report, resulted from an inability to apply adequate auditing procedures regarding the completeness of all transactions and accounts which should be presented in the financial statements; and from an uncertainty regarding the effect, if any, on the financial statements of an examination of Federal awards, if performed, by the Regional Inspector General, Office of Audit, Department of Health and Human Services. In addition, our disclaimer of report was qualified because some grants and contracts awarded to the University from Federal and non-Federal sources were not included in the University's financial statements, a departure from generally accepted accounting principles.

During our examination, nothing came to our attention which caused us to believe the University committed, or allowed others to commit, illegal acts or irregularities with respect to Federal grant awards. However, as more fully explained elsewhere in this report, administrative and accounting controls of the University are not in compliance with OMB Circular No. A-110 regarding standards for financial management systems.

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

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112 SOUTH HIGH STREET, FRANKLIN, KENTUCKY 42134-0527 • (502) 586-8293

To President Kala M. Stroup and  
Board of Regents  
Murray State University  
Murray, Kentucky

We have examined the balance sheet of Murray State University as of June 30, 1985 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. Except as explained in the following two paragraphs, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The University's records do not permit the application of adequate audit procedures regarding the completeness of all transactions and accounts that should be presented in the financial statements. Also, the University may experience an examination of Federal awards by the Regional Inspector General, Office of Audit, Department of Health and Human Services. The outcome of this audit, if performed, may have a significant effect on the financial statements of the University which amount cannot be determined; and no provision for any liability that may result has been made in the financial statements.

As more fully explained in Note 12 to the financial statements, certain restricted grants and contracts awarded to the University are not included in the accompanying financial statements. In our opinion, the omission of that information is a departure from generally accepted accounting principles.

Because we were unable to apply adequate audit procedures regarding the completeness of information in the financial statements and because of the uncertainty referred to above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above.

Selected comparative data for the prior year has been presented in the accompanying financial statements. In our report dated December 7, 1984, we expressed a qualified opinion, similar to the qualification in paragraph three above, on the financial statements of Murray State University for the year ended June 30, 1984.

*James R. Meany & Associates*

December 13, 1985



FINANCIAL STATEMENTS

MURRAY STATE UNIVERSITY

BALANCE SHEET

June 30, 1985

with Comparative Figures at June 30, 1984

ASSETS	Current Year	Prior Year
<b>CURRENT FUNDS</b>		
Unrestricted:		
Cash	\$ 6,502,099	\$ 2,818,117
Investments (Note 2)	500,000	4,000,050
Investment in Foundation Bookstore (Note 11)	486,159	486,159
Accounts receivable (Note 3)	226,459	155,847
Due from other funds (Note 4)	949,214	419,810
Inventories, at lower of cost (first-in, first-out method) or market (Note 8)	<u>406,257</u>	<u>398,317</u>
Total unrestricted	<u>9,070,188</u>	<u>8,278,300</u>
Restricted:		
Cash	159,046	128,346
Accounts receivable (Note 3)	181,372	112,170
Unbilled charges (Note 3)	229,058	259,425
Prepaid travel	-0-	15,709
Travel advances	<u>-0-</u>	<u>32,093</u>
Total restricted	<u>569,476</u>	<u>547,743</u>
Total current funds	<u>\$ 9,639,664</u>	<u>\$ 8,826,043</u>
<b>LOAN FUNDS</b>		
Cash	\$ 237,201	\$ 217,809
Loans to students; less allowance for doubtful accounts of \$314,700 current year, and \$314,700 prior year	<u>4,161,011</u>	<u>4,181,540</u>
Total loan funds	<u>\$ 4,398,212</u>	<u>\$ 4,399,349</u>
<b>PLANT FUNDS</b>		
Unexpended:		
Cash	\$ 1,233,595	\$ 2,198,794
Due from other funds (Note 4)	<u>542,975</u>	<u>2,248,648</u>
Total unexpended	<u>1,776,570</u>	<u>4,447,442</u>

See accompanying Notes to Financial Statements.

## LIABILITIES AND FUND BALANCES

	Current Year	Prior Year
<b>CURRENT FUNDS</b>		
Unrestricted:		
Accounts payable	\$ 381,059	\$ 394,943
Due to other funds (Note 4)	1,138,973	2,248,648
Other liabilities (Notes 1 and 9)	704,323	311,429
Deposits (Note 1)	206,357	-0-
Accrued salaries	420,018	382,410
Accrued travel	4,479	9,912
Accrued liabilities	262,519	364,076
Accrued compensated absences (Note 9)	681,954	678,878
Deferred revenue	110,121	103,758
Fund balance (Note 6)	<u>5,160,385</u>	<u>3,784,246</u>
Total unrestricted	<u>9,070,188</u>	<u>8,278,300</u>
Restricted:		
Accounts payable	29,014	8,070
Due to other funds (Note 4)	330,467	350,731
Accrued salaries	53,715	52,521
Accrued travel	3,267	4,006
Accrued liabilities	15,030	16,922
Advances	-0-	3,044
Fund balance	<u>137,983</u>	<u>112,449</u>
Total restricted	<u>569,476</u>	<u>547,743</u>
Total current funds	<u>\$ 9,639,664</u>	<u>\$ 8,826,043</u>
<b>LOAN FUNDS</b>		
Due to other funds (Note 4)	\$ -0-	\$ 27,089
Fund balance:		
Restricted	<u>4,398,212</u>	<u>4,372,260</u>
Total loan funds	<u>\$ 4,398,212</u>	<u>\$ 4,399,349</u>
<b>PLANT FUNDS</b>		
Unexpended:		
Due to other funds (Note 4)	\$ 156,575	\$ -0-
Fund balance:		
Reserve for encumbrances	\$ 216,153	\$ 90,688
Unrestricted	542,975	-0-
Restricted	<u>860,867</u>	<u>4,356,754</u>
Total unexpended	<u>1,619,995</u>	<u>4,447,442</u>
Total unexpended	<u>1,776,570</u>	<u>4,447,442</u>

MURRAY STATE UNIVERSITY  
BALANCE SHEET (Continued)  
June 30, 1985  
with Comparative Figures at June 30, 1984

ASSETS	Current Year	Prior Year
PLANT FUNDS (Continued)		
Renewals and replacements		
Due from other funds (Note 4)	\$ 595,998	\$ -0-
	<u>595,998</u>	<u>-0-</u>
Total renewals and replacements		
Retirement of indebtedness:		
Cash on deposit with trustee	5,415	6,698
Investments (Note 2)	3,728,300	3,842,963
	<u>3,733,715</u>	<u>3,849,661</u>
Total retirement of indebtedness		
Investment in plant (Note 5):		
Land	2,187,732	2,187,732
Buildings	75,134,898	74,510,872
Improvements other than buildings	5,002,747	3,984,150
Equipment	11,672,853	11,512,898
Library books	9,460,267	8,921,259
Livestock	63,550	60,350
Construction in progress	2,607,588	2,209,844
Assets acquired under capital leases (Note 13)	2,340,983	2,331,783
	<u>108,470,618</u>	<u>105,718,888</u>
Total investment in plant		
Total plant funds	<u>\$114,576,901</u>	<u>\$114,015,991</u>
AGENCY FUNDS		
Cash	\$ 369,036	\$ 400,767
Investments (Note 2)	100,000	100,000
Due from other funds (Note 4)	-0-	8,893
Receivable from Foundation	12,365	13,149
	<u>481,401</u>	<u>522,809</u>
Total agency funds	<u>\$ 481,401</u>	<u>\$ 522,809</u>

See accompanying Notes to Financial Statements.

LIABILITIES AND FUND BALANCES

	Current Year	Prior Year
PLANT FUNDS (Continued)		
Renewals and replacements:		
Fund balance		
Unrestricted	\$ 595,998	\$ -0-
Total renewals and replacements	<u>595,998</u>	<u>-0-</u>
Retirement of indebtedness:		
Fund balance:		
Restricted	3,042,360	3,241,801
Unrestricted	<u>691,355</u>	<u>607,860</u>
Total retirement of indebtedness	<u>3,733,715</u>	<u>3,849,661</u>
Investment in plant:		
Bonds payable (Note 7)	27,510,000	28,695,000
Obligations under capital leases (Note 13)	1,869,278	2,034,523
Net investment in plant	<u>79,091,340</u>	<u>74,989,365</u>
Total investment in plant	<u>108,470,618</u>	<u>105,718,888</u>
Total plant funds	<u>\$114,576,901</u>	<u>\$114,015,991</u>
AGENCY FUNDS		
Due to other funds (Note 4)	\$ 462,172	\$ 50,883
Deposits held in custody for others	19,229	419,797
Fund balance - Unallocated	<u>-0-</u>	<u>52,129</u>
Total agency funds	<u>\$ 481,401</u>	<u>\$ 522,809</u>

MURRAY STATE UNIVERSITY

STATEMENT OF CHANGES IN FUND BALANCES  
For the Year Ended June 30, 1985

	- - - Current Funds - - -	
	Unrestricted	Restricted
<b>REVENUES AND OTHER ADDITIONS</b>		
Unrestricted current funds revenues	\$ 45,696,726	\$ -0-
Government grants and contracts	-0-	4,963,238
Expenditures for plant facilities	-0-	-0-
Retirement of indebtedness	-0-	-0-
Investment earnings	-0-	-0-
Federal and state contributions	-0-	-0-
Other sources	-0-	-0-
Reduction in lease obligations	-0-	-0-
Total revenues and other additions	<u>45,696,726</u>	<u>4,963,238</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Educational and general expenditures	37,160,358	4,880,046
Auxiliary enterprise expenditures	5,352,879	57,658
Loan cancellations and write-offs	-0-	-0-
Administration, collection, litigation costs	-0-	-0-
Expended for plant facilities	-0-	-0-
Retirement of indebtedness	-0-	-0-
Interest on indebtedness	-0-	-0-
Disposals/deletions/transfers among assets	-0-	-0-
Total expenditures and other deductions	<u>42,513,237</u>	<u>4,937,704</u>
<b>TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS)</b>		
Mandatory:		
Principal and interest	( 2,135,107)	-0-
Nonmandatory:		
Transfer from unexpended plant funds to unrestricted current funds	302,978	-0-
Transfer from retirement of indebtedness plant funds to unrestricted current funds	140,000	-0-
Transfer from unexpended plant funds to renewals and replacements plant funds	-0-	-0-
Transfer from unrestricted current funds to renewals and replacements plant funds	( 167,350)	-0-
Transfer from agency funds to unrestricted current funds	52,129	-0-
Total transfers	<u>( 1,807,350)</u>	<u>-0-</u>
Net increase/(decrease) for the year	<u>1,376,139</u>	<u>25,534</u>
Fund balance at beginning of year	<u>3,784,246</u>	<u>112,449</u>
Fund balance at end of year	<u>\$ 5,160,385</u>	<u>\$ 137,983</u>

See accompanying Notes to Financial Statements.

		----- Plant Funds -----				
Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
-0-	-0-	-0-	-0-	-0-	-0-	
-0-	-0-	-0-	-0-	5,221,032	-0-	
-0-	-0-	-0-	-0-	1,185,000	-0-	
91,237	24,534	-0-	324,153	-0-	-0-	
75,283	-0-	-0-	-0-	-0-	-0-	
4,135	213,700	-0-	-0-	-0-	-0-	
-0-	-0-	-0-	-0-	165,245	-0-	
<u>170,655</u>	<u>238,234</u>	<u>-0-</u>	<u>324,153</u>	<u>6,571,277</u>	<u>-0-</u>	
-0-	-0-	-0-	-0-	-0-	-0-	
-0-	-0-	-0-	-0-	-0-	-0-	
78,321	-0-	-0-	-0-	-0-	-0-	
66,382	-0-	-0-	-0-	-0-	-0-	
-0-	2,334,055	-0-	-0-	-0-	-0-	
-0-	-0-	-0-	1,185,000	-0-	-0-	
-0-	-0-	-0-	1,250,206	-0-	-0-	
-0-	-0-	-0-	-0-	2,469,302	-0-	
<u>144,703</u>	<u>2,334,055</u>	<u>-0-</u>	<u>2,435,206</u>	<u>2,469,302</u>	<u>-0-</u>	
-0-	-0-	-0-	2,135,107	-0-	-0-	
-0-	( 302,978)	-0-	-0-	-0-	-0-	
-0-	-0-	-0-	( 140,000)	-0-	-0-	
-0-	( 428,648)	428,648	-0-	-0-	-0-	
-0-	-0-	167,350	-0-	-0-	-0-	
-0-	-0-	-0-	-0-	-0-	( 52,129)	
-0-	( 731,626)	595,998	1,995,107	-0-	( 52,129)	
25,952	( 2,827,447)	595,998	( 115,946)	4,101,975	( 52,129)	
<u>4,372,260</u>	<u>4,447,442</u>	<u>-0-</u>	<u>3,849,661</u>	<u>74,989,365</u>	<u>52,129</u>	
<u>\$ 4,398,212</u>	<u>\$ 1,619,995</u>	<u>\$ 595,998</u>	<u>\$ 3,733,715</u>	<u>\$ 79,091,340</u>	<u>\$ -0-</u>	

MURRAY STATE UNIVERSITY

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,  
AND OTHER CHANGES

For the Year Ended June 30, 1985  
with Comparative Figures at June 30, 1984

REVENUES	Current Year			Prior Year
	Unrestricted	Restricted	Total	
Educational and general:				
Tuition and fees	\$ 9,580,269	\$ -0-	\$ 9,580,269	\$ 8,642,204
Government appropriations	27,519,298	-0-	27,519,298	26,977,142
Government grants and contracts	-0-	4,880,046	4,880,046	4,421,326
Indirect and administrative cost recovery	117,777	-0-	117,777	249,788
Sales and services of educational activities	308,982	-0-	308,982	384,155
Other sources	1,663,090	-0-	1,663,090	1,688,176
Total educational and general	39,189,416	4,880,046	44,069,462	42,362,791
Auxiliary enterprises	6,507,310	57,658	6,564,968	5,762,829
Total revenues	45,696,726	4,937,704	50,634,430	48,125,620

EXPENDITURES AND MANDATORY TRANSFERS

Educational and general:				
Instruction	15,486,352	1,054,063	16,540,415	16,652,372
Research	160,740	187,552	348,292	267,045
Public service	2,243,438	485,741	2,729,179	2,722,996
Libraries	1,478,745	51,237	1,529,982	1,619,631
Academic support	1,674,794	253,447	1,928,241	2,127,574
Student services	3,677,676	109,479	3,787,155	3,409,744
Institutional support	4,635,616	60,865	4,696,481	4,497,764
Operation and maintenance of plant	5,418,913	5,545	5,424,458	5,578,378
Student financial aid	2,384,084	2,672,117	5,056,201	4,445,268
Educational and general expenditures	37,160,358	4,880,046	42,040,404	41,320,772
Mandatory transfers for:				
Principal and interest	1,577,528	-0-	1,577,528	1,604,299
Loan fund matching grant	-0-	-0-	-0-	480
Total educational and general	38,737,886	4,880,046	43,617,932	42,925,551
Auxiliary enterprises:				
Expenditures	5,352,879	57,658	5,410,537	5,122,839
Mandatory transfers for:				
Principal and interest	557,579	-0-	557,579	581,878
Total auxiliary enterprises	5,910,458	57,658	5,968,116	5,704,717
Total expenditures and mandatory transfers	44,648,344	4,937,704	49,586,048	48,630,268

See accompanying Notes to Financial Statements.



MURRAY STATE UNIVERSITY

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,  
AND OTHER CHANGES (Continued)  
For the Year Ended June 30, 1985  
with Comparative Figures at June 30, 1984

OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS)	- - - - - Current Year - - - - -			Prior Year
	Unrestricted	Restricted	Total	
Excess of restricted receipts over transfers to revenues	\$ -0-	\$ 25,534	\$ 25,534	\$ 6,078
Nonmandatory transfers:				
Transfer to plant funds (	167,350)	-0-	( 167,350)	( 2,784,417)
Transfer from plant funds	442,978	-0-	442,978	-0-
Transfer from agency funds	<u>52,129</u>	<u>-0-</u>	<u>52,129</u>	<u>44,862</u>
Net increase (decrease) in fund balance	<u>\$ 1,376,139</u>	<u>\$ 25,534</u>	<u>\$ 1,401,673</u>	<u>(\$ 3,238,125)</u>

See accompanying Notes to Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

#### Accrual basis

The financial statements of Murray State University have been prepared on the accrual basis of accounting except for depreciation accounting as explained in Note 5 to the financial statements. 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 nonmandatory nature for all other cases.

Revenues of Summer School academic terms are reported in the fiscal year in which the programs predominantly fall. Therefore, deferred tuition revenue is not recorded, except when tuition fees are received for academic terms which have not begun at fiscal year end.

#### Fund accounting

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 activities 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, in the accompanying financial statements, funds that have similar characteristics have been combined and reported as four balanced fund groups: current funds, loan funds, plant funds and agency funds. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each 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 be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the University retains control to use in achieving its institutional purposes.

**Note 1. Summary of Significant Accounting Policies (Continued)**

Current funds are used primarily to account for the transactions affecting the general operations of the University. These resources are expendable for performing the primary and support objectives of the University; i.e., instruction, research, operation and maintenance of plant, student aid and auxiliary activities. Restricted gifts, grants, appropriations, 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 expenses.

Loan funds, primarily financed by the Federal government, are used to account for loan programs available to students.

Plant funds are used to account for the transactions relating to investment in University property. They include (1) unexpended plant, (2) renewals and replacements, (3) retirement of indebtedness, and (4) investment in plant subgroups. The unexpended plant subgroup consists of funds to be used for the acquisition and/or construction of physical properties for institutional purposes but unexpended at the reporting date. The renewals and replacements subgroup consists of funds to be expended for renewals and replacements of plant fund assets, including some renewals and replacements of a type not ordinarily capitalized in the investment in plant subgroup. The retirement of indebtedness subgroup consists of funds set aside for debt service reserves and charges, and for retirement of indebtedness on institutional properties. The investment in plant subgroup consists of funds expended for and thus invested in institutional properties and the bond indebtedness incurred to finance plant acquisitions and construction.

Agency funds account for assets held by the University as custodian or fiscal agent for others and used for certain organized activities.

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

**Other significant accounting policies**

The appropriation for the state contribution to teachers retirement is made directly to the Kentucky Teachers Retirement System by the state; however, to reflect the total resources that support the University, \$1,499,998 and \$1,445,042 have been included as both income and expenditures on the affected financial statements of June 30, 1985 and 1984, respectively.

**Note 1. Summary of Significant Accounting Policies (Continued)**

For the year ended June 30, 1985, the University has classified, as current unrestricted funds transactions, revenues and expenditures previously recorded as receipts and disbursements of Agency funds. Refundable deposits, previously classified as a liability of Agency funds, are reflected as a current unrestricted fund liability at June 30, 1985. Additionally, assets and liabilities related to the University's self-insurance fund, which in prior periods were not included in the financial statements, have been presented on the current unrestricted funds balance sheet at June 30, 1985. The financial statements for the year ended June 30, 1984 have been restated to reflect this change. University management is of the opinion that any liabilities associated with the insurance claims through June 30, 1985 will not be materially in excess of available assets at June 30, 1985.

Other significant accounting policies are set forth in the financial statements and accompanying notes.

**Note 2. Investments**

Investments exclusive of physical plant are recorded at cost. Quoted market value of investments (all marketable debt securities) of the funds at June 30 follows:

	1985	1984
Current unrestricted funds	\$ 500,000	\$4,050,000
Retirement of indebtedness fund	3,909,000	3,950,000
Agency funds	100,000	100,000

Investments in current unrestricted and retirement of indebtedness funds consist of U. S. Government securities or certificates of deposit. The agency funds are invested in the pooled investments of Murray State University Foundation, Inc.

**Note 3. Accounts Receivable and Unbilled Charges**

A summary of accounts receivable and unbilled charges at June 30 follows:

	1985	1984
Current unrestricted funds		
Accounts receivable:		
Outside cash sales	\$ 91,159	\$ 41,558
Due from state agencies	-0-	35,421
Murray State University Foundation, Inc.	132,019	75,556
Other receivables	<u>3,281</u>	<u>3,312</u>
	<u>\$226,459</u>	<u>\$155,847</u>

Note 3. Accounts Receivable and Unbilled Charges (Continued)

	1985	1984
Current restricted funds		
Accounts receivable:		
Grants and contracts	<u>\$181,372</u>	<u>\$112,170</u>
Unbilled charges:		
Grants and contracts	<u>\$229,058</u>	<u>\$259,425</u>

Note 4. Interfund Obligations

Amounts due from or to various funds result from interfund borrowings or unremitted transfers and are payable on demand without interest. A summary of transactions resulting in interfund obligations at June 30, 1985 and 1984 follows:

1985

Amounts due from (to) resulting from:

- Transfers from unrestricted to unexpended plant funds for construction projects, etc.
- Transfers from unrestricted to renewals and replacements fund for the establishment of the fund
- Expenditures of current operating funds for unexpended plant funds
- Expenditures of current operating funds for restricted grants and contracts
- Current operating funds deposited into the agency fund account

Reported in the June 30, 1985 accompanying balance sheet as:

- Due from other funds
- Due to other funds

1984

Amounts due from (to) resulting from:

- Transfers from unrestricted to restricted for College Work Study salary matching in excess of requirement
- Transfers from unrestricted to unexpended plant funds for CERR capital outlay (\$428,648); Wilson Hall renovation (\$1,550,000); and laboratory school (BSA) (\$270,000)
- Expenditures of current operating funds for restricted grants and contracts
- Expenditures of current operating funds on behalf of agency funds
- Expenditures of current operating funds for NDSL administrative costs
- Expenditures of agency funds on behalf of current restricted funds for travel advances

Reported in the June 30, 1984 accompanying balance sheet as:

- Due from other funds
- Due to other funds

----- FUND -----					
Current Unrestricted	Current Restricted	Loan	Unexpended Plant	Renewals and Replacements	Agency
(\$ 542,975)	\$ -0-	\$ -0-	\$ 542,975	\$ -0-	\$ -0-
( 595,998)	-0-	-0-	-0-	595,998	-0-
156,575	-0-	-0-	( 156,575)	-0-	-0-
330,467	( 330,467)	-0-	-0-	-0-	-0-
<u>462,172</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 462,172)</u>
<u>(\$ 189,759)</u>	<u>(\$330,467)</u>	<u>\$ -0-</u>	<u>\$ 386,400</u>	<u>\$ 595,998</u>	<u>(\$462,172)</u>
\$ 949,214	\$ -0-	\$ -0-	\$ 542,975	\$ 595,998	\$ -0-
( 1,138,973)	( 330,467)	-0-	( 156,575)	-0-	( 462,172)
<u>(\$ 189,759)</u>	<u>(\$330,467)</u>	<u>\$ -0-</u>	<u>\$ 386,400</u>	<u>\$ 595,998</u>	<u>(\$ 462,172)</u>
\$ 20,942	(\$ 20,942)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
( 2,248,648)	-0-	-0-	2,248,648	-0-	-0-
320,896	( 320,896)	-0-	-0-	-0-	-0-
50,883	-0-	-0-	-0-	-0-	( 50,883)
27,089	-0-	( 27,089)	-0-	-0-	-0-
<u>-0-</u>	<u>( 8,893)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,893</u>
<u>(\$1,828,838)</u>	<u>(\$350,731)</u>	<u>(\$ 27,089)</u>	<u>\$2,248,648</u>	<u>\$ -0-</u>	<u>(\$ 41,990)</u>
\$ 419,810	\$ -0-	\$ -0-	\$2,248,648	\$ -0-	\$ 8,893
( 2,248,648)	( 350,731)	( 27,089)	-0-	-0-	( 50,883)
<u>(\$1,828,838)</u>	<u>(\$350,731)</u>	<u>(\$ 27,089)</u>	<u>\$2,248,648</u>	<u>\$ -0-</u>	<u>(\$ 41,990)</u>

## Note 5. Physical Plant and Equipment

Physical plant and equipment are stated at cost at date of acquisition or at fair value at date of donation in the case of gifts. Depreciation on physical plant and equipment is not recorded.

## Note 6. Current Unrestricted Fund Balance

Internal allocations applicable to the fund balance at June 30, 1985 and 1984 follow:

	1985	1984
Allocated:		
Athletic endowment	\$ 213,192	\$ 235,248
Inventories	406,257	398,317
Encumbrances	196,040	44,989
Change and other cash funds	49,000	49,000
Prior year account balances	1,122,485	567,829
Renovation project balances carried forward	148,492	156,032
Diagnostic lab balances	227,132	271,870
Investment in Foundation bookstore	486,159	-0-
Operating budget of subsequent years	<u>600,000</u>	<u>730,000</u>
Total allocated	3,448,757	2,453,285
Unallocated	<u>1,711,628</u>	<u>1,330,961</u>
Total	<u>\$5,160,385</u>	<u>\$3,784,246</u>

## Note 7. Bonds Payable

The Consolidated Educational Buildings Revenue Bonds, Series A through E and F Refunding, were sold to construct or renovate certain academic and service buildings on campus. The bonds mature in varying amounts through May 1, 2000 with interest payable at rates ranging from 3.0% to 5.875%. Student registration fees are pledged for debt service on these bonds.

Housing and Dining System Revenue Bonds, Series A through L, were sold to construct or renovate certain housing and dining facilities on campus. The bonds mature in varying amounts through September 1, 2008 with interest payable at rates ranging from 2.75% to 3.75%. Revenues from student housing and dining facilities and other auxiliary services as well as student fees are pledged for the retirement of the bonds.

**Note 7. Bonds Payable (Continued)**

A schedule of the mandatory principal and interest payments for the next five fiscal years and later years is presented below:

Year Ending June 30	Consolidated Educational Building Revenue Bonds	Housing and Dining System Revenue Bonds	Total
1986	\$ 1,762,626	\$ 678,563	\$ 2,441,189
1987	1,768,351	671,685	2,440,036
1988	1,766,831	669,469	2,436,300
1989	1,768,414	671,829	2,440,243
1990	1,772,802	668,807	2,441,609
Later years	<u>16,745,644</u>	<u>10,089,776</u>	<u>26,835,420</u>
Total	<u>\$25,584,668</u>	<u>\$13,450,129</u>	<u>\$39,034,797</u>

Reserves of \$1,812,478 and \$706,823 for the consolidated educational sinking fund and the housing and dining sinking fund, respectively, are on deposit with the trustee.

**Note 8. Inventories**

Inventories at June 30, 1985 and 1984 consisted of:

	1985	1984
Central stores - supplies	\$132,862	\$113,899
Central stores - furniture and equipment	109,506	132,780
Food and food service supplies	<u>163,889</u>	<u>151,638</u>
	<u>\$406,257</u>	<u>\$398,317</u>

**Note 9. Employee Benefits**

Employees of the University are covered under one of the two pension plans:

- A. Kentucky Teacher's Retirement System - Under KTRS the employee's contribution is 5.905% of their gross salary, the State contributes 10.335%. The State's contribution is paid directly to the system by the State, but as explained in Note 1, these funds are included in the financial statements of the University.



## Note 9. Employee Benefits (Continued)

- B. Kentucky Employee's Retirement System - Full-time service personnel are covered under KERS and their contribution is 4% of their gross salary and the State's contribution is 7.25%. The State's contribution is funded from the budget of the University and those costs are included in the financial statements of the University.
- C. The University maintains a self-insurance account for employees' health and accident insurance. The University funds the entire plan for all permanent full-time employees and their families. Total funding for the fiscal year ended June 30, 1985 charged to employee benefits was \$1,602,844. At June 30, 1985, \$665,923 was available in the fund for future claims, with balances reflected in the accompanying current unrestricted funds balance sheet. The current unrestricted funds balance sheet at June 30, 1984 has been restated to include assets available to fund future claims of \$311,429 and a self-insurance fund liability of \$311,429. Refer to Note 1 for further explanations.

Other employee benefits paid by the University include tuition and fees of faculty and staff, life insurance, worker's compensation, and unemployment compensation, which, in the aggregate, was approximately \$311,000 and \$250,000 for 1985 and 1984, respectively.

University employees begin to accumulate annual vacation allowance from the initial date of employment. The maximum accumulation of vacation days is that which can be accumulated in one and one-half years. Current fund expenditures for the fiscal year ended June 30, 1985 include \$3,076 for current year increase in accrued compensated absences.

Expenditures for all employee benefits are included as expenditures within the appropriate functional area.

## Note 10. Litigation

The University is a defendant in various lawsuits. The University attorney has advised that at this stage in the various proceedings, the probable outcomes are uncertain. Although collectively claims for damages are significant, management believes individual lawsuits are without merit, or ultimate damages assessed against the University will be insignificant.

## Note 11. Investment in Foundation Bookstore

In September, 1979 the University transferred operation and control of the University Bookstore to Murray State University Foundation, Inc. Inventories, cash funds, and receivables, net of liabilities, totaled \$486,159. These were made available to the Foundation upon transfer. Accordingly, the University reflects this amount as "Investment in Foundation Bookstore" in the accompanying balance sheet at June 30, 1985.

**Note 11. Investment in Foundation Bookstore (Continued)**

Since the operation of the bookstore is, by transfer, a function of the Foundation, the bookstore's results of operations and assets, liabilities, and fund balance are excluded from the accompanying financial statements.

The Murray State University Foundation, Inc. University Bookstore, operating as an autonomous entity, issues its own financial report.

**Note 12. Grants, Contracts, and Other University Funds Administered by the Foundation**

Various grants and contracts awarded by outside agencies to the University, in addition to other University funds, are administered by the Murray State University Foundation, Inc. Receipts under grants and contracts for the fiscal years ended June 30, 1985 and 1984 totaled approximately \$386,000 and \$598,000, respectively. Related expenditures totaled approximately \$433,000 and \$542,000, respectively. These receipts and expenditures, as well as those related to other University funds, have not been included in the accompanying statement of current funds revenues, expenditures, and other changes. Also, any assets, liabilities or fund balances applicable to these grants, contracts and other funds have not been included in the accompanying balance sheet.

Grants awarded to the University by the Department of Education are not assigned to the Murray State University Foundation, Inc. These grants are accounted for and administered by the University.

The Murray State University Foundation, Inc., operating as an autonomous entity, issues its own financial reports.

**Note 13. Leases**

The University leases a telephone system and various items of machinery and equipment. Most leases are written for one year with an annual renewal. The majority of leases are considered to have terms of three to ten years, as it is the intent of the University to renew annually most leases written for one year terms.

Note 13. Leases (Continued)

At June 30, 1985, assets acquired under capital leases totaled \$2,340,983. The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments:

Years ending June 30,	
1986	\$ 395,897
1987	389,725
1988	383,615
1989	377,753
1990	361,275
Thereafter	<u>711,631</u>
Total minimum lease payments	2,619,896
Less: amount representing interest	<u>750,618</u>
Present value of minimum lease payments	<u>\$1,869,278</u>

At June 30, 1984, the present value of minimum lease payments was \$2,034,523, net of \$933,123 interest.

Approximate annual rentals required under operating leases in effect at June 30, 1985 are:

Fiscal year ending June 30,	Amount
1986	\$146,691
1987	114,455
1988	96,843
1989	74,207
1990	38,742
Thereafter	<u>47,921</u>
	<u>\$518,859</u>

Rental expense for fiscal years ended 1985 and 1984 applicable to operating leases was \$150,224 and \$121,962, respectively.

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

911 COLLEGE STREET, P.O. BOX 1196, BOWLING GREEN, KENTUCKY 42102-1196 • (502) 781-0111  
112 SOUTH HIGH STREET, FRANKLIN, KENTUCKY 42134-0527 • (502) 586-8293

To President Kala M. Stroup and  
Board of Regents of  
Murray State University  
Murray, Kentucky

The accompanying Schedules of Grant Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Our examination of the basic financial statements for the year ended June 30, 1985, which are presented on pages 4 through 17 of this report, was made for the purpose of formulating an opinion on those statements taken as a whole. Our examination of the basic financial statements resulted in a disclaimer of opinion because we were unable to apply adequate audit procedures regarding the completeness of information in the financial statements and because of uncertainties. Also, as explained in Note 12 to the financial statements, certain restricted grants and contracts awarded to the University are not included in the financial statements, a departure from generally accepted accounting principles. Accordingly, we express no opinion on the accompanying Schedules of Grant Awards relative to those financial statements.

*James R. Meany & Associates*

December 13, 1985

SCHEDULES OF GRANT AWARDS

MURRAY STATE UNIVERSITY  
 SCHEDULE OF GRANT AWARDS  
 YEAR ENDED JUNE 30, 1985

Grant Name and Grantor Agency	Federal Grant Number
FEDERAL GOVERNMENT AGENCIES	
U. S. Department of Agriculture	
MARC: USDA - SCS	53-5C16-1-55
MARC: USDA - SCS	58-5C16-4-21
MARC: USDA - SCS	*
New crops	58-519B-2-1175
U. S. Army	
84 Fort Campbell	DAKF23-83-0-0030
85 Fort Campbell	DAKF23-83-H-0128
	BPADAKF23-82-0057
	DAKF23-83-D-0030
U. S. Information Agency	
Kenya Exchange	IA-21384-19-G
U. S. Office Education	
Secondary	G008300633
Upward Bound	G008300951
Special Services	G008002982
National Rural Ind. Living Network	G008300149
Program assistance	G008101681
National rural	G008200471
National Rural Ind. Living Network	G008300149
National rural	G008200471
SDIP: Labor Management	G008001251
Upward Bound	G--8300951
Special Services	G008401517
Secondary	G008300633
Upward Bound	G008300951
Support Personnel	G008401376
Teacher incentive	G008400219
Special Services	G008401517
Fullbright study	G008400590
SDIP: Administration	G008001251
SDIP: Research	G008001251
Army Corps of Engineers	
Lake Barkley Water Quality Survey	DACW62-84-C-0085
Fishery Survey	DACW-27-85-R-0042
Environmental Protection Agency	
Lemna toxicity	2CAB639
Corporation for Public Broadcasting	
CPB	*
Women's Training	*
84-86 CPB	*

\* None or not available

SEE ACCOUNTANTS' REPORT

Period of Grant	Grant Award for Project Period	Expenditures During Year Ended June 30, 1985 (Grantor Share Only)
09/01/83 - 08/31/84	\$ 31,000	\$ 6,409
04/01/84 - 04/30/86	40,000	21,331
06/01/85 - 09/30/86	55,000	5,750
01/01/84 - 09/30/84	19,133	7,825
01/01/84 - 12/31/84	376,723	125,016
01/01/85 - 12/31/85	45,000	278,224
01/01/85 - 12/31/85	7,500	
01/01/85 - 12/31/85	385,000	
08/01/84 - 07/31/87	49,900	3,334
06/01/83 - 05/31/84	73,925	5,155
07/01/83 - 06/30/84	161,943	10,382
07/01/83 - 06/30/84	64,051	4,641
03/01/83 - 02/28/84	200,000	13,780
06/01/83 - 05/31/84	64,219	*
06/01/82 - 05/31/85	118,900	4,043
03/01/84 - 02/28/85	200,000	49,725
06/01/84 - 05/31/85	118,900	34,921
07/01/80 - 06/30/83	401,000	*
07/01/84 - 06/30/85	167,108	151,596
07/01/84 - 06/30/85	78,000	72,808
06/01/84 - 05/31/85	67,000	58,228
07/01/85 - 06/30/86	174,628	16,762
06/01/84 - 05/31/85	54,423	47,004
11/01/84 - 12/31/85	19,453	6,024
07/01/85 - 06/30/86	81,510	*
07/01/84 - 06/30/85	40,000	( 7,355)
07/01/80 - 06/30/83	401,000	*
07/01/80 - 06/30/83	*	*
08/22/84 - 01/31/85	9,616	16,231
07/11/85 - 06/28/86	*	*
05/01/82 - 04/30/85	61,682	9,212
10/01/83 - 09/30/84	37,062	15,588
02/01/82 - 01/31/83	7,279	*
10/01/84 - 09/30/86	75,086	53,856

MURRAY STATE UNIVERSITY  
 SCHEDULE OF GRANT AWARDS (continued)  
 YEAR ENDED JUNE 30, 1985

Grant Name and Grantor Agency	Federal Grant Number
FEDERAL GOVERNMENT AGENCIES (continued)	
NASA	
Geological applications	NAGW447
MARC: University of Illinois	None
XRF of Wear Metals	NCC1-92
National Endowment for the Arts	
NEA visiting artists	32-4148-00186
NEA visiting artists	42-4142-0191
National Science Foundation	
Ecological infusion	TEI-8550005
NSF CSI 8551332	CSI-8551332
Tennessee Valley Authority	
TVA intern: Fairbanks	TV63971A
TVA intern: Sickle	TV644754
TVA intern: Sickle	TV65342A
TVA intern: Hassell	TV63912A
TVA intern: Wilson	TV63637A
TVA intern: Gore	TV63911A
TVA intern: Wilburn	TV63914A
Computer Energy Education	TV64004A
Farmland	TV64731A
TVA intern: Johnson	TV65751A
TVA intern: Fairbanks	TV65783A
Water Safety Van	TV64585A
TVA intern: Wilson	TV64980A
TVA intern: Cartwright	TV63905A
TVA intern: Wilson	TV74982A
	TV65756A
MACR: Grouse Habitat	*
TVA intern: Wilson	TV64981A
	TV65754A
Powerswitch	TV66980A
TVA intern: McGaughey	TV66717A
TVA intern: Hassell	TV66718A
TVA intern: Gore	TV66769A
TVA intern: Cartwright	TV66768A
Energy sourcebook	TV66173A
Comp energy	TV66514A
Environmental education network	TV65480A
Municipal sludge	TV62007A
Archaeology TVA62216A	TV62216A

\* None or not available

SEE ACCOUNTANTS' REPORT



Period of Grant	Grant Award for Project Period	Expenditures During Year Ended June 30, 1985 (Grantor Share Only)
03/15/83 - 03/14/83	\$ 10,000	\$ 2,485
01/01/85 - 12/31/85	2,500	1,200
01/15/85 - 01/14/86	25,000	13,677
09/01/83 - 12/01/84	5,000	*
09/01/84 - 12/01/85	578,000	4,378
02/01/85 - 07/31/86	60,549	11,500
06/01/85 - 11/30/87	22,759	*
05/14/84 - 12/30/84	2,145	1,300
07/02/84 - 09/28/84	845	845
10/01/84 - 12/14/84	715	715
05/14/84 - 08/18/84	1,820	910
01/23/84 - 05/04/84	975	*
05/28/84 - 08/10/84	715	390
05/28/84 - 08/17/84	780	455
03/15/84 - 09/30/84	4,000	3,982
07/01/84 - 09/30/84	34,700	33,003
01/14/85 - 04/26/85	910	910
01/14/85 - 05/10/85	1,105	1,105
08/02/84 - 12/31/84	2,000	2,906
08/27/84 - 12/21/84	2,405	2,405
05/28/84 - 08/17/84	780	455
08/27/84 - 12/21/84	1,105	*
01/10/85 - 05/27/85	1,300	2,405
*	*	*
08/27/84 - 12/21/84	1,105	*
01/10/84 - 05/27/85	1,300	2,405
05/01/85 - 09/30/85	208,965	*
05/13/85 - 08/16/85	910	455
05/13/85 - 08/16/85	1,820	910
06/03/85 - 08/23/85	845	195
05/27/85 - 08/16/85	780	*
12/10/84 - 09/30/85	11,000	2,325
05/01/85 - 10/31/85	9,800	5,924
10/01/84 - 09/30/85	5,000	2,341
09/01/83 - 08/31/86	24,000	11,100
08/15/83 - 09/30/84	22,000	45

MURRAY STATE UNIVERSITY

SCHEDULE OF GRANT AWARDS (continued)  
YEAR ENDED JUNE 30, 1985

Grant Name and Grantor Agency	Federal Grant Number
FEDERAL GOVERNMENT AGENCIES (Continued)	
VISTA	
Vista volunteer	KY-01-157-4
Small Business Administration	
West Ky. Small Business Dev. Center	UKRF U4179-84-16
STATE AGENCIES	
Ky. Dept. of Agriculture	
Ag. information radio	*
Ky. Dept. of Education	
82-83 ABE training	V00156885
JTPA adult literacy	MS83-84-2425
83-84 Learning center	V00156885
Computer-aided design workshop	*
ABE training and adult HS diploma prgm.	*
84-85 JTPA adult literacy program	*
84 Learning center mini grant	*
84-85 Learning center	*
Eastern Ky. rehab. center	*
Beginning teacher interns T-2	M/A 6299
Beginning teacher interns T-3	M/A 6298
Gifted and talented procedures	*
Project typists	X99840093F
1984-85 Voc. grants	
Lyons, P.	A184CB010S
Carr, A.	A18514020S
Lyons, P.	A187CB030S
Lyons, P.	A189CB010S
Lyons, P.	A18J41012F
Burgess, R.	A18629022F
Nichols, P.	A189H0012F
Krizan, B.	A18880013F
Lyons, P.	A18880023F
McNeary, P.	A18880033F
Winters, K.	A188800013F
Adelman, F.	A188800013F
Adelman, F.	A188800013F
Groppel, S.	A188800013F
Payne, J.	A188800013F

\* None or not available  
(1) No certain amount

SEE ACCOUNTANTS' REPORT

Period of Grant	Grant Award for Project Period	Expenditures During Year Ended June 30, 1985 (Grantor Share Only)
12/01/84 - 09/30/85	\$ 1,000	\$ 998
09/30/84 - 09/29/85	75,785	67,753
08/01/81 - 08/31/82	25,000	10,373
07/01/83 - 09/30/84	51,000	5,951
02/01/84 - 06/30/84	2,805	339
08/01/83 - 06/30/84	85,226	758
05/15/84 - 06/02/84	1,000	990
10/01/84 - 12/31/84	12,410	10,021
07/01/84 - 06/30/85	16,489	16,246
07/01/84 - 06/30/85	4,041	3,512
08/01/84 - 06/30/85	80,867	78,464
01/01/85 - 09/30/85	1,738.50	580
06/02/85 - 09/01/85	11,300	1,058
06/08/85 - 10/01/85	32,000	1,042
04/01/85 - 06/15/85	5,600	6,137
07/01/83 - 06/30/84	24,422	19,790
07/01/84 - 06/30/85	15,400	15,400
07/01/84 - 06/30/85	25,000	25,000
07/01/84 - 06/30/85	25,000	25,000
07/01/84 - 06/30/85	20,000	20,000
07/01/84 - 06/30/85	5,734	5,734
07/01/84 - 06/30/85	2,226	2,226
07/01/84 - 06/30/85	1,223	1,223
07/01/84 - 06/30/85	22,400	17,980
07/01/84 - 06/30/85	3,100	3,100
07/01/84 - 06/30/85	3,300	3,300
07/01/84 - 06/30/85	1,290	1,290
07/01/84 - 06/30/85	16,000	16,000
07/01/84 - 06/30/85	2,000	2,000
07/01/84 - 06/30/85	4,350	4,350
07/01/84 - 06/30/85	2,200	2,123

MURRAY STATE UNIVERSITY  
 SCHEDULE OF GRANT AWARDS (continued)  
 YEAR ENDED JUNE 30, 1985

Grant Name and Grantor Agency	Federal Grant Number
STATE AGENCIES (continued)	
Jacks, L.	A188800013F
Jacks, L.	A188800013F
Harcourt, J.	A188800013F
Harcourt, J.	A188800013F
McNeary, P.	A188DT013F
McNeary, P.	A188DT013F
Jacks, L.	A188DT013F
McNeary, P.	A188HT013F
McNeary, P.	A188HT013F
Jacks, L.	A188HT013F
Ky. Dept. of Energy	
83-84 Energy conservation consortium	M/A 5352
84-85 Energy consortium	M/A 5790
84-85 On line energy	M/A 5822
Ky. Dept. of Fish and Wildlife	
Trotline fisheries	*
Lead and steel shot	*
Net fishery survey	*
Ky. Dept. of Labor	
Labor relations	*
Ky. Dept. of Local Government	
Governor's outdoor recreation study	*
Ky. Dept. of Natural Resources	
Morton's Gap	*
Ky. Arts Council	
WKMS Studio talk	M-137 84-85
Ky. Division of Water	
Ky. water awareness	*
Ky. Higher Education Association	
84-85 Commonwealth workstudy	*
Ky. Historical Society	
Test excavation on the public square	*
Ky. Humanities Council	
Summer Seminar	KHC81G251
Historical Curriculum Development	KHC81G287
Wickliffe Mounds	KHC84G99
Ky. Information Systems	
Microcomputer literacy training course	*
Ky. Real Estate Commission	
Real Estate	*

\* None or not available  
 (1) No fixed date of expiration

SEE ACCOUNTANTS' REPORT

Period of Grant	Grant Award for Project Period	Expenditures During Year Ended June 30, 1985 (Grantor Share Only)
07/01/84 - 06/30/85	\$ 1,300	\$ 1,234
07/01/84 - 06/30/85	5,000	4,802
07/01/84 - 06/30/85	2,000	2,000
07/01/84 - 06/30/85	3,600	4,273
07/01/84 - 06/30/85	4,496	4,496
07/01/84 - 06/30/85	3,990	3,990
07/01/85 - 06/30/85	3,870	3,665
07/01/84 - 06/30/85	2,231	2,231
07/01/84 - 06/30/85	1,994	1,994
07/01/84 - 06/30/85	3,675	3,592
07/01/84 - 06/30/85	45,246	1,174
07/01/84 - 06/30/85	45,632	40,773
07/01/84 - 06/30/85	20,410	16,440
10/01/83 - 03/01/85	26,667	15,818
08/01/83 - 06/30/85	28,177	10,438
01/01/85 - 06/30/86	30,000	727
11/01/82 - 06/30/83	15,000	178
05/01/84 - 07/31/84	20,000	17,786
10/01/84 - 12/31/85	85,064	25,893
07/01/84 - 06/30/85	1,000	1,000
02/01/85 - 05/31/85	15,700	15,700
05/01/84 - 06/30/85	54,868	17,704
04/17/84 - 09/30/84	6,323	5,419
09/01/83 - 12/31/84	25,650	9,103
01/01/84 - 09/30/84	4,985	358
05/01/85 - 12/31/85	1,960	1,324
11/01/84 - (1)	4,200	4,019
07/01/84 - 06/30/85	33,236	24,439

MURRAY STATE UNIVERSITY  
 SCHEDULE OF GRANT AWARDS (continued)  
 YEAR ENDED JUNE 30, 1985

Grant Name and Grantor Agency	Federal Grant Number
STATE AGENCIES (continued)	
Tennessee Dept. of Wildlife Commercial fishery and resource survey	*
University of Kentucky 83-84 West Ky. Small Business Dev. Ctr.	UKRF-U4179-84-16
PRIVATE AGENCIES	
American Chemical Society Project seed	*
City of Hopkinsville, Ky. MARC: Hopkinsville	*
Miscellaneous Training services	*
International film festival	*
Clinical services	*
National Colegiate Athletic Association 1984 National youth sports program	*
1985 National youth sports program	*
Research Foundation ZR Reagents	*
University of California Bay area writing project	54972-6

\* None or not available  
 (1) No fixed date of expiration

SEE ACCOUNTANTS' REPORT

Period of Grant	Grant Award for Project Period	Expenditures During Year Ended June 30, 1985 (Grantor Share Only)
01/01/85 - 06/30/85	\$ 20,000	\$ 16,300
09/30/83 - 09/20/84	65,841	35,913
05/10/85 - 08/31/85	1,120	660
07/01/84 - 09/30/84	16,920	14,276
07/01/84 - 06/30/85	8,953	3,675 1,903 5,337
07/02/84 - 08/03/84	37,500	37,638
04/01/85 - 08/03/85	38,500	514
06/01/83 - (1)	6,700	740
05/01/80 - 12/31/84	15,000	<u>5,018</u>
		<u>\$1,852,498</u>

MURRAY STATE UNIVERSITY  
 SCHEDULE OF GRANT AWARDS  
 YEAR ENDED JUNE 30, 1984

Grant Name and Grantor Agency	Federal Grant Number
FEDERAL GOVERNMENT AGENCIES	
U. S. Department of Agriculture New crops	58-598-2-1175
U. S. Department of Agriculture (Soil Conservation Service) MARC: USDA: SCS #3 1984-85 MARC: USDA: SCS	58-5C16-4-21 *
U. S. Army Ft. Campbell	DAK-F23-82H-0181 DAKF2383D 0030 DAKF238300030 BPADAKF83820057 DAKF2383H0128 DAKF238D0030 BPAAKF23820057 DAKF23-83H012B
1984 Ft. Campbell Center	
Corporation for Public Broadcasting 1982 - 83 CPB 1983 - 84 CPB	CPB 5231-50023-03250 CPB 5231-50024-03250
U. S. Office of Education Secondary Upward Bound Special services Upward Bound Secondary Nat'l Rural Ind. Living Network Program Assistance National Rural Nat'l rural Ind. Living Network National Rural Fullbright-Hayes Group Study Abroad Library Resources SDIP: Institutional Research	G008300633 G008300951 G008002982 G008300951 G008300633 G008000149 G008101681 G008200471 G008300149 G008200471 G008400590 G008150889 G008001251
U. S. Office of Educ. (Office of Rehab Services) Rehabilitation	G048100026
Environmental Protection Agency Lemna Toxicity	R809946-01-0
U. S. Department of HEW (Public Health Service) Rural Clinicians	5D23NU00152-03
U. S. Department of Health and Human Services Age and memory	1 R23AGO2434-01A1

\* None or not available

SEE ACCOUNTANTS' REPORT



Period of Grant	Grant Award for Project Period	Expenditures During Year Ended June 30, 1984 (Grantor Share Only)
01/01/84 - 09/30/84	\$ 35,000	\$ 8,488
04/01/84 - 03/31/85	40,000	7,987
09/01/83 - 08/31/84	31,000	22,136
07/01/82 - 06/30/83	145,125	
07/01/82 - 06/30/83	184,420	
07/01/83 - 12/31/83	<u>144,705</u>	122,843
01/01/84 - 12/31/84	360,000	
	10,136	
	<u>64,000</u>	251,707
10/01/82 - 09/30/84	58,768	10,889
10/01/83 - 09/30/85	56,376	23,819
06/01/83 - 05/31/84	67,000	59,496
07/01/83 - 06/30/84	161,943	150,811
07/01/83 - 06/30/84	64,051	59,353
07/01/84 - 06/30/85	167,108	4,250
06/01/84 - 05/31/85	67,000	826
03/01/83 - 02/28/84	200,000	121,024
06/01/83 - 05/31/84	64,219	59,140
06/01/83 - 05/31/84	118,900	108,268
03/01/84 - 02/28/85	200,000	31,891
06/01/84 - 05/31/85	118,900	9,460
04/01/84 - 09/15/84	4,000	38,909
10/01/81 - 09/30/82	1,200	( 124)
07/01/80 - 06/30/83	60,785	116
09/01/81 - 08/31/82	1,790	163
05/17/82 - 12/31/84	61,682	16,652
08/01/82 - 07/31/83	139,789	2,867
06/01/82 - 05/31/83	34,469	9,226

MURRAY STATE UNIVERSITY

SCHEDULE OF GRANT AWARDS (Continued)  
YEAR ENDED JUNE 30, 1984

Grant Name and Grantor Agency	Federal Grant Number
FEDERAL GOVERNMENT AGENCIES (Continued)	
NASA	
Geological Applications of Radar Data for Terrestrial Planets	NAGW-447
National Endowment for the Arts	
NEA Artists Forum	22-4148-216
NEA Artists Forum	32-4148-0186
National Science Foundation	
NSF Equipment - Robertson	SER 8162852
NSF - Bridwell	INT 8302370
Project Cause	SER 8005298
Tennessee Valley Authority	
TVA Interns:	
McGaughey	TV 62178A
Timmons	TV 62868A
White	TV 62888A
Fairbanks	TV 63971A
Hassell	TV 63912A
Wilson	TV 62282A
Wilson	TV 63637A
Gore	TV 63911A
Wilburn	TV 63914A
Cartwright	TV 63905A
Tennessee Valley Authority	
Land Application of Municipal Sewage Sludge	TV 62007A
Archaeology	TVA62216A
TVA Computer Workshops	TV 63244A

STATE AND FEDERAL AGENCIES

Ky. Dept. of Agriculture (U. S. Dept. of Agriculture)	
1982-83 Agriculture Information Radio	*
Ky. Dept. of Education - Director of Adult Education (U. S. Dept. of Ed.)	
1983-84 Adult Basic Training Project	*

STATE AGENCIES

Small Business Administration; University of KY; MSU	
West. Ky. Small Business Development Program	UKRF-UH136-82-10
1982-83 West. Ky. Small Business Development Center	UKRF-156-83-06
1983-84 West. Ky. Small Business Development Center	UKRF-179-84-16

\* None or not available

SEE ACCOUNTANTS' REPORT

Period of Grant	Grant Award for Project Period	Expenditures During Year Ended June 30, 1984 (Grantor Share Only)
03/15/82 - 03/14/83	\$ 10,000	\$ 7,256
09/01/82 - 05/01/83	5,000	( 1,215)
09/01/83 - 12/01/84	5,000	3,581
10/15/81 - 10/31/84	15,295	7,647
05/10/83 - 10/31/84	3,400	3,400
05/01/80 - 10/31/83	250,000	41,264
08/22/83 - 12/16/83	1,105	1,105
10/01/83 - 12/31/83	845	845
01/23/84 - 05/18/84	975	975
03/12/84 - 12/30/84	2,730	1,040
05/14/84 - 08/18/84	1,820	910
08/29/83 - 12/23/83	1,105	1,105
01/23/84 - 05/18/84	1,105	1,105
05/28/84 - 08/10/84	715	325
05/28/84 - 08/17/84	780	325
05/28/84 - 08/17/84	780	325
09/01/83 - 08/31/86	24,000	2,411
08/15/83 - 09/30/84	22,000	21,483
01/27/84 - 02/18/84	1,000	1,000
10/05/82 - 09/30/83	25,000	13,153
07/01/83 - 09/30/84	53,000	47,238
10/01/81 - 09/30/82	20,400	38
10/01/82 - 09/30/83	98,347	23,223
09/30/83 - 09/29/84	134,415	90,377

MURRAY STATE UNIVERSITY

SCHEDULE OF GRANT AWARDS (Continued)  
YEAR ENDED JUNE 30, 1984

Grant Name and Grantor Agency	Federal Grant Number
STATE AGENCIES (continued)	
Western Ky. University	
Egypt experience	*
Various	
Industry and Technology Training Services	*
Department of Human Resources	
Home Energy Assistance Program	5183-84108020080
Ky. Humanities Council	
"Local and Community History Project"	KHC 81G11
History and Social Studies Teachers	KHC 81G130
What's a University For?	KHC 81G176
TVA Past, Present, Future	KHC 81G247
African Arts	KHC 81G264
Summer Seminar the Rural Tradition in American Lit.	81 G 251
Curriculum Dev. in Ky. Prehistory Background Material	KHC 81G287
Ky. Department of Labor	
Labor Relations Studies	*
Ky. Department of Local Government	
Governor's Outdoor Recreation Study	*
Ky. Department of Natural Resources	
Ky. Department of Natural Resources	01-4-07-003-104 BA
Ky. Real Estate Commission	
Real estate	*
Ky. Department of Agriculture	
Crambe Development	*
MARC Soil Loss Study	M/A3762
Ky. Arts Council	
Martha Bowers Dance Theatre	*
Ky. Dept. of Education Division of Adult Education	
1983-84 Adult Basic Education Learning Center	V00156885 Project #306 MS-83-84-2425
JTPA Adult Literacy Program	
Ky. Department of Education, Bureau of Vocational Education	
Fire and Natural Gas Training	A189890105
Voc. Ed. - Adeleman	A18800073F
Voc. Ed. - Nichols	A189H0012F
Voc. Ed. - Winters	A1880013F
Voc. Ed. - Adeleman	A18800023F
Voc. Ed. - Kruger	A18800033F
Voc. Ed. - Payne	A18800043F
Voc. Ed. - Payne	A18800053F
Voc. Ed. - Jacks	A18800063F

\* None or not available  
(1) No certain amount

SEE ACCOUNTANTS' REPORT

Period of Grant	Grant Award for Project Period	Expenditures During Year Ended June 30, 1984 (Grantor Share Only)
07/01/82 - 06/30/83	\$ 1,660	\$ 140
07/01/82 - 06/30/83	(1)	7,830
09/26/83 - 12/31/83	64,000	48,449
05/01/82 - 05/31/83	16,825	( 1,696)
07/01/82 - 11/30/82	592	68
01/01/83 - 04/30/83	1,687	( 87)
08/12/83 - 10/31/83	1,025	835
08/01/83 - 01/31/84	3,399	2,092
09/01/83 - 12/31/84	25,000	14,758
01/01/84 - 09/30/84	4,985	4,280
11/10/82 - 06/30/83	15,000	1,869
05/01/84 - 07/31/84	20,000	2,214
05/01/80 - 12/31/80	10,000	363
07/01/83 - 06/30/84	18,375	25,974
03/01/81 - 07/31/81	6,000	( 382)
07/01/81 - 06/30/82	10,000	962
03/20/83 - 03/27/83	2,500	53
08/01/83 - 06/30/84	85,226	82,366
02/01/84 - 06/30/84	2,805	2,057
07/01/82 - 06/30/83	23,392	( 3,109)
07/01/82 - 06/30/83	2,800	( 7,280)
07/01/82 - 06/30/83	8,025	385
07/01/83 - 06/30/84	1,290	1,290
07/01/83 - 06/30/84	19,000	19,000
07/01/83 - 06/30/84	3,500	3,500
07/01/83 - 06/30/84	2,600	2,668
07/01/83 - 06/30/84	1,900	1,898
07/01/83 - 06/30/84	8,875	8,872

MURRAY STATE UNIVERSITY  
 SCHEDULE OF GRANT AWARDS (Continued)  
 YEAR ENDED JUNE 30, 1984

Grant Name and Grantor Agency	Federal Grant Number
STATE AGENCIES (continued)	
Ky. Department of Education, Bureau of Vocational Education (Cont.)	
Voc. Ed. - Harcourt	A18800078F
Voc. Ed. - Harcourt	A18800083F
Voc. Ed. - McNeary	A1880T013F
Voc. Ed. - McNeary	A188DT023F
Voc. Ed. - Jacks	A188DT033F
Voc. Ed. - Chapman	A188DT043F
Voc. Ed. - McNeary	A188HT013F
Voc. Ed. - McNeary	A188HT023F
Voc. Ed. - Jacks	A188HT033F
Voc. Ed. - Lyons	A18989010S
Voc. Ed. - Burgess	A18729012F
Handicapped Operators Project	A189H0012F
Project Typist	X99840093F
Voc. Technical Schools Computer Lab Site Visits	X99880033F
Advisory Committee Council Effectiveness Improvement Project	X99880043F
Voc. Ed. Advisory Committee Council Effectiveness Improvement	X04040411F
Ky. Department of Energy	
Energy Management Assistance Program	DE-FG-44-80CS-69099- M/A 4273
1982-83 Energy Conservation Consortium	M/A 4659
1983-84 Energy Management Assistance Program	M/A 5312
Energy Mgt. Assistance Program II	DE F64480CS69
Energy Conservation Consortium	M/A 5352
On-Line Energy Education	M/A 5578
Ky. Dept. of Fish and Wildlife Resources	
Incidence of Lead and Steel Shot in Ballard County, Kentucky	*
Trotline Fisheries Survey; Sections of Ky. and Barkley	*
Ky. Heritage Commission	
MARC Heritage	21-11695
Archaeology Heritage	21-12177-F
Ky. Historical Society	
Archaeology Mine Course	*
Test Excavations on the Public Square	*

\* None or not available  
 (2) No fixed date of expiration

SEE ACCOUNTANTS' REPORT

Period of Grant	Grant Award for Project Period	Expenditures During Year Ended June 30, 1984 (Grantor Share Only)
07/01/83 - 06/30/84	\$ 4,300	\$ 4,062
07/01/83 - 06/30/84	3,000	2,758
07/01/83 - 06/30/84	4,496	4,496
07/01/83 - 06/30/84	1,994	1,989
07/01/83 - 06/30/84	2,900	2,900
07/01/83 - 06/30/84	1,825	1,640
07/01/83 - 06/30/84	2,231	2,231
07/01/83 - 06/30/84	3,990	3,990
07/01/83 - 06/30/84	2,770	2,770
07/01/83 - 06/30/84	15,996	15,996
07/01/83 - 06/30/84	8,392	8,425
07/01/83 - 06/30/84	4,556	3,233
01/01/84 - 06/30/84	3,675	4,602
03/01/84 - 06/30/84	1,000	763
04/01/84 - 06/30/84	2,854	2,854
04/01/84 - 06/30/84	797	797
04/01/84 - 06/30/84	1,210	1,209
01/01/82 - 06/30/83	32,107	160
07/01/82 - 06/30/83	50,000	400
07/01/83 - 12/31/83	13,000	6,709
01/01/84 - 03/31/84	6,000	3,428
07/01/83 - 12/31/83	45,246	42,159
07/01/83 - 06/30/84	14,800	11,853
08/01/83 - 06/30/85	28,177	9,928
10/01/83 - (2)	26,667	8,874
02/15/81 - 02/15/82	20,000	5,534
01/01/82 - 09/30/82	26,000	10,971
07/01/82 - 06/30/83	2,505	1,375
04/17/84 - 09/30/84	7,452	2,033

MURRAY STATE UNIVERSITY  
SCHEDULE OF GRANT AWARDS (continued)  
YEAR ENDED JUNE 30, 1984

Grant Name and Grantor Agency	Federal Grant Number
PRIVATE GRANTS	
General Tire and Rubber Company Productivity Improvement	*
National Collegiate Athletic Association 1984 National Youth Sports Program	84079A
Paducah City Schools Specific Language Disability Seminar	*
Research Corporation ZR Reagents	10119
University of California Bay Area Writing Project	54972-6

- \* None or not available
- (1) No fixed date of expiration

SEE ACCOUNTANTS' REPORT



Period of Grant	Grant Award for Project Period	Expenditures During Year Ended June 30, 1984 (Grantor Share Only)
10/03/83 - (1)	\$ 1,000	\$ 724
07/02/84 - 08/03/84	37,500	685
12/71/82 - 03/31/83	3,617	2,172
06/01/83 - (1)	6,700	3,651
05/31/84 - 12/31/84	5,000	<u>92</u>
		<u>\$1,783,945</u>

## MURRAY STATE UNIVERSITY

### NOTE TO SCHEDULES OF GRANT AWARDS

The accompanying Schedules of Grant Awards (the Schedules) have been prepared in a format approved by Mr. Brian Koon, A-110 Audit Coordinator, of the Department of Health and Human Services in a letter dated September 25, 1984. The purpose of the Schedules is to present a summary of those activities of Murray State University for the years ended June 30, 1985 and 1984 which have been financed by Federal government agencies, state government agencies and other private sources. Due to the difficulty in determining if Federal funds are included in the grants received from state government agencies and private sources, the University has elected to include all grants within the scope of the A-110 audit report except for the National Direct Student Loan Program, Pell Grant Program, SEOG Grant Program, College Work-Study Program, and grants assigned to the Murray State University Foundation, Inc. Separate audits were conducted and reports issued which included student financial aid programs. The Murray State University Foundation, Inc. issues its own financial statements. Because the Schedules present only a selected portion of the activities of Murray State University, they are not intended to and do not present the financial position, changes in fund balances or the current funds revenues, expenditures and other changes of Murray State University.

The accounting principles followed by Murray State University and used in preparing the Schedules are as follows:

Deductions (expenditures) for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the U. S. Office of Management and Budget (OMB) Circular No. A-21, Cost Principles for Educational Institutions. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general University activities (indirect costs) which are allocated to Federal awards under negotiated formulas commonly referred to as indirect cost rates. Indirect costs and related revenues applicable to these cost recoveries are classified as unrestricted expenditures and revenues of the general purpose financial statements.

Negative expenditures reported under the columns "Expenditures During Year Ended June 30, 1985 (Grantor Share Only)" and "Expenditures During Year Ended June 30, 1984 (Grantor Share Only)" occurred due to the University's matching share being deducted from grant expenditures after the grant period ended.

Total expenditures on the Schedules of Grant Awards were reconciled to the general purpose financial statements of Murray State University with no material exceptions noted.

SEE ACCOUNTANTS' REPORT

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

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112 SOUTH HIGH STREET, FRANKLIN, KENTUCKY 42134-0527 • (502) 586-8293**INTERNAL ACCOUNTING CONTROL****AUDITOR'S REPORT  
ON INTERNAL ACCOUNTING CONTROL**

To President Kala M. Stroup  
and Board of Regents  
Murray State University  
Murray, Kentucky

We have examined the balance sheet of Murray State University as of June 30, 1985 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended and have issued our disclaimer of report thereon dated December 13, 1985. As part of our examination, we made a study and evaluation of the system of internal accounting control of Murray State University to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U. S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions (1981 Revision). For the purpose of this report, we have classified the significant internal accounting controls into the following categories.

- Cash receipts/revenue cycle
- Purchasing/non-payroll expenditures cycle
- Payroll cycle

Our study included gaining an understanding of the internal accounting controls of the above control categories. Our evaluation included testing in the control categories except that we did not perform compliance testing in the cash receipts and revenue cycle. In this cycle, substantive testing was a more efficient audit approach. The purpose of our study and evaluation was to determine the nature, timing and extent of auditing procedures necessary for expressing an opinion on the University's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of Murray State University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

President Kala M. Stroup  
and Board of Regents  
Page Two

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Murray State University taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed conditions that we believe (1) result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Murray State University may occur and not be detected within a timely period or (2) indicates an extent of compliance with regulatory directives less than expected or required. These conditions were communicated to management of Murray State University most recently in a separate letter dated December 13, 1985. To the extent these conditions impact compliance with OMB Circular No. A-110 or other applicable directives, they are addressed elsewhere in this report. These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the 1985 basic financial statements of Murray State University.

This report is intended solely for the use of Murray State University, the cognizant Federal agency and other Federal agencies, and should not be used for any other purpose.

*James R. Many & Associates*

December 13, 1985

## FINDINGS AND RECOMMENDATIONS - INTERNAL ACCOUNTING CONTROLS

### Grant Administration

During the period July 1, 1983 to June 30, 1985, the University's administrative alignment of responsibilities over grants and contracts had characteristics which could affect vulnerability to disallowance of expenditures. Substantially all control of the use of grant funds has historically been vested in project directors. There were no formal procedures requiring an independent review of grant transactions to ensure conformity with grant provisions and regulations applicable to the use of Federal funds.

One of management's responsibilities is to create an environment conducive to the achievement of internal accounting control objectives. The environment should be characterized by an awareness of the presence of controls, the attitude of the people involved in the control process, and the discipline within the University. Although it is difficult to measure attitude and discipline, awareness cannot exist in the absence of well documented and effectively functioning administrative controls.

During the period the responsibility for ensuring conformity with regulatory and other standards was not fixed at Murray State University, but generally rested with individual project directors. This decentralization of responsibility and delegation to individuals not familiar with Federal regulations and/or lacking in financial expertise constituted absence of a monitoring function and increased the risk unallowable costs were processed for payment from grant awards.

Some routine responsibility was assigned to clerical personnel in processing documents for payment. In addition, the University's procurement standards are adequate to provide reasonable assurance that materials and services are obtained in compliance with applicable general directives. However, a project director's signature of approval usually constituted the only evidence of the reasonableness, allowability, and allocability of an expenditure. There were no procedures designed to ascertain conformity with terms of the grant or other agreement. Also, an organization-wide testing of the fiscal integrity of financial transactions, as well as compliance with terms and conditions of grants and other agreements, could not be performed since accounting records supported by source documentation were not always available. Some grant or contract agreements, initially maintained by project directors, could not be located for the auditors.

The administrative management of Federal funds resulting from grants and contracts awarded to the University should be governed by well-defined, clear and written policies and procedures that identify steps required in executing transactions, by whom transactions are authorized, and what policies ensure the authorization is in accordance with management's directives. Source documentation in support of expenditure and receipt of grant funds should be maintained.

### Other Areas

The responsibility to monitor expenditures to ensure the University has cost-shared correctly is assumed only by the project director. Procedures should be established to compare actual expenditures to planned cost-sharing. The University should develop methods to accumulate cost-sharing information during the project period.

## INSTITUTION'S COMMENTS

We concur with the finding and recommendations related to Internal Accounting Controls. The responsibility for approving the disbursement of grant and contract funds remains that of the project director or principal investigator. We have initiated procedures whereby all disbursement requests are then reviewed by the personnel in the Accounting and Finance Department for reasonableness and allowability under the provisions of the grant or contract. Transactions are also reviewed and approved in accordance with the University's general procurement policies and procedures.

The Accounting and Finance Department now has agreements and other needed reference material related to all grants and contracts and has initiated procedures to ensure that agreements are obtained for all new projects. This department is also developing written policies and procedures related to the administration of grants and contracts to ensure compliance with the individual agreements and other regulatory guidelines and standards.

This department has also initiated procedures to ensure that all University contributions to sponsored projects (cost-sharing) are adequately documented and accounted for.

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

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112 SOUTH HIGH STREET, FRANKLIN, KENTUCKY 42134-0527 • (502) 586-8293**COMPLIANCE REPORT****AUDITOR'S REPORT ON COMPLIANCE WITH OMB CIRCULAR NO. A-110  
ADMINISTRATIVE REQUIREMENTS; OMB CIRCULAR NO. A-21 COST PRINCIPLES;  
AND COMMENTS ON SPECIFIC COMPLIANCE REQUIREMENTS FOR  
SELECTED FEDERAL AWARDS**

To President Kala M. Stroup  
and Board of Regents  
Murray State University  
Murray, Kentucky

We have examined the financial statements of Murray State University as of and for the year ended June 30, 1985, and have issued our report thereon dated December 13, 1985. As part of our examination, we made a study and evaluation of those internal administrative methods and procedures established by Murray State University to administer and account for Federal awards in accordance with the significant administrative requirements of OMB Circular No. A-110, Uniform Administrative Requirements applicable to recipients of Federal Awards. For the purpose of this study the U. S. Department of Health and Human Services Guidelines for Audits of Federal Awards to Colleges and Universities (Guidelines) classifies the following OMB Circular No. A-110 requirements as significant: Attachment F, Standards for Financial Management Systems (includes cost principles for Educational Institutions, OMB Circular No. A-21), Attachment G, Financial Reporting Requirements, Attachment N, Property Management Standards and Attachment O, Procurement Standards. Our study included tests of compliance with such procedures during the period from July 1, 1983 to June 30, 1985 for the Federal awards reported in the Schedules of Grant Awards, except that because of an insufficiency of evidential matter, as more fully explained in Findings and Recommendations - Internal Accounting Controls, we were unable to form an opinion on the extent of compliance with grant provisions.

We understand that procedures and systems in conformity with the criteria contained in these significant administrative requirements are considered by OMB to be adequate for its purpose in accordance with the provisions of OMB Circular No. A-110. However, because of the exception mentioned in the preceding paragraph, the absence of adequate policies and procedures designed to provide reasonable assurance non-compliance with regulations will be prevented or detected timely, and the absence of a financial accounting system

President Kala M. Stroup  
and Board of Regents  
Page Two

sufficient to provide information required by regulations and other reporting directives; in our opinion, Murray State University's procedures and systems were not adequate for the agency's purpose during the period July 1, 1983 to June 30, 1985. Our study and evaluation disclosed conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Murray State University may have occurred and not been detected within a timely period. A description of these conditions is included elsewhere in this report. These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the financial statements, and were the foundation for our disclaimer of opinion on the University's 1985 financial statements, contained elsewhere in this report.

In addition, our examination also included tests of controls to ensure compliance with the provisions of certain major program terms and conditions identified in Section 3.11, Compliance Requirements of Guidelines. Because of the exceptions referred to earlier, we were unable to determine the extent to which tested charges made to selected awards complied with the material terms and conditions of the Federal award agreements.

This report is intended solely for the use of Murray State University, the cognizant audit agency and other Federal audit agencies, and should not be used for any other purpose.

*James R. Meany & Associates*

December 13, 1985



## FINDINGS AND RECOMMENDATIONS - COMPLIANCE REPORT

The "Findings and Recommendations - Internal Accounting Controls" section of this report addresses the unavailability of grant or contract agreements. Since agreements and other related accounting records were not available in some instances, we were unable to form an opinion on the extent of compliance with grant provisions. Because of the insufficiency of evidential matter, we were

- unable to determine if direct costs were allowable or properly allocated;
- unable to determine the propriety of indirect costs;
- unable to determine if cost transfers to or from the grants to non-grant accounts maintained at the University were proper; and
- unable to determine if revised budgets were approved, or if overexpenditures were allowed.

Although the extent of sub-recipient funding during the two years ended June 30, 1985 was insignificant, the University does not have procedures established to exercise control over the sub-recipient's use of funds awarded to the University.

The University does not maintain a monitored workload system nor personnel activity reports as suggested by OMB Circular No. A-21. Allocation of personal service costs are based solely on notices of personnel action submitted to the payroll department by the project director. No after-the-fact reporting nor detailed allocation of time between regular institution activity and activity attributable to the grant is generated. Under the conditions of OMB Circular No. A-21, at least annually a statement will be signed by the employee, principal investigator, or responsible official having first-hand knowledge of the work stating that salaries and wages charged to sponsored agreements as direct charges or that salaries and wages charged to both direct and indirect cost categories or to more than one indirect cost category are reasonable. No such report is submitted by the project directors at Murray State University.

The University should consider the above comments in developing administrative and accounting policies and procedures designed to monitor activities involving Federal funds.

### INSTITUTION'S COMMENTS

We concur with the finding and recommendations related to the Auditor's Report on Compliance with OMB Circulars No. A-110 and A-21 for Federal Grants and Contracts. The University has initiated procedures to ensure:

1. Direct costs are reviewed by individuals knowledgeable of and that have access to grant and contract agreements and other related materials to ensure the costs incurred are allowable and/or properly allocated.

2. Cost Transfers to or from grants and contracts are reviewed to ensure adequate documentation and justification are provided and the costs transferred are allowable before the transfer is approved and processed.
3. All original budgets, revised budgets, and budget revision requests are reviewed by individuals in the Accounting and Finance Department for reasonableness and to ensure that sponsor approval is obtained when applicable. Also, all grants and contracts are reviewed to ensure that any over-expenditures are identified and corrected in a timely manner.

The Accounting and Finance Department has submitted an Indirect Cost Proposal to the Regional Office of the Department of Health and Human Services in Atlanta. Approval of an indirect cost rate for Grants and Contracts is expected in the very near future.

The University is developing formal written policies and procedures for the administration of sub-grants and contracts. These procedures will ensure adequate control over sub-recipients' use of funds awarded by Murray State University.

A system of Personal Activity Reporting has been implemented for employees working on Grants and Contracts at Murray State University. This system provides the documentation needed to ensure compliance with OMB Circular No. A-21 for salaries and wages charged as direct costs to grants and contracts.

## PRIOR AUDIT REPORTS

### AUDITOR'S COMMENTS ON STATUS OF PREVIOUSLY REPORTED AUDIT FINDINGS AND RECOMMENDATIONS IMPACTING THE INSTITUTION'S FEDERAL AWARDS

Murray State University has had no recent external audits of Federal funds except for Student Financial Aid funds. For each of the six years ended June 30, 1980 through June 30, 1985, audits of Student Financial Aid Programs under the guidance of directives issued by the Department of Education have been performed. The University has readily responded to and taken corrective action on audit findings and recommendations contained in reports issued by independent auditors. In addition, an audit of Student Nursing Program Funds was performed for the year ended June 30, 1984. No audit findings and recommendations resulted from that examination which would have an effect on compliance with the provisions of OMB Circular No. A-110.

MURRAY STATE UNIVERSITY

MURRAY, KENTUCKY

ENTITY IDENTIFICATION NUMBER: 1-610600439-B7

NATIONAL DIRECT STUDENT LOAN PROGRAM  
COLLEGE WORK STUDY PROGRAM  
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM  
PELL GRANT PROGRAM  
GUARANTEED STUDENT LOAN PROGRAM (INCLUDING PLUS PROGRAM)

YEAR ENDED JUNE 30, 1985

NOVEMBER 4, 1985

and

DECEMBER 13, 1985



**JAMES R. MEANY & ASSOCIATES, P.S.C.**  
Certified Public Accountants

STUDENT AID  
AID

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## SCOPE OF AUDIT

In connection with our examination of the financial statements of Murray State University for the year ended June 30, 1985, we performed procedures to fulfill the additional auditing and reporting requirements set forth in the U. S. Department of Education (ED) Audit Guide, Student Financial Assistance Programs dated March, 1984. Our examination was conducted in accordance with generally accepted auditing standards and the standards for financial and compliance audits set forth in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions (1981 Revision) issued by the Comptroller General of the United States. To meet the above requirements our examination included:

- Expressing an opinion on the financial statements and additional financial information - Schedule of Disbursements and Expenditures for ED Student Financial Aid Programs for the year ended June 30, 1985;
- Evaluating the University's system of internal accounting controls;
- Evaluating the University's system of administrative controls in the areas outlined in Section II of the Student Financial Assistance Audit Guide and commenting on compliance with applicable Federal regulations and Department of Education policies and procedures;

The audit covered the period July 1, 1984 through June 30, 1985.

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

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To President Kala M. Stroup and  
Board of Regents  
Murray State University  
Murray, Kentucky

We have examined the balance sheet of Murray State University as of June 30, 1985 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. Except as explained in the following two paragraphs, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The University's records do not permit the application of adequate audit procedures regarding the completeness of all transactions and accounts that should be presented in the financial statements. Also, the University may experience an examination of Federal awards by the Regional Inspector General, Office of Audit, Department of Health and Human Services. The outcome of this audit, if performed, may have a significant effect on the financial statements of the University which amount cannot be determined; and no provision for any liability that may result has been made in the financial statements.

As more fully explained in Note 12 to the financial statements, certain restricted grants and contracts awarded to the University are not included in the accompanying financial statements. In our opinion, the omission of that information is a departure from generally accepted accounting principles.

Because we were unable to apply adequate audit procedures regarding the completeness of information in the financial statements and because of the uncertainty referred to above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above.

Selected comparative data for the prior year has been presented in the accompanying financial statements. In our report dated December 7, 1984, we expressed a qualified opinion, similar to the qualification in paragraph three above, on the financial statements of Murray State University for the year ended June 30, 1984.

*James R. Meany & Associates*

December 13, 1985

FINANCIAL STATEMENTS



MURRAY STATE UNIVERSITY

BALANCE SHEET

June 30, 1985

with Comparative Figures at June 30, 1984

ASSETS	Current Year	Prior Year
<b>CURRENT FUNDS</b>		
Unrestricted:		
Cash	\$ 6,502,099	\$ 2,818,117
Investments (Note 2)	500,000	4,000,050
Investment in Foundation Bookstore (Note 11)	486,159	486,159
Accounts receivable (Note 3)	226,459	155,847
Due from other funds (Note 4)	949,214	419,810
Inventories, at lower of cost (first-in, first-out method) or market (Note 8)	<u>406,257</u>	<u>398,317</u>
 Total unrestricted	 <u>9,070,188</u>	 <u>8,278,300</u>
Restricted:		
Cash	159,046	128,346
Accounts receivable (Note 3)	181,372	112,170
Unbilled charges (Note 3)	229,058	259,425
Prepaid travel	-0-	15,709
Travel advances	<u>-0-</u>	<u>32,093</u>
 Total restricted	 <u>569,476</u>	 <u>547,743</u>
 Total current funds	 <u>\$ 9,639,664</u>	 <u>\$ 8,826,043</u>
 <b>LOAN FUNDS</b>		
Cash	\$ 237,201	\$ 217,809
Loans to students; less allowance for doubtful accounts of \$314,700 current year, and \$314,700 prior year	<u>4,161,011</u>	<u>4,181,540</u>
 Total loan funds	 <u>\$ 4,398,212</u>	 <u>\$ 4,399,349</u>
 <b>PLANT FUNDS</b>		
Unexpended:		
Cash	\$ 1,233,595	\$ 2,198,794
Due from other funds (Note 4)	<u>542,975</u>	<u>2,248,648</u>
 Total unexpended	 <u>1,776,570</u>	 <u>4,447,442</u>

See accompanying Notes to Financial Statements.

## LIABILITIES AND FUND BALANCES

	Current Year	Prior Year
<b>CURRENT FUNDS</b>		
Unrestricted:		
Accounts payable	\$ 381,059	\$ 394,943
Due to other funds (Note 4)	1,138,973	2,248,648
Other liabilities (Notes 1 and 9)	704,323	311,429
Deposits (Note 1)	206,357	-0-
Accrued salaries	420,018	382,410
Accrued travel	4,479	9,912
Accrued liabilities	262,519	364,076
Accrued compensated absences (Note 9)	681,954	678,878
Deferred revenue	110,121	103,758
Fund balance (Note 6)	<u>5,160,385</u>	<u>3,784,246</u>
Total unrestricted	<u>9,070,188</u>	<u>8,278,300</u>
Restricted:		
Accounts payable	29,014	8,070
Due to other funds (Note 4)	330,467	350,731
Accrued salaries	53,715	52,521
Accrued travel	3,267	4,006
Accrued liabilities	15,030	16,922
Advances	-0-	3,044
Fund balance	<u>137,983</u>	<u>112,449</u>
Total restricted	<u>569,476</u>	<u>547,743</u>
Total current funds	<u>\$ 9,639,664</u>	<u>\$ 8,826,043</u>
<b>LOAN FUNDS</b>		
Due to other funds (Note 4)	\$ -0-	\$ 27,089
Fund balance:		
Restricted	<u>4,398,212</u>	<u>4,372,260</u>
Total loan funds	<u>\$ 4,398,212</u>	<u>\$ 4,399,349</u>
<b>PLANT FUNDS</b>		
Unexpended:		
Due to other funds (Note 4)	\$ 156,575	\$ -0-
Fund balance:		
Reserve for encumbrances	\$ 216,153	\$ 90,688
Unrestricted	542,975	-0-
Restricted	<u>860,867</u>	<u>4,356,754</u>
Total unexpended	<u>1,619,995</u>	<u>4,447,442</u>
Total unexpended	<u>1,776,570</u>	<u>4,447,442</u>

MURRAY STATE UNIVERSITY  
BALANCE SHEET (Continued)  
June 30, 1985  
with Comparative Figures at June 30, 1984

ASSETS	Current Year	Prior Year
PLANT FUNDS (Continued)		
Renewals and replacements		
Due from other funds (Note 4)	\$ 595,998	\$ -0-
Total renewals and replacements	<u>595,998</u>	<u>-0-</u>
Retirement of indebtedness:		
Cash on deposit with trustee	5,415	6,698
Investments (Note 2)	<u>3,728,300</u>	<u>3,842,963</u>
Total retirement of indebtedness	<u>3,733,715</u>	<u>3,849,661</u>
Investment in plant (Note 5):		
Land	2,187,732	2,187,732
Buildings	75,134,898	74,510,872
Improvements other than buildings	5,002,747	3,984,150
Equipment	11,672,853	11,512,898
Library books	9,460,267	8,921,259
Livestock	63,550	60,350
Construction in progress	2,607,588	2,209,844
Assets acquired under capital leases (Note 13)	<u>2,340,983</u>	<u>2,331,783</u>
Total investment in plant	<u>108,470,618</u>	<u>105,718,888</u>
Total plant funds	<u>\$114,576,901</u>	<u>\$114,015,991</u>
AGENCY FUNDS		
Cash	\$ 369,036	\$ 400,767
Investments (Note 2)	100,000	100,000
Due from other funds (Note 4)	-0-	8,893
Receivable from Foundation	<u>12,365</u>	<u>13,149</u>
Total agency funds	<u>\$ 481,401</u>	<u>\$ 522,809</u>

See accompanying Notes to Financial Statements.

LIABILITIES AND FUND BALANCES	Current Year	Prior Year
PLANT FUNDS (Continued)		
Renewals and replacements:		
Fund balance		
Unrestricted	\$ 595,998	\$ -0-
Total renewals and replacements	<u>595,998</u>	<u>-0-</u>
Retirement of indebtedness:		
Fund balance:		
Restricted	3,042,360	3,241,801
Unrestricted	<u>691,355</u>	<u>607,860</u>
Total retirement of indebtedness	<u>3,733,715</u>	<u>3,849,661</u>
Investment in plant:		
Bonds payable (Note 7)	27,510,000	28,695,000
Obligations under capital leases (Note 13)	1,869,278	2,034,523
Net investment in plant	<u>79,091,340</u>	<u>74,989,365</u>
Total investment in plant	<u>108,470,618</u>	<u>105,718,888</u>
Total plant funds	<u>\$114,576,901</u>	<u>\$114,015,991</u>
AGENCY FUNDS		
Due to other funds (Note 4)	\$ 462,172	\$ 50,883
Deposits held in custody for others	19,229	419,797
Fund balance - Unallocated	<u>-0-</u>	<u>52,129</u>
Total agency funds	<u>\$ 481,401</u>	<u>\$ 522,809</u>

MURRAY STATE UNIVERSITY

STATEMENT OF CHANGES IN FUND BALANCES  
For the Year Ended June 30, 1985

	- - - Current Funds - - -	
	Unrestricted	Restricted
<b>REVENUES AND OTHER ADDITIONS</b>		
Unrestricted current funds revenues	\$ 45,696,726	\$ -0-
Government grants and contracts	-0-	4,963,238
Expenditures for plant facilities	-0-	-0-
Retirement of indebtedness	-0-	-0-
Investment earnings	-0-	-0-
Federal and state contributions	-0-	-0-
Other sources	-0-	-0-
Reduction in lease obligations	-0-	-0-
Total revenues and other additions	<u>45,696,726</u>	<u>4,963,238</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Educational and general expenditures	37,160,358	4,880,046
Auxiliary enterprise expenditures	5,352,879	57,658
Loan cancellations and write-offs	-0-	-0-
Administration, collection, litigation costs	-0-	-0-
Expended for plant facilities	-0-	-0-
Retirement of indebtedness	-0-	-0-
Interest on indebtedness	-0-	-0-
Disposals/deletions/transfers among assets	-0-	-0-
Total expenditures and other deductions	<u>42,513,237</u>	<u>4,937,704</u>
<b>TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS)</b>		
Mandatory:		
Principal and interest	( 2,135,107)	-0-
Nonmandatory:		
Transfer from unexpended plant funds to unrestricted current funds	302,978	-0-
Transfer from retirement of indebtedness plant funds to unrestricted current funds	140,000	-0-
Transfer from unexpended plant funds to renewals and replacements plant funds	-0-	-0-
Transfer from unrestricted current funds to renewals and replacements plant funds	( 167,350)	-0-
Transfer from agency funds to unrestricted current funds	52,129	-0-
Total transfers	<u>( 1,807,350)</u>	<u>-0-</u>
Net increase/(decrease) for the year	<u>1,376,139</u>	<u>25,534</u>
Fund balance at beginning of year	<u>3,784,246</u>	<u>112,449</u>
Fund balance at end of year	<u>\$ 5,160,385</u>	<u>\$ 137,983</u>

See accompanying Notes to Financial Statements.

		----- Plant Funds -----				
Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
-0-	-0-	-0-	-0-	-0-	-0-	
-0-	-0-	-0-	-0-	5,221,032	-0-	
-0-	-0-	-0-	-0-	1,185,000	-0-	
91,237	24,534	-0-	324,153	-0-	-0-	
75,283	-0-	-0-	-0-	-0-	-0-	
4,135	213,700	-0-	-0-	-0-	-0-	
-0-	-0-	-0-	-0-	165,245	-0-	
<u>170,655</u>	<u>238,234</u>	<u>-0-</u>	<u>324,153</u>	<u>6,571,277</u>	<u>-0-</u>	
-0-	-0-	-0-	-0-	-0-	-0-	
-0-	-0-	-0-	-0-	-0-	-0-	
78,321	-0-	-0-	-0-	-0-	-0-	
66,382	-0-	-0-	-0-	-0-	-0-	
-0-	2,334,055	-0-	-0-	-0-	-0-	
-0-	-0-	-0-	1,185,000	-0-	-0-	
-0-	-0-	-0-	1,250,206	-0-	-0-	
-0-	-0-	-0-	-0-	2,469,302	-0-	
<u>144,703</u>	<u>2,334,055</u>	<u>-0-</u>	<u>2,435,206</u>	<u>2,469,302</u>	<u>-0-</u>	
-0-	-0-	-0-	2,135,107	-0-	-0-	
-0-	( 302,978)	-0-	-0-	-0-	-0-	
-0-	-0-	-0-	( 140,000)	-0-	-0-	
-0-	( 428,648)	428,648	-0-	-0-	-0-	
-0-	-0-	167,350	-0-	-0-	-0-	
-0-	-0-	-0-	-0-	-0-	( 52,129)	
-0-	( 731,626)	595,998	1,995,107	-0-	( 52,129)	
25,952	( 2,827,447)	595,998	( 115,946)	4,101,975	( 52,129)	
<u>4,372,260</u>	<u>4,447,442</u>	<u>-0-</u>	<u>3,849,661</u>	<u>74,989,365</u>	<u>52,129</u>	
<u>\$ 4,398,212</u>	<u>\$ 1,619,995</u>	<u>\$ 595,998</u>	<u>\$ 3,733,715</u>	<u>\$ 79,091,340</u>	<u>\$ -0-</u>	

MURRAY STATE UNIVERSITY

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,  
AND OTHER CHANGES

For the Year Ended June 30, 1985  
with Comparative Figures at June 30, 1984

REVENUES	- - - - - Current Year - - - - -			Prior Year
	Unrestricted	Restricted	Total	
Educational and general:				
Tuition and fees	\$ 9,580,269	\$ -0-	\$ 9,580,269	\$ 8,642,204
Government appropriations	27,519,298	-0-	27,519,298	26,977,142
Government grants and contracts	-0-	4,880,046	4,880,046	4,421,326
Indirect and administrative cost recovery	117,777	-0-	117,777	249,788
Sales and services of educational activities	308,982	-0-	308,982	384,155
Other sources	1,663,090	-0-	1,663,090	1,688,176
Total educational and general	39,189,416	4,880,046	44,069,462	42,362,791
Auxiliary enterprises	6,507,310	57,658	6,564,968	5,762,829
Total revenues	45,696,726	4,937,704	50,634,430	48,125,620
<b>EXPENDITURES AND MANDATORY TRANSFERS</b>				
Educational and general:				
Instruction	15,486,352	1,054,063	16,540,415	16,652,372
Research	160,740	187,552	348,292	267,045
Public service	2,243,438	485,741	2,729,179	2,722,996
Libraries	1,478,745	51,237	1,529,982	1,619,631
Academic support	1,674,794	253,447	1,928,241	2,127,574
Student services	3,677,676	109,479	3,787,155	3,409,744
Institutional support	4,635,616	60,865	4,696,481	4,497,764
Operation and maintenance of plant	5,418,913	5,545	5,424,458	5,578,378
Student financial aid	2,384,084	2,672,117	5,056,201	4,445,268
Educational and general expenditures	37,160,358	4,880,046	42,040,404	41,320,772
Mandatory transfers for:				
Principal and interest	1,577,528	-0-	1,577,528	1,604,299
Loan fund matching grant	-0-	-0-	-0-	480
Total educational and general	38,737,886	4,880,046	43,617,932	42,925,551
Auxiliary enterprises:				
Expenditures	5,352,879	57,658	5,410,537	5,122,839
Mandatory transfers for:				
Principal and interest	557,579	-0-	557,579	581,878
Total auxiliary enterprises	5,910,458	57,658	5,968,116	5,704,717
Total expenditures and mandatory transfers	44,648,344	4,937,704	49,586,048	48,630,268

See accompanying Notes to Financial Statements.

MURRAY STATE UNIVERSITY

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,  
AND OTHER CHANGES (Continued)  
For the Year Ended June 30, 1985  
with Comparative Figures at June 30, 1984

OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS)	----- Current Year -----			Prior Year
	Unrestricted	Restricted	Total	
Excess of restricted receipts over transfers to revenues	\$ -0-	\$ 25,534	\$ 25,534	\$ 6,078
Nonmandatory transfers:				
Transfer to plant funds (	167,350)	-0-	( 167,350)	( 2,784,417)
Transfer from plant funds	442,978	-0-	442,978	-0-
Transfer from agency funds	<u>52,129</u>	<u>-0-</u>	<u>52,129</u>	<u>44,862</u>
Net increase (decrease) in fund balance	<u>\$ 1,376,139</u>	<u>\$ 25,534</u>	<u>\$ 1,401,673</u>	<u>(\$ 3,238,125)</u>

See accompanying Notes to Financial Statements.



## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

#### Accrual basis

The financial statements of Murray State University have been prepared on the accrual basis of accounting except for depreciation accounting as explained in Note 5 to the financial statements. 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 nonmandatory nature for all other cases.

Revenues of Summer School academic terms are reported in the fiscal year in which the programs predominantly fall. Therefore, deferred tuition revenue is not recorded, except when tuition fees are received for academic terms which have not begun at fiscal year end.

#### Fund accounting

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 activities 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, in the accompanying financial statements, funds that have similar characteristics have been combined and reported as four balanced fund groups: current funds, loan funds, plant funds and agency funds. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each 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 be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the University retains control to use in achieving its institutional purposes.

## Note 1. Summary of Significant Accounting Policies (Continued)

Current funds are used primarily to account for the transactions affecting the general operations of the University. These resources are expendable for performing the primary and support objectives of the University; i.e., instruction, research, operation and maintenance of plant, student aid and auxiliary activities. Restricted gifts, grants, appropriations, 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 expenses.

Loan funds, primarily financed by the Federal government, are used to account for loan programs available to students.

Plant funds are used to account for the transactions relating to investment in University property. They include (1) unexpended plant, (2) renewals and replacements, (3) retirement of indebtedness, and (4) investment in plant subgroups. The unexpended plant subgroup consists of funds to be used for the acquisition and/or construction of physical properties for institutional purposes but unexpended at the reporting date. The renewals and replacements subgroup consists of funds to be expended for renewals and replacements of plant fund assets, including some renewals and replacements of a type not ordinarily capitalized in the investment in plant subgroup. The retirement of indebtedness subgroup consists of funds set aside for debt service reserves and charges, and for retirement of indebtedness on institutional properties. The investment in plant subgroup consists of funds expended for and thus invested in institutional properties and the bond indebtedness incurred to finance plant acquisitions and construction.

Agency funds account for assets held by the University as custodian or fiscal agent for others and used for certain organized activities.

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

### Other significant accounting policies

The appropriation for the state contribution to teachers retirement is made directly to the Kentucky Teachers Retirement System by the state; however, to reflect the total resources that support the University, \$1,499,998 and \$1,445,042 have been included as both income and expenditures on the affected financial statements of June 30, 1985 and 1984, respectively.

### Note 1. Summary of Significant Accounting Policies (Continued)

For the year ended June 30, 1985, the University has classified, as current unrestricted funds transactions, revenues and expenditures previously recorded as receipts and disbursements of Agency funds. Refundable deposits, previously classified as a liability of Agency funds, are reflected as a current unrestricted fund liability at June 30, 1985. Additionally, assets and liabilities related to the University's self-insurance fund, which in prior periods were not included in the financial statements, have been presented on the current unrestricted funds balance sheet at June 30, 1985. The financial statements for the year ended June 30, 1984 have been restated to reflect this change. University management is of the opinion that any liabilities associated with the insurance claims through June 30, 1985 will not be materially in excess of available assets at June 30, 1985.

Other significant accounting policies are set forth in the financial statements and accompanying notes.

### Note 2. Investments

Investments exclusive of physical plant are recorded at cost. Quoted market value of investments (all marketable debt securities) of the funds at June 30 follows:

	1985	1984
Current unrestricted funds	\$ 500,000	\$4,050,000
Retirement of indebtedness fund	3,909,000	3,950,000
Agency funds	100,000	100,000

Investments in current unrestricted and retirement of indebtedness funds consist of U. S. Government securities or certificates of deposit. The agency funds are invested in the pooled investments of Murray State University Foundation, Inc.

### Note 3. Accounts Receivable and Unbilled Charges

A summary of accounts receivable and unbilled charges at June 30 follows:

	1985	1984
Current unrestricted funds		
Accounts receivable:		
Outside cash sales	\$ 91,159	\$ 41,558
Due from state agencies	-0-	35,421
Murray State University Foundation, Inc.	132,019	75,556
Other receivables	<u>3,281</u>	<u>3,312</u>
	<u>\$226,459</u>	<u>\$155,847</u>

Note 3. Accounts Receivable and Unbilled Charges (Continued)

	1985	1984
Current restricted funds		
Accounts receivable:		
Grants and contracts	<u>\$181,372</u>	<u>\$112,170</u>
Unbilled charges:		
Grants and contracts	<u>\$229,058</u>	<u>\$259,425</u>

Note 4. Interfund Obligations

Amounts due from or to various funds result from interfund borrowings or unremitted transfers and are payable on demand without interest. A summary of transactions resulting in interfund obligations at June 30, 1985 and 1984 follows:

1985

Amounts due from (to) resulting from:

- Transfers from unrestricted to unexpended plant funds for construction projects, etc.
- Transfers from unrestricted to renewals and replacements fund for the establishment of the fund
- Expenditures of current operating funds for unexpended plant funds
- Expenditures of current operating funds for restricted grants and contracts
- Current operating funds deposited into the agency fund account

Reported in the June 30, 1985 accompanying balance sheet as:

- Due from other funds
- Due to other funds

1984

Amounts due from (to) resulting from:

- Transfers from unrestricted to restricted for College Work Study salary matching in excess of requirement
- Transfers from unrestricted to unexpended plant funds for CERR capital outlay (\$428,648); Wilson Hall renovation (\$1,550,000); and laboratory school (BSA) (\$270,000)
- Expenditures of current operating funds for restricted grants and contracts
- Expenditures of current operating funds on behalf of agency funds
- Expenditures of current operating funds for NDSL administrative costs
- Expenditures of agency funds on behalf of current restricted funds for travel advances

Reported in the June 30, 1984 accompanying balance sheet as:

- Due from other funds
- Due to other funds

----- FUND -----					
Current Unrestricted	Current Restricted	Loan	Unexpended Plant	Renewals and Replacements	Agency
(\$ 542,975)	\$ -0-	\$ -0-	\$ 542,975	\$ -0-	\$ -0-
( 595,998)	-0-	-0-	-0-	595,998	-0-
156,575	-0-	-0-	( 156,575)	-0-	-0-
330,467	( 330,467)	-0-	-0-	-0-	-0-
<u>462,172</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 462,172)</u>
( <u>\$ 189,759</u> )	( <u>\$330,467</u> )	<u>\$ -0-</u>	<u>\$ 386,400</u>	<u>\$ 595,998</u>	( <u>\$462,172</u> )
\$ 949,214	\$ -0-	\$ -0-	\$ 542,975	\$ 595,998	\$ -0-
( <u>1,138,973</u> )	( <u>330,467</u> )	<u>-0-</u>	( <u>156,575</u> )	<u>-0-</u>	( <u>462,172</u> )
( <u>\$ 189,759</u> )	( <u>\$330,467</u> )	<u>\$ -0-</u>	<u>\$ 386,400</u>	<u>\$ 595,998</u>	( <u>\$462,172</u> )
\$ 20,942	(\$ 20,942)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
( 2,248,648)	-0-	-0-	2,248,648	-0-	-0-
320,896	( 320,896)	-0-	-0-	-0-	-0-
50,883	-0-	-0-	-0-	-0-	( 50,883)
27,089	-0-	( 27,089)	-0-	-0-	-0-
<u>-0-</u>	<u>( 8,893)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,893</u>
( <u>\$1,828,838</u> )	( <u>\$350,731</u> )	( <u>\$ 27,089</u> )	<u>\$2,248,648</u>	<u>\$ -0-</u>	( <u>\$ 41,990</u> )
\$ 419,810	\$ -0-	\$ -0-	\$2,248,648	\$ -0-	\$ 8,893
( <u>2,248,648</u> )	( <u>350,731</u> )	( <u>27,089</u> )	<u>-0-</u>	<u>-0-</u>	( <u>50,883</u> )
( <u>\$1,828,838</u> )	( <u>\$350,731</u> )	( <u>\$ 27,089</u> )	<u>\$2,248,648</u>	<u>\$ -0-</u>	( <u>\$ 41,990</u> )

## Note 5. Physical Plant and Equipment

Physical plant and equipment are stated at cost at date of acquisition or at fair value at date of donation in the case of gifts. Depreciation on physical plant and equipment is not recorded.

## Note 6. Current Unrestricted Fund Balance

Internal allocations applicable to the fund balance at June 30, 1985 and 1984 follow:

	1985	1984
Allocated:		
Athletic endowment	\$ 213,192	\$ 235,248
Inventories	406,257	398,317
Encumbrances	196,040	44,989
Change and other cash funds	49,000	49,000
Prior year account balances	1,122,485	567,829
Renovation project balances carried forward	148,492	156,032
Diagnostic lab balances	227,132	271,870
Investment in Foundation bookstore	486,159	-0-
Operating budget of subsequent years	<u>600,000</u>	<u>730,000</u>
Total allocated	3,448,757	2,453,285
Unallocated	<u>1,711,628</u>	<u>1,330,961</u>
Total	<u>\$5,160,385</u>	<u>\$3,784,246</u>

## Note 7. Bonds Payable

The Consolidated Educational Buildings Revenue Bonds, Series A through E and F Refunding, were sold to construct or renovate certain academic and service buildings on campus. The bonds mature in varying amounts through May 1, 2000 with interest payable at rates ranging from 3.0% to 5.875%. Student registration fees are pledged for debt service on these bonds.

Housing and Dining System Revenue Bonds, Series A through L, were sold to construct or renovate certain housing and dining facilities on campus. The bonds mature in varying amounts through September 1, 2008 with interest payable at rates ranging from 2.75% to 3.75%. Revenues from student housing and dining facilities and other auxiliary services as well as student fees are pledged for the retirement of the bonds.

**Note 7. Bonds Payable (Continued)**

A schedule of the mandatory principal and interest payments for the next five fiscal years and later years is presented below:

Year Ending June 30	Consolidated Educational Building Revenue Bonds	Housing and Dining System Revenue Bonds	Total
1986	\$ 1,762,626	\$ 678,563	\$ 2,441,189
1987	1,768,351	671,685	2,440,036
1988	1,766,831	669,469	2,436,300
1989	1,768,414	671,829	2,440,243
1990	1,772,802	668,807	2,441,609
Later years	<u>16,745,644</u>	<u>10,089,776</u>	<u>26,835,420</u>
Total	<u>\$25,584,668</u>	<u>\$13,450,129</u>	<u>\$39,034,797</u>

Reserves of \$1,812,478 and \$679,823 for the consolidated educational sinking fund and the housing and dining sinking fund, respectively, are on deposit with the trustee.

**Note 8. Inventories**

Inventories at June 30, 1985 and 1984 consisted of:

	1985	1984
Central stores - supplies	\$132,862	\$113,899
Central stores - furniture and equipment	109,506	132,780
Food and food service supplies	<u>163,889</u>	<u>151,638</u>
	<u>\$406,257</u>	<u>\$398,317</u>

**Note 9. Employee Benefits**

Employees of the University are covered under one of the two pension plans:

- A. Kentucky Teacher's Retirement System - Under KTRS the employee's contribution is 5.905% of their gross salary, the State contributes 10.335%. The State's contribution is paid directly to the system by the State, but as explained in Note 1, these funds are included in the financial statements of the University.

## Note 9. Employee Benefits (Continued)

- B. Kentucky Employee's Retirement System - Full-time service personnel are covered under KERS and their contribution is 4% of their gross salary and the State's contribution is 7.25%. The State's contribution is funded from the budget of the University and those costs are included in the financial statements of the University.
  
- C. The University maintains a self-insurance account for employees' health and accident insurance. The University funds the entire plan for all permanent full-time employees and their families. Total funding for the fiscal year ended June 30, 1985 charged to employee benefits was \$1,602,844. At June 30, 1985, \$665,923 was available in the fund for future claims, with balances reflected in the accompanying current unrestricted funds balance sheet. The current unrestricted funds balance sheet at June 30, 1984 has been restated to include assets available to fund future claims of \$311,429 and a self-insurance fund liability of \$311,429. Refer to Note 1 for further explanations.

Other employee benefits paid by the University include tuition and fees of faculty and staff, life insurance, worker's compensation, and unemployment compensation, which, in the aggregate, was approximately \$311,000 and \$250,000 for 1985 and 1984, respectively.

University employees begin to accumulate annual vacation allowance from the initial date of employment. The maximum accumulation of vacation days is that which can be accumulated in one and one-half years. Current fund expenditures for the fiscal year ended June 30, 1985 include \$3,076 for current year increase in accrued compensated absences.

Expenditures for all employee benefits are included as expenditures within the appropriate functional area.

## Note 10. Litigation

The University is a defendant in various lawsuits. The University attorney has advised that at this stage in the various proceedings, the probable outcomes are uncertain. Although collectively claims for damages are significant, management believes individual lawsuits are without merit, or ultimate damages assessed against the University will be insignificant.

## Note 11. Investment in Foundation Bookstore

In September, 1979 the University transferred operation and control of the University Bookstore to Murray State University Foundation, Inc. Inventories, cash funds, and receivables, net of liabilities, totaled \$486,159. These were made available to the Foundation upon transfer. Accordingly, the University reflects this amount as "Investment in Foundation Bookstore" in the accompanying balance sheet at June 30, 1985.



**Note 11. Investment in Foundation Bookstore (Continued)**

Since the operation of the bookstore is, by transfer, a function of the Foundation, the bookstore's results of operations and assets, liabilities, and fund balance are excluded from the accompanying financial statements.

The Murray State University Foundation, Inc. University Bookstore, operating as an autonomous entity, issues its own financial report.

**Note 12. Grants, Contracts, and Other University Funds Administered by the Foundation**

Various grants and contracts awarded by outside agencies to the University, in addition to other University funds, are administered by the Murray State University Foundation, Inc. Receipts under grants and contracts for the fiscal years ended June 30, 1985 and 1984 totaled approximately \$386,000 and \$598,000, respectively. Related expenditures totaled approximately \$433,000 and \$542,000, respectively. These receipts and expenditures, as well as those related to other University funds, have not been included in the accompanying statement of current funds revenues, expenditures, and other changes. Also, any assets, liabilities or fund balances applicable to these grants, contracts and other funds have not been included in the accompanying balance sheet.

Grants awarded to the University by the Department of Education are not assigned to the Murray State University Foundation, Inc. These grants are accounted for and administered by the University.

The Murray State University Foundation, Inc., operating as an autonomous entity, issues its own financial reports.

**Note 13. Leases**

The University leases a telephone system and various items of machinery and equipment. Most leases are written for one year with an annual renewal. The majority of leases are considered to have terms of three to ten years, as it is the intent of the University to renew annually most leases written for one year terms.

Note 13. Leases (Continued)

At June 30, 1985, assets acquired under capital leases totaled \$2,340,983. The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments:

Years ending June 30,	
1986	\$ 395,897
1987	389,725
1988	383,615
1989	377,753
1990	361,275
Thereafter	<u>711,631</u>
Total minimum lease payments	2,619,896
Less: amount representing interest	<u>750,618</u>
Present value of minimum lease payments	<u>\$1,869,278</u>

At June 30, 1984, the present value of minimum lease payments was \$2,034,523, net of \$933,123 interest.

Approximate annual rentals required under operating leases in effect at June 30, 1985 are:

Fiscal year ending June 30,	Amount
1986	\$146,691
1987	114,455
1988	96,843
1989	74,207
1990	38,742
Thereafter	<u>47,921</u>
	<u>\$518,859</u>

Rental expense for fiscal years ended 1985 and 1984 applicable to operating leases was \$150,224 and \$121,962, respectively.

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

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112 SOUTH HIGH STREET, FRANKLIN, KENTUCKY 42134-0527 • (502) 586-8293

To President Kala M. Stroup  
and Board of Regents of  
Murray State University  
Murray, Kentucky

The Schedule of Disbursements and Expenditures for ED Student Financial Aid Programs is presented for purposes of additional analysis and is not a required part of the basic financial statements. Our examination of the basic financial statements for the year ended June 30, 1985, which are presented elsewhere in this report, was made for the primary purpose of formulating an opinion on those statements. Our examination of the basic financial statements resulted in a disclaimer of opinion because of scope limitations and a significant uncertainty. However, neither the scope limitation nor the uncertainty had an impact on our examination of the Schedule of Disbursements and Expenditures.

Our report on the basic financial statements was qualified because the University excluded from its financial statements grants and contracts awarded to the University and subsequently assigned to the Murray State University Foundation, Inc. All Department of Education student financial aid programs were administered by the University and reported in its financial statements.

In our opinion, the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*James R. Meany & Associates*

December 13, 1985

MURRAY STATE UNIVERSITY

SCHEDULE OF DISBURSEMENTS AND EXPENDITURES  
FOR ED STUDENT FINANCIAL AID PROGRAMS  
For The Period July 1, 1984 Through June 30, 1985

Disbursements

National Direct Student Loan Program \$ 496,473

Expenditures

College Work-Study Program \$ 545,726

Supplemental Educational Opportunity  
Grants Program \$ 250,982

Pell Grant Program \$2,459,825

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

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112 SOUTH HIGH STREET, FRANKLIN, KENTUCKY 42134-0527 • (502) 586-8293**AUDITOR'S REPORT  
ON INTERNAL ACCOUNTING CONTROL**

(Based Solely on a Study and Evaluation Made as Part  
of an Audit Required for the SFA Programs  
of the U. S. Department of Education)

To President Kala M. Stroup  
and Board of Regents  
Murray State University  
Murray, Kentucky

We have examined the balance sheet of Murray State University as of June 30, 1985 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended and have issued our report thereon. As part of our examination, we made a study and evaluation of the system of internal accounting control of Murray State University to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U. S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. For the purpose of this report, we have classified the significant internal accounting controls in the following categories.

- Cash receipts/revenue cycle
- Purchasing/non-payroll expenditures cycle
- Payroll cycle

Our study included gaining an understanding of the internal accounting controls of the above control categories. Our evaluation included testing in the control categories except that we did not perform compliance testing in the cash receipts and revenue cycle. In this cycle, substantive testing was a more efficient audit approach. The purpose of our study and evaluation was to determine the nature, timing and extent of auditing procedures necessary for expressing an opinion on the University's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of Murray State University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Murray State University taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study disclosed conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Murray State University may occur and not be detected within a timely period. These weaknesses were communicated to the University's President and Board of Regents in a separate letter. Since these weaknesses are not directly related to the internal controls over student financial aid, the weaknesses are not addressed in this report.

The weaknesses in the University's internal controls were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the financial statements for the year ended June 30, 1985 and this report does not affect our report on the University's financial statements. Our report was a disclaimer of opinion, because of scope limitations and a significant uncertainty.

This report is intended solely for the use of management of Murray State University and the U. S. Department of Education and should not be used for any other purpose.

*James R. Meany & Associates*

November 4, 1985

**JAMES R. MEANY & ASSOCIATES, P.S.C.**

Certified Public Accountants

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112 SOUTH HIGH STREET, FRANKLIN, KENTUCKY 42134-0527 • (502) 586-8293**COMPLIANCE****AUDITOR'S COMMENTS ON COMPLIANCE**

To President Kala M. Stroup  
and Board of Regents  
Murray State University  
Murray, Kentucky

We have examined the accompanying financial statements of Murray State University as of and for the year ended June 30, 1985, and have issued our report thereon. As part of our examination, we made a study and evaluation of those internal administrative methods and procedures established by Murray State University to administer and account for Student Financial Assistance Programs in accordance with the Department of Education's March, 1984 Audit Guide for Student Financial Assistance Programs (Guide) Section II and the following compliance requirements:

- Cash management
- Financial reporting
- Institutional eligibility and participation
- Coordination of student aid programs
- Student file maintenance, fiscal procedures, and record keeping
- Student eligibility
- Institutional disbursements to award recipients
- Refund calculation and overpayment determination procedures
- Other compliance requirements specific to each SFA Program

We understand that procedures and systems in conformity with the criteria contained in these significant administrative requirements are considered by the Department of Education to be adequate for its purposes in accordance with the provisions of The Higher Education Act as amended. Based on this understanding and our study and evaluation, we believe the institution's procedures and systems were adequate for the Department of Education's purposes.

Although not considered material weaknesses in relation to the SFA awards to which this report refers, conditions not in conformity with the criteria referred to above are described in the Findings and Recommendations section of this report.

In addition, our examination also included tests of controls to ensure compliance with the provisions of certain major program terms and conditions identified in Section II-Compliance Requirements of the Guide. Based upon our examination, we found that for the items tested, the institution complied with the material terms and conditions of the SFA award agreements except as described in the Findings and Recommendations section of this report.

Further, based on our examination and the procedures referred to above, except as discussed in the preceding paragraph, nothing came to our attention to indicate that Murray State University had not complied with the material terms and conditions (identified in the first paragraph above) of Murray State University's SFA programs.

This report is intended solely for the use of the Institution, the Department of Education and other Federal audit agencies and should not be used for any other purpose.

*James R. Meony & Associates*

November 4, 1985



## FINDINGS AND RECOMMENDATIONS

### Departmental Organization

#### Finding

We commend the University for the action it has taken toward administrative realignment to be in compliance with Federal regulations and provide better internal control over Student Financial Aid (SFA) programs. The University should consider dividing the functions of authorizing payment and disbursing funds with respect to student financial programs per 45CFR 668.16(d)(2).

#### Recommendation

We recommend the University continue with the implementation of its approved administrative realignment plan including reassignment of the responsibility for distributing checks for student financial assistance so that no office has responsibility for both functions of authorizing payment and disbursing funds to any particular student aided under the programs.

#### Institution's Comments

A team consisting of the Director of Accounting and Finance, the Manager of Financial Reporting, the Director of Student Financial Aid and the Student Financial Aid Fiscal Officer has been assembled for the orderly transition and realignment of the fiscal functions effective July 1, 1986. This division and reorganization will be in compliance with 45CFR 668.16(d)(2).

## Electronic Data Processing (EDP)

### Finding

The Student Financial Aid Office still relies extensively on manual procedures. Although records currently maintained satisfy regulatory requirements, increased electronic data processing (EDP) is needed to help ensure the SFA Office is capable of maintaining its high standard of performance under increased demands for additional information and increased Federal requirements. EDP assistance would especially be helpful in the cash management and due diligence areas.

### Recommendation

We recommend the University continue with its automation plans for implementing EDP assistance in the Student Financial Aid Office.

### Institution's Comments

Automation of all student financial aid functions is urgently needed; however, the purchase of any financial aid management or student loan management systems will be contingent upon the availability of University funds.

## Cash Management

### Finding

Cash in excess of one week's requirements was occasionally held in the program cash accounts throughout the year. However, due to the University's delay in requesting Federal funds for other Department of Education activities, the University overall did not maintain excess cash on hand except for the last month of the fiscal year. At June 30, 1985 the University had \$80,690 excess Federal funds on hand with \$49,005 in the SFA accounts and \$31,685 in the Grant Clearing Account. The SFA office used \$49,008 in July to reimburse the University for remaining fiscal year 84-85 administrative expenses not paid at June 30, 1985. The University used \$17,825 in July to pay the last CWS payroll for the fiscal year and the remaining \$13,857 was used to pay for other Federal grant program activities incurred after June 30, 1985.

### Recommendation

We recommend the University adopt procedures (1) to more accurately estimate cash needs, (2) to allow frequent transfers from the grant clearing account to the program accounts and vice versa, and (3) to monitor cash balances more closely. Additional EDP assistance will be required to implement these recommendations effectively and efficiently.

Institution's Comments

Procedures were implemented July 1, 1985, to request actual cash needs and to more closely monitor cash balances. Procedures are also in place to allow frequent transfers from the grant clearing account to the program accounts and vice versa.

## PRIOR AUDIT REPORTS

### AUDITOR'S COMMENTS ON STATUS OF PREVIOUSLY REPORTED AUDIT FINDINGS AND RECOMMENDATIONS

The following discussion summarizes the University's actions on the Findings and Recommendations reported in the audit report for the NDSL, CWS, SEOG, Pell Grant, and GSL programs as of June 30, 1984 (audit control no. 04-52182).

#### DEPARTMENTAL ORGANIZATION

##### Finding

The administrative alignment made it difficult for University personnel responsible for financial accounting and reporting matters to exercise influence and supervision over the Student Financial Aid Office.

##### Action Taken

An administrative realignment has been approved by the Board of Regents and actions have already been taken, such as hiring a new Vice-President for Finance and Administrative Services to accomplish the recommended reorganization. However, due to the complexity of the recommended administrative realignment, the current alignment will continue until the finance and administrative services area of the University is able to effect a smooth transition of responsibilities. Also, the financial aid office and the University's business office still exchange information to enable fiscal responsibilities to be fulfilled. See current year "Findings and Recommendations."

#### ELECTRONIC DATA PROCESSING (EDP)

##### Finding

The Student Financial Aid Office relies extensively on manual procedures instead of an electronic data processing system which would help ensure that the SFA office is capable of maintaining its high standard of performance under increased demands for additional information and increased Federal requirements.

##### Action Taken

The University Computing Committee has reviewed automation needs of the entire campus and has placed the following needs for the Student Financial Aid Office as the first item on a priority list:

- Financial aid management system
- Student loan system
- Personal computer
- Access terminal

### Action Taken (Continued)

SEOG, nursing loans, and Pell grants have been implemented into the SFA office computer system. Again, the procurement, installation, and implementation of the remaining items are contingent upon the availability and the commitment of University funds. See "Electronic Data Processing" in "Findings and Recommendations" section of this report for further comment.

## CASH MANAGEMENT

### Finding

It was recommended that the University adopt procedures (1) to more accurately estimate cash needs, (2) to allow frequent transfers from the grant clearing account to the program accounts and vice versa, and (3) to monitor cash balances more closely.

### Action Taken

Until reorganization of financial aid fiscal functions is completed and additional EDP assistance is implemented, improvement in this area is limited. However, steps are being taken in order to adopt the recommended procedures. See current year "Findings and Recommendations - Cash Management."

## OVERPAYMENT DETERMINATION

### Finding

If a student withdraws after the first day of classes, the University assumes the student will have incurred non-institutional expenses (clothes, transportation, books and supplies, and other miscellaneous personal items) in an amount equal to or greater than the amount disbursed to the student for non-institutional costs.

### Action Taken

The Institution believes its assumptions are correct given the additional comments: (1) the majority of their students live on campus and buy meal tickets; therefore, the maximum amount of Federal financial aid funds are returned to the appropriate program through their refund policy if the student withdraws; (2) the University is located in a rural area and enrolls 25% of its students from out-of-state; (3) the students have expenditures for educational purposes prior to arriving on campus, such as clothing, books and supplies, and personal items; (4) the students who live off-campus generally pay, in advance, sizable utility deposits, rent deposits, and may even pay the entire semester's rent in advance.

The above response was acceptable to the Department of Education and since the June 30, 1984 audit report has been closed no further comment is necessary.

## Electronic Data Processing

### Finding

It was recommended the Financial Aid Office diligently pursue additional electronic data processing (EDP) support to enhance the efficiency of the department.

### Action Taken

Financial Aid Office personnel have taken steps to inform other University personnel of their need for EDP assistance and have also been reviewing systems used by other Universities. The Financial Aid Management System and the Student Loan System have been requested through the Vice President for Student Development. No formal action has been taken.

See the Findings and Recommendation section of this report for further discussion.

DEPT	NAME	TYPE	JUNE 30	JULY 31
Agriculture	DURWOOD W. BEATTY	SPDG	1,208.33	1,208.33
Art	HARRY FURCHES	SPDG	1,757.25	1,757.25
Art	JERRY SPEIGHT	SPDG	1,134.75	1,134.75
Biology	MARION D. HASSELL	SPDG	2,034.50	2,034.50
Chemistry	ARLENE R. COURTNEY	SPDG	1,665.00	1,665.00
Chemistry	DAVID A. OWEN	SPDG	1,683.50	1,683.50
Computer Studies	DAVID L. ELDREDGE	SPDG	-0-	3,202.50
Computer Studies	MARLENE CAMPBELL	IIG	1,000.00	1,000.00
Counsel. & Test Ctr.	CONNIE J. BOLTZ	SPDG	1,000.00	1,000.00
Economics & Finance	GILBERT L. MATHIS	SPDG	2,587.50	2,587.50
Economics & Finance	LARRY D. GUIN	SPDG	2,737.50	2,737.50
Economics & Finance	JAMES McCOY	IIG	875.00	875.00
Edu Ldrshp & Counsel	THOMAS F. HOLCOMB	SPDG	2,141.25	2,141.25
Education	HUGH A. NOFFSINGER	SPDG	Regular Salary	2,673.90
Elem & Secondary Ed.	JEROME C. HAINSWORTH	SPDG	2,370.00	2,370.00
Engineering Tech.	ANDREW KELLIE	IIG	750.00	750.00
English	C. ROBERT ROULSTON	SPDG	2,377.50	2,377.50
English	JERRY A. HERNDON	SPDG	2,384.00	2,384.00
English	MICHAEL COHEN	SPDG	2,086.50	2,086.50
English	MICHAEL G. MILLER	SPDG	1,738.50	1,738.50
Health, Phys Ed/Rec	PAMELA L. RICE	SPDG	1,636.50	1,636.50
History	CHARLES STEFFEN	IIG	562.50	562.50
Home Economics	ALICE J. KOENECKE	SPDG	1,208.33	1,208.33
Home Economics	SALLY A. DuFORD	SPDG	1,208.33	1,208.33
Industrial Ed & Tech	BERT A. SIEBOLD	SPDG	1,208.33	1,208.33
Industrial Ed & Tech	DANIEL CLAIBORNE	IIG	1,000.00	1,000.00
Industrial Ed & Tech	STANLEY L. GROPPPEL	SPDG	1,208.33	1,208.33
Library	CELIA J. WALL	SPDG	Regular Salary	Regular Salary
Library	KEITH M. HEIM	SPDG	Regular Salary	Regular Salary
Library	YUSHIN YOO	SPDG	Regular Salary	Regular Salary
Management & Mkt.	RONALD W. CLEMENT	SPDG	2,550.00	2,550.00
Music	CARL ROGERS	SPDG	2,120.25	2,120.25
Music	KAY BATES	SPDG	-0-	1,302.00
Music	MARIE TAYLOR	SPDG	-0-	1,483.50
Nursing	ELIZABETH POWELL	SPDG	1,391.00	1,391.00
Nursing	JEANETTE FURCHES	SPDG	1,628.25	1,628.25
Office Adm & Bus Ed	A. C. KRIZAN	SPDG	2,250.00	2,250.00
Office Adm & Bus Ed	PATSY NICHOLS	IIG	875.00	875.00
Philosophy & RGS	GAYNE R. NERNEY	SPDG	1,500.00	1,500.00
Physics & Astronomy	BILLY E. BURNLEY	SPDG	1,690.00	1,690.00
Psychology	LINDA KLINE	IIG	1,000.00	1,000.00
Safety Eng & Health	BENNIE L. COOPER	SPDG	Regular Salary	Regular Salary

<u>DEPT</u>	<u>NAME</u>	<u>TYPE</u>	<u>JUNE 30</u>	<u>JULY 31</u>
Safety Eng & Health	GEORGE V. NICHOLS	SPDG	Regular Salary	Regular Salary
Safety Eng & Health	MERRITT M. LAKE	SPDG	1,208.33	1,208.33
Special Education	SAM MINNER	SPDG	1,777.50	1,777.50
Speech & Theatre	JAMES I. SCHEMP	IIG	937.50	<u>937.50</u>