

1877

Messrs. Andrew Steele, & E. J. Warner,
Chairmen Committee on Financial History &c.

On the 7th March last I began the Examination of the Books of Kentucky University, by direction of your Committee, with the following written requirements to guide my investigations:

" For use of Accountant.

" Whereas the order of the Board of Curators of Kentucky University requires a thorough examination of all the documents, books and reports of all the officers, agents and Amenable of the University since its organization; Also a Report of the Exact financial history and exact financial Condition of the University:

Therefore Resolved that B. L. Swope be appointed Accountant with instructions to proceed at once to execute from the data furnished the above order

His Statement shall show

1. The financial Condition year by year from the organization of the University to the close of the last fiscal year - (June 1. 1876).
2. The amount subscribed to the Endowment Fund and the names of Donors and the balance unpaid by each; also a like statement in regard to the Real Estate, Library & Apparatus Funds.

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3. The investment of the Endowment and the changes made therein from time to time,
 4. How much of the Endowment has been appropriated to the A. & M. College, to the payment on the Real Estate and on Buildings,
 5. What amount was received from the State at the Organization of the A. & M. College; also from the U. States for rent & damage of Buildings, and how both amounts were disposed of,
 6. The amount claimed by and refunded to the Donors of Mercer Co; with the names and sums paid to each claimant,
 7. The Amount received each year as income, from what sources and how expended,
 8. The Statement shall show not only the amount of the entire indebtedness of the University, but a list of the specific debts,
 9. Also the indebtedness of the several funds, the one to the other, and the form of that indebtedness,
 10. Also a list of all notes for money loaned,
 11. Also the amount subscribed, & how paid, to the Mechanical Department,
 12. And give such other information as may be necessary to reach the intent of the order of the Board,

Resolved, that the Documents, Books and Reports of all the officers, Agents and Amembles of the University, embracing the financial affairs of the Institution, shall be submitted to the examination of the Accountant at his room in Lexington, when request is made by him for the same.

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In order to comply satisfactorily with these instructions & requirements, it became necessary to compile an entirely new set of Books from the original entries of the Old ones. This has been done. They are finished, and embrace the period from the year 1857 - in which the first entries were made - to the 31st day of May of the present year, 1877, and are herewith, with the old Books, handed over to your Committee.

Balance Sheets have been taken off at the end of the fiscal years, 1859, 1865, -'66-'67-'68-'69, 1871-74 and 1877 in a Book made for the purpose, which book constitutes the chief part of this report. The Statistics given in this book at the close of the years 1859 and 1865 and every year thereafter up to and including 1877, compose a complete history of the finances of the University year by year, which will be of great value as a permanent record.

In these Statistics will be easily found the answers to the requirements numbered, 1, 4, 7 and 9. The indebtedness of the several Departments to the Endowment Fund, which varies from year to year, will be found also in the Statistics of each year, and the entire indebtedness of the University on the 31st May,

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1877, with a list of the Specific debts (as demanded by requirement number 8) ~~are~~ are shown in the Statistics at the close of this year 1877; the total indebtedness being \$104,536.40; of which \$41,582.23 is owed to Professors, to the Apparatus Fund, to Banks and to individuals - the chief part being due professors. The remainder of the debt \$62,954.17 is owed to the Endowment Fund.

The accompanying documents marked B, C, and F. give you the answers to requirements Number 2 & 6, namely, the Subscription to the Endowment, Apparatus and Real Estate & Building Funds, with the names of the Donors and the amounts unpaid by delinquents, Also the amounts refunded to Mercer County Claimants, ~~The unpaid Subscription notes of these Funds have not been compared with these lists, owing to the fact that Regent Bowman, in whose possession they are, has not yet responded to my requests to bring them to my office for comparison.~~

Document D. gives an answer to requirement 3, showing the investment of the Endowment Fund with the Changes made therein from time to time up to May 31, 1877.

The answer to requirement Number 5, is that the Sum of \$20,000 was received from the

State of Kentucky and entered August 22, 1866, and this amount was placed to the credit of the A. & M. College. About \$11,000 was used for Buildings and the remainder for Salaries of Professors & Tutors and for Farm purposes. From the Entries on this account it is not possible to get at the exact division of the disbursements for the first year or two.

On January 19th ^{\$25,000} and February 9th ^{5,000} 1871 the sum of \$25,000 was entered as having been received from the United States' Government for rent and damages, of which amount \$22,000 was credited to the Real Estate & Building Fund and the remainder \$3,000, to the Apparatus Fund.

In reply to Number 10, it may be stated that although for a number of years the greater part of the Surplus Endowment Fund, or the balance not permanently invested, was loaned to various individuals, yet the amount so loaned seemed to be considered as Cash on hand belonging to the Endowment Fund.

From the year 1867 forward this money was gradually called in and used in the other departments of the University or loaned to them. Hence, no list of the notes can be given, but the amounts so used from year to year are shown in the Statistics on the Book of Balances.

Number 11. can be answered by saying that no money appears by the Books to have been specially subscribed to the Mechanical Department.

Document G. gives a list of the Errors and omissions which have been discovered in the course of this Compilation.

You will also find in the Statistics many things which come in the Category of "Other information" (requirement number 12) as, for instance the number of Students year after year with the Cost per Capita, the Cost of the Farm operations (See document III.), and the amount of Stock out-standing.

None of the General Expense funds appear to have been used in refunding to Mercer County Claimants, nor does it seem to have been needful. All the monies paid to Mercer County are entered under the Endowment account on the Books. The Gen. Expense fund was frequently indebted to the Endowment Fund, and this was the case at the close of the fiscal year ending May 31. 1874.

Under date of June 1. and July 1. 1874, for the purpose of opening the Books of Treasurer D. S. Goodloe, appear a number of Entries referring to "a Statement" and evidently based upon it, with which the results, as arrived

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at by my work, did not agree. This Statement I had not examined, but the numerous Errors and omissions discovered in the Books of Treasurer Rowman from the Year 1868 down to May 31. 1874 in the Cash account alone, would account for this disagreement in great measure, if these Errors had not been found and taken into Consideration by the person who had made the Statement. Hence, it was thought advisable by your Committee that "a Conference with former Accountants" should be had before I made this report.

This Conference has been held with Mr. E. D. Luxtow, who had kept the Books from 1868 to 1874, and Professor H. P. Perrin, who had made the Statement referred to and also the opening entries on Treasurer Goodloe's Books.

These gentlemen arrived here about the 31st July, and together called to see me on the 1st August, instant. Professor Perrin brought his Statement. The results of this first day's Examination and Comparison were, first, that Mr. Luxtow candidly admitted that the Errors were actually Errors, and that he could not account for the manner by which they had been made; Second, that Professor Perrin's report showed that it had

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been made from the balances and footings of the Books of Treasurer Rowman, which balances and footings were Erroneous and which were so found to be by Professor Perrin's own Careful Examination then and there.

It is not necessary to state to your Committee that the Sequences produced by Erroneous premises must of necessity be also Erroneous.

The Statement of Professor Perrin must therefore be wrong to the extent of these Errors & omissions at least, and the Entries on Treasurer Goodloe's Books based upon it must also be Erroneous.

The large Majority of these Errors & Omissions were upon the debit Side of the Cash account and are of such a Character as to show, when Corrected, a larger amount of Cash on hand than is exhibited by the footings of the Books (See Cash ^{Ac}, document C.)

Professor Perrin had made an Estimate of interest to the Amount of \$3538.²³, and placed it to the Credit of J. B. Rowman, on the Books of Treasurer Goodloe, for money "advanced to University as per Statement." The working-out of the Set of Books which I have compiled, and which I have the honor to hand to your Committee, does not agree with this Credit of interest. The Cash for the three or four years preceding 1874 was apparently

Short, but there was money borrowed from Banks and individuals and not entered in the Cash which ~~no doubt~~ ^{evidently} made up the deficiency. This view is confirmed by the fact that for the years in which the interest is computed as if for monies advanced by Regent Rowman and credited to him, there was paid out and charged up interest to the amount of \$2953.⁶⁴ (as per document III.) and this added to that credited to Mr. Rowman would make \$6492.⁵⁷ for interest, which is an amount altogether out of proportion to the amount of money apparently needed - in fact, quite double. I called Professor Perrin's attention to this on the first day and asked him to explain to me his mode of arriving at it, but he post-poned any explanation from time to time, and at last left Lexington for his home without enlightening me. The day he left - Monday August 13th he was to have met me by appointment to explain this interest matter, but he did not come, nor did I receive any word from him on the subject.

Regent Rowman sent in by Mr. Suxton vouchers which show that two of the omitted amounts of \$250.⁰⁰ each - that of J. B. Wilgus

and that of S. S. Thompson - had been utilized, the one for Rent and the other for Lumber - and needed to be charged to the proper accounts and credited to the General Collecting Agent. This has been done and also another of \$10.⁰⁰. Vouchers also to the amount of \$712.⁶⁰, which had never been entered by Regent Bowman, have been examined and passed to his credit. These entries will be found on the Journal page 99. All the vouchers for monies paid have been examined by me, and checked off on my Cash Book by a double red-ink check.

There are but few missing vouchers, considering the long period of Seventeen years, and the total amount, \$320.²⁵ is small. A list of these, with dates and amounts is given - Document II.

There ^{are} none missing ^{for} the disbursements of Treasurer Goodloe for the three years of his administration. There ^{are} two errors in his books - One voucher, June 8, 1875, check to E. E. Sawyer for \$20.⁵⁶ shows that the Treasurer paid 56 cents more than he charged - the debit being \$20.⁰⁰. This, and another (which is in addition) of 20 cents against himself (his Journal pages 244+19) are all I discovered in his work.

Two Vouchers of Regent Bowman - one of March 1, 1870 for two dollars + eighty five cents, and the other of July 15, 1869 for eighty cents - one entered \$285.⁰⁰ and \$80.⁰⁰ respectively (old Cash Book pages 250 + 342) making an aggregate difference of \$361.²⁵ which amount has been debited by me

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to the Gen. Collecting Agent, J. B. Bowman at page 100 of the Journal.

As the work preceding June 1, 1874 during the administration of Mr. Bowman as Treasurer, had produced in my Compilation, different results from those of Professor Perrin's Statement, and as the Entries made in opening the Books of Treasurer Goodloe were based on this Statement, these Entries could not be followed by me, except in so far as related to new transactions — such as the Sale of ten 10-40 U.S. Bonds and the disposition of the proceeds; the Cash receipts and disbursements by Regent Bowman from June 1, to August 1, 1874, and the amount of Cash handed over to the New Treasurer, whose actual work only then began. The first two or three pages of the Journal of Treasurer Goodloe contain the Entries made thereon by Professor Perrin referred to, the majority of which were already correctly worked out on the Books Compiled by me.

My Books have been compiled item by item from the original Entries in the Books of the University and have been tested at every step in my work, and hence may be relied upon for their correctness in pre-

ference to any abstract Statement whatever.

The Dutton account for the Year 1869-70 Shows \$1005.⁰⁰ Cash received, which had not been Entered; that of 1870-71 Shows \$205.⁰⁰, and that of 1872-73 \$310.⁰⁰ (See old Journal pages 491, 506 and 534). These, with the other omissions, are Corrected on my Books. Several memorandum books, relating to this account were brought to me by Mr. Duxton the day after his late arrival (and Carried back and forth by him) for the purpose of modifying or Changing the account on the regular Journal, but they were of such a Character that I could not Assume the responsibility of accepting them in lieu of the Entries under the appropriate and regular account on the Journal.

The results arrived at up to June 1. 1877, which are of prominent interest to your Committee may be Summarized as follows:

First, the total indebtedness of the University.

This amounts (See Statistics) to \$ 104,536.40

+ Namely

Owed in Bills Payable to Professors	28,171.37
" " Open a/c " "	8,093.44
" " Bills Payable to others & Banks	34,264.87
" " Apparatus Fund	741.25
" " Endowment Fund	62,954.17
	<u>\$ 104,536.40</u>

The debt to the Endowment Fund as above stated
is \$ 62,954.17

And is owed by the following:

Gen. Expense + A.M. College	9,024.31
Mechanical Department	19,475.32
Real Est. + Building Fund	23,634.99
Gen. Collect. Agt. J. B. Rowman	<u>10,819.55</u>
	\$ 62,954.17

Endowment Fund

Total receipts on Endowment \$ 229,189.44

Deduct amt. refunded Mercer Co

of Apparatus 880.00

" " Endow. (proper) 18,264.44

19,144.44

Net receipts on this ac \$ 210,045.00

This is composed of

Amt. now invested (see Doc D.) 128,472.91

" Cash uninvested 18,617.92

" Used by other departments 62,954.17

\$ 210,045.00

Mechanical Dept.

Expenditures from Jan'y 1869 to Dec. 1872. including \$ 40,433.94

Less receipts on same ac 20,958.62

Debt \$ 19,475.32

Farm (See Doc E.)

Total out-lay on Farm ac from 1866 to 1877. inclusive \$ 74,158.52

" Income " " " " " 55,842.71

Excess of out-lay \$ 18,315.81

Errors and Omissions in Cash account
from 1868 to 1874, (See Document C.) were

In the receipts	4,596.52
" " Expenditures	<u>927.52</u>
Showing this amount More Cash	\$ 3,669.00

in hands of Treasurers than the Books indicate.

Gen. Collecting Agent, J. B. Bowman.

(See Statistics page 20. June 1, 1877.)

By Balance due him as Treasurer June 1, 1874.	\$ 340.04
July 1, 1874 To Proceeds 10 U.S. 10/40 Bonds	\$ 11,450.00
Less allowed for Services	<u>5,000.</u>
	\$ 6,450.00
To Amt. chg ^d to Pro. H. H. White (in error)	750.
" " Fees & other Collections retained	} 349.15
from June 1, 1875 to May 31, 1877	
" " Collections of R. E. & B. Fund	} <u>3,610.44</u>
from June 1, 1874 to Oct 15, 1875	
	\$ 11,159.59
Less Cash (above) due him	<u>340.04</u>
Balance due by him	\$ 10,819.55

1877
May 31.

To the foregoing balance against the General Collecting Agent, J. B. Bowman, there will be an offset or Credit by the amount of whatever Notes of the Endowment for Money of this fund loaned to individuals, he may have on hand (the amount of which as entered on ~~the~~ ^{Treasurer Goodell's} Books is \$3271.19), uncollected, and by vouchers for money paid by him which have not been entered on the Books.

The unpaid Subscription notes of the Endowment, Apparatus and Real Estate & Building Funds have not been compared with the lists (Documents B, C & F), for the reason that Regent Bowman, in whose hands they are, declines to make the comparison. August 20, 1877, he brought to my office a number of books containing such notes, showing that he had them, but no verification with my books was made.

In conclusion, I may be permitted

to State that extraordinary care and thought have been given to this work. It has been done in the quiet and seclusion of my own room, away from any disturbing element, and hence I feel a degree of confidence in its correctness which could not be possible under other and less favorable circumstances. I ask your Committee's close and patient scrutiny, for the more you study the statistics given, the more thoroughly you will become acquainted with what I have endeavored to show - namely a complete and continuous financial history, year by year, of Kentucky University from its organization to the close of the fiscal year ending June 1, 1877, as taken from the Books of the Treasurers.

I shall hold myself ready at any time to answer any question connected with my work, which your Committee or others having authority, may find it necessary to ask me.

Very respectfully
J. S. Swope.

Lexington, Ky, August 20th, 1877.

August 23, 1977 - Explanatory Statement by
Accountant B. L. Rorpe of his audit of books of
Kentucky University from 1857 to May 31, 1977, and
addressed to Andrew Steele & E. T. Warner, Chairman
of Committee on Financial History, etc.