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Board of Regents, Murray State University

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**MINUTES OF THE MEETING OF THE BOARD OF REGENTS
Murray State University
February 21, 1997**

The Board of Regents of Murray State University met on February 21, 1997, in quarterly session in the Board of Regents Room, Wells Hall, on the campus of Murray State University. The meeting was called to order at 1:30 p.m. by Chair Sid Easley. Regent Richard Lewis gave the invocation.

Upon roll call, the following were present: Thomas Burich, Sid Easley, Beverly Ford, Nancey France, Marie Jones, Richard Lewis, Wells Lovett, and Derek Somerville. Absent: Marilyn Buchanon, Arlivia Gamble and Philip Lanier.

Others present were: Dr. Kern Alexander, President of the University; Sandra M. Rogers, Secretary to the Board; Tom Denton, Treasurer and Interim Vice President for Administrative Services; Don Robertson, Vice President for Student Affairs; John Rall, University Counsel; Peggy Lowry, Director of Sponsored Programs; Denver Johnson, Head Football Coach; E. W. Dennison, Director of Athletics; members of the faculty, staff, students, news media and visitors.

Agenda

The following agenda for the meeting was presented:

AGENDA

1. Roll Call
2. Minutes of the Meeting of the Board of Regents held on December 6, 1996
3. Report of the President Dr. Alexander
4. Report of the Chairman Mr. Easley
5. Report of the Treasurer Mr. Denton
(Financial and Investment Reports for the period of July 1, 1996 - December 31, 1996)
6. Personnel Changes Dr. Alexander
 - A. Salary Roster effective January 1, 1997; Report of Resignations and Terminations for August 1, 1996, through December 31, 1996; and Report of New Employment for August 1, 1996, through December 31, 1996
 - B. Staff Leaves of Absence Without Pay
 - C. Faculty Leaves of Absence Without Pay
 - D. Sabbatical Leaves
 - E. Recommendation on Appointment of Director, Breathitt Veterinary Center
 - F. Recommendation on Appointment of Director, Sponsored Programs
 - G. Recommendation on Appointment of Head Coach, Football
 - H. Recommendation on Appointment of University Counsel
 - I. Recommendation on Appointment of Director of Athletics
7. World Wide Web Policy Dr. Alexander
8. Committee Reports/Recommendations
 - A. Academic Affairs Mr. Lovett
 - B. Athletic Mrs. Ford
 - C. Buildings and Grounds Mr. Burich
 - D. Development/Investments Mr. Lovett

E. Equal Opportunity/Affirmative Action	Mrs. Gamble
F. Faculty/Staff Affairs	Mr. Lanier
G. Finance/Audit	Mr. Easley
H. Governmental Relations	Mr. Lewis
I. Student Life	Mr. Somerville

Minutes of the Meeting of the Board of Regents held on December 6, 1996, approved

Mrs. Jones moved that the Minutes of the Board meeting held on December 6, 1996, be approved as submitted. Mr. Burich seconded and the motion carried.

Report of the President

President Alexander introduced new faculty/staff members present: Peggy Lowry, Director of Sponsored Programs; E. W. Dennison, Athletic Director; Denver Johnson, Head Football Coach; and John Rall, General Counsel.

1. Applications Increased

Applications have increased from last year, as well as the retention rate. President Alexander pointed out that in 1994 the plan for retention was reviewed and improvements were made and implemented by faculty, staff, Don Robertson and the student affairs committee. As a result of the added efforts, the university has the highest retention rate and the highest headcount entering the Spring term that Murray State has ever had. He pointed out that African-American students headcount has increased 8 percent.

2. Joint Doctoral Program

In the fall of 1996 a survey was made in West Kentucky which revealed that there was a substantial interest in doctoral programs at Murray State University. Murray State worked closely with the University of Memphis and developed a Joint Doctoral Program. There will be residence work at Murray State and there will be residence work at Memphis. MSU faculty will become their faculty, as joint faculty for doctoral committees. Students will be accepted this fall for the program.

3. Murray State University's Vision for the Future

President Alexander presented a slide show on the "Vision for the Future: Building upon the Strengths of the Past." He pointed out that as we move toward a Special Session, the vision of Murray State's future and our mission will play an important role in our negotiations.

Highlights of the presentation included:

- a. Murray State's Reputation as a high quality institution as indicated by our ranking in U.S. News and World Report, America's Best Colleges and Barron's Profiles of American Colleges, 1996
- b. Strength of undergraduate program/liberal arts/faculty
- c. Student learning focused campus
- d. Educational attainment of Kentuckians
- e. Maintaining strength of academic programs, student-centered tradition, access to education, recruitment and retention of students, economic development of our region, marketability of our graduates and much more now depend heavily on universal access to information technology. Murray State has initiated the network infrastructure, built a training infrastructure and have begun the access infrastructure.
- f. International Education

- g. Center of Excellence in Reservoir Research (Hancock Biological Station/Chemical Services Laboratory/Mid America Remote Sensing Center)
- h. Tradition of strong pre-professional programs in sciences (pre-med, etc.)
- i. College of Nursing and Health Services (Sciences)
- j. Wickliffe Mounds Research Center/Forrest Pogue Public History Institute/Archaeological Service Center/Pogue Library
- k. Breathitt Veterinary Center
- l. Teacher/administrator preparation
- m. Aim for development of a Cooperative Extension Service for Industry and Technology with a mission to provide assistance to small businesses through partnerships with diverse groups capitalizing on existing resources in support of regional economic development
- n. Outreach/Access/Cooperation in regional service and workforce development needs
- o. College of Business and Public Affairs--international strength and industrial extension service

President Alexander pointed that we want to think expansively and one of the problems with Kentucky higher education is that we haven't thought expansively. Kentucky has one of the lowest production of doctoral programs in the United States. The state is spending a tremendous amount on graduate education with very low productivity and low quality graduate programs. We need more quality graduate programs in Kentucky.

Report of the Chairman

Chairman Easley expressed appreciation to the President for the report and applauded him for his leadership and efforts.

Chairman Easley pointed out that regardless of what the media focuses on regarding Murray State, we want more students because we believe that the students of this region deserve the same opportunity for a residential college education as do the students in the Golden Triangle of Kentucky or anywhere else. Our job is to educate students. Regardless of the news media reports, they will not change the determination of Murray State institution to grow. No matter how tough the fight gets, we're here to fight and do our job.

Report of the Treasurer

Mr. Tom Denton presented and reviewed the financial and investment reports for the period of July 1, 1996 through December 31, 1996. Following a brief discussion, Mr. Lovett moved, seconded by Mrs. Jones, that the Treasurer's Report be accepted. Motion carried.

(See Attachments #1 and #2)

Personnel Changes, approved

President Alexander recommended the following personnel changes:

Salary Roster, Report of Resignations and Terminations, and the Report of New Employment, approved

Mrs. Jones moved that the Board of Regents, upon the recommendation of the President of the University, approve the Salary Roster as of January 1, 1997; the Report of Resignations and Terminations for the

period of August 1, 1996, through December 31, 1996; and the Report of New Employment for the period of August 1, 1996, through December 31, 1996. Effective date of information on all reports is January 1, 1997.

Mr. Lewis seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

Staff Leaves of Absence Without Pay, approved

Mrs. Jones moved that the Board of Regents, upon the recommendation of the President of the University, approve the Staff Leaves of Absence Without Pay as listed below:

Boren, Lisa F.	National Scouting Museum	11/27/96--1/31/97
*Brewer, Fayte	Center for International Programs	2/16/96--6/30/96
		7/1/96--12/31/96
Dick, Mary	Food Services	12/19/96--3/11/97
Harris, Gerald W.	Facilities Management	12/1/96--12/8/96
Jenkins, James	Facilities Management	12/7/96--1/31/97
Sirls, Tracey S.	University Libraries	10/29/96--12/15/96
Turner, Tyrone	Facilities Management	11/23/96--12/20/96
Warner, Betty	Development & Alumni Affairs	1/3/97--3/31/97

*At its February 23, 1996 meeting, the Board approved Mr. Brewer's leave of absence without pay for the period of February 16, 1996 through December 31, 1996. Teachers' Retirement System of Kentucky regulations require that leaves be approved separately for each fiscal year.

Mr. Burich seconded and the motion carried.

Faculty Leaves of Absence Without Pay, approved

Dr. France moved that the Board of Regents, upon the recommendation of the President of the University, approve the following Leaves of Absence Without Pay:

Willis Johnson, Professor, Department of Elementary & Secondary Education 8/1/97 - 5/31/98, to study philosophy and structure of Professional Development Schools which are partnerships between universities and K-12 schools.

Edrena Harrison, Lecturer, Department of Sociology, Anthropology and Social Work, 8/1/97 - 5/31/98, to pursue Ph.D. in Social Work from Howard.

Mr. Somerville seconded and the motion carried.

Sabbatical Leaves, granted

Dr. France moved that the Board of Regents, upon the recommendation of the President of the University, grant the following requests for sabbatical leaves for the periods indicated:

David Brasfield, ECO/FIN	1/1--5/31/98	full salary/1 semester
Pamela Rice, HPER	8/1--12/31/97	full salary/1 semester
Michael Johnson, ART	1/1--5/31/98	full salary/1 semester
Robert Lochte, JMC	1/1--5/31/98	full salary/1 semester
Kay Bates, MUS	1/1--5/31/98	full salary/1 semester
Terry Barrett, PSY	8/1--12/31/97	full salary/1 semester
James Stuart, BIO	8/1--12/31/97	full salary/1 semester

Mrs. Jones seconded and the motion carried.

Director, Breathitt Veterinary Center, appointed

Mrs. Jones moved that the Board of Regents, upon the recommendation of the President of the University, approve the appointment of Dr. M. Douglas Cox as Director of the Breathitt Veterinary Center, effective January 1, 1997, at an annual salary of \$75,000.

Mrs. Ford seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

Director, Sponsored Programs, appointed

Mr. Somerville moved that the Board of Regents, upon the recommendation of the President of the University, approve the appointment of Peggy Lowry as Director of Sponsored Programs, effective October 15, 1996, at an annual salary of \$55,000.

Dr. France seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

Head Football Coach, appointed

Mrs. Ford moved that the Board of Regents, upon the recommendation of the President of the University, approve the appointment of Denver J. Johnson, as Head Football Coach, effective February 3, 1997, at an annual salary of \$72,275.

Mrs. Jones seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

Legal Counsel, appointed

Mr. Lovett moved that the Board of Regents, upon the recommendation of the President of the University, approve the appointment of John P. Rall as Legal Counsel, effective March 17, 1997, at an annual salary of \$70,000.

Mr. Lewis seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

Director of Athletics, appointed

Mrs. Jones moved that the Board of Regents, upon the recommendation of the President of the University, approve the appointment of E. W. Dennison as Director of Athletics, effective March 1, 1997, at an annual salary of \$70,000.

Mrs. Ford seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

World Wide Web Policy, approved

Dr. France moved that the Board of Regents, upon the recommendation of the President of the University, approve the attached "Publishing Guidelines for World Wide Web Pages at Murray State University." Mr. Somerville seconded and the motion carried.

(See Attachment #3)

Committee Reports

- A. Academic Affairs - Mr. Lovett. No report.
- B. Athletic - Mrs. Ford. No report.

C. Buildings and Grounds - Mr. Burich.

Mr. Burich presented the following recommendations on behalf of the Buildings and Grounds Committee.

1. Woods Hall, plans terminated

On behalf of the Buildings and Grounds Committee, Mr. Burich recommended that the Board of Regents authorize the President to terminate the plans to renovate Woods Hall due to a financial analysis produced by Dewey Yeatts showing the renovation would not be feasible because the students would bear the cost totaling approximately \$6 million.

Mr. Lewis seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

2. Woods Hall, authorization to convert to academic facility

On behalf of the Buildings and Grounds Committee, Mr. Burich moved that the Board of Regents authorize the President to convert Woods Hall into an academic facility starting with the first floor and continue renovation as funds allow.

Dr. France seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

3. Alternative Residential Facilities, authorization to plan and negotiate

On behalf of the Buildings and Grounds Committee, Mr. Burich moved that the Board of Regents authorize the President to plan and negotiate for alternative residential facilities and everything consistent therewith.

Mrs. Jones seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

4. Major Maintenance List, approved

For the Buildings and Grounds Committee, Mr. Burich moved that the Board of Regents, upon the recommendation of the President of the University, approve the attached lists of Major Maintenance (on the basis of availability of funds) for the Educational and General area and the Housing and Dining area from: 1) the University's Consolidated Educational Renewal and Replacement Fund (CERR); 2) Housing and Dining operating balance; and/or, 3) other agency funds for accomplishment during the 1997-98 fiscal year and for additional items for completion in 1996-97.

Mr. Somerville seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

(See Attachments #4 and #5)

D. Development/Investments - Mr. Lovett. No report.

E. Equal Opportunity/Affirmative Action - Mrs. Gamble. No report.

F. Faculty/Staff Affairs - Mr. Lanier. No report.

G. Finance/Audit - Mr. Easley.

1. Audit Contract, renewed

For the Finance/Audit Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, authorize the renewal of the contract with Deloitte and Touche for the performance of the University's financial and compliance audits for the fiscal year ending June 30, 1997, at a cost of \$52,740. This renewal is in compliance with the terms of the original contract (#875-0395) issued April 1, 1994.

Mr. Burich seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

2. Audit Reports, accepted

For the Finance/Audit Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, accept the following audit reports:

- a. NCAA compliance report for the year ended 6/30/96
- b. WKMS Radio Station audit for the year ended 6/30/96
- c. WKMS Radio Station Corporation for Public Broadcasting Annual Report for the year ended 6/30/96
- d. Kentucky Institute for International Studies Program audit for the year ended 10/31/96

Mrs. Jones seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

(See Attachments #6, #7, #8, and #9)

3. Major Maintenance Projects, approved

Chairman Easley requested that the record show that the Finance/Audit Committee joined the Buildings and Grounds Committee's motion to approve the Major Maintenance Projects.

4. Extension of Incentive Grant Counties, approved

Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, approve the extension of incentive grant counties to include St. Francois County in Missouri, effective Fall Semester 1997.

Mr. Lewis seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

5. Master Lease-Purchase Agreement, adopted

For the Finance/Audit Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, adopt the attached Resolution approving a Master Lease-Purchase Agreement with Peoples First National Bank & Trust Company in a principal amount not to exceed \$1,500,000 for the financing of the acquisition and installation of a campus information network; authorizing the execution of various documents related to such Master Lease; and making certain designations regarding such Master Lease.

Mr. Lewis seconded and the roll was called with the following voting: Mr. Burich, yes; Mrs. Ford, yes; Dr. France, yes; Mrs. Jones, yes; Mr. Lewis, yes; Mr. Lovett, yes; Mr. Somerville, yes; and Mr. Easley, yes. Motion carried.

(See Attachments #10 and #11)

6. Budget Guidelines, adopted

Mr. Lovett moved that the budget guidelines be adopted.

Mrs. Ford seconded and discussion followed.

President Alexander pointed out that the state of Kentucky is only providing a 2.4 percent increase in funding. The recommendation is to devote the entire 2.4 increase across the board and in anticipation of more funding later, merit would then be considered. The recommendation is asking the Board to waive the 75/25 split policy that has been used in the past because of the minimal amount of money being received.

Upon call for a vote, the motion carried.

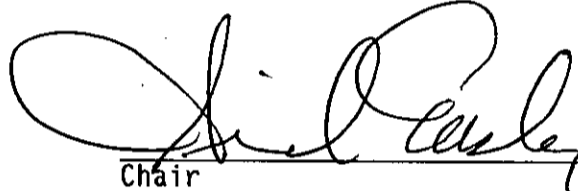
(See Attachment #12)

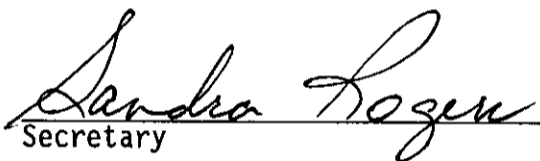
Board Meeting Date, changed

After discussion, the decision was made to change the date of the next meeting from May 16 to Monday, May 12, 1997.


Meeting Adjournment

There being no further business to come before the Board, Mrs. Jones moved, seconded by Mr. Lewis, that the meeting adjourn. Adjournment was at 3:25 p.m.


Chair


Secretary

This page left blank due to the Attachments to the Minutes of the meeting of the Board of Regents meeting held on February 21, 1997.


Secretary



Murray State University

Financial Report

FOR THE PERIOD
July 1, 1996 - December 31, 1996

**SUBMITTED TO
THE PRESIDENT
AND
BOARD OF REGENTS**

February 21, 1997

Murray State University

P O BOX 9
MURRAY KY 42071-0009

February 5, 1997

President Kern Alexander
Members of the Board of Regents
Murray State University
Murray, KY 42071

Dear President Alexander and Members of the Board:

Attached is the Financial Report of Murray State University for the period July 1, 1996 through December 31, 1996.

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Thomas W. Denton

Thomas W. Denton
Interim Vice President for
Administrative Services

MURRAY STATE UNIVERSITY
 CURRENT UNRESTRICTED FUNDS
 UNAUDITED BALANCE SHEET
 As of December 31, 1996
 With Comparative Figures as of December 31, 1995

	1996-97			1995-96
	Educational and General	Auxiliaries	Total	
ASSETS				
Cash (Note 2)	\$ 2,828,486	\$ 1,429,312	\$ 4,257,798	\$ 127,462
Investments (Note 2)	14,918,491	187,141	15,105,632	18,777,836
Total cash and investments	<u>17,746,977</u>	<u>1,616,453</u>	<u>19,363,430</u>	<u>18,905,298</u>
Inventories (Note 3)	318,838	935,011	1,253,849	1,241,433
Prepaid expenses	10,505	377	10,882	15,451
Accounts and loans receivable, net	4,948,481	2,236,866	7,185,347	7,237,480
Interest receivable	311,466	20,933	332,399	421,762
Due from other funds	246,333	-	246,333	141,152
Total assets	<u>\$ 23,582,600</u>	<u>\$ 4,809,640</u>	<u>\$ 28,392,240</u>	<u>\$ 27,962,576</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 183,752	\$ 1,777	\$ 185,529	\$ 165,419
Accrued expenses	1,353	-	1,353	-
Accrued compensated absences	1,148,690	87,443	1,236,133	1,212,279
Health and life insurance liability	425,480	-	425,480	1,002,034
Racer card liability	-	74,613	74,613	60,936
Deposits	1,840	283,531	285,371	264,560
Total liabilities	<u>\$ 1,761,115</u>	<u>\$ 447,364</u>	<u>\$ 2,208,479</u>	<u>\$ 2,705,228</u>
Fund Balance:				
Beginning fund balance - July 1	\$ 9,133,401	\$ 764,439	\$ 9,897,840	\$ 10,037,337
Additions/(deductions) - year to date	12,688,084	3,597,837	16,285,921	15,220,011
Total fund balance	<u>\$ 21,821,485</u>	<u>\$ 4,362,276</u>	<u>\$ 26,183,761</u>	<u>\$ 25,257,348</u>
Total liabilities and fund balance	<u>\$ 23,582,600</u>	<u>\$ 4,809,640</u>	<u>\$ 28,392,240</u>	<u>\$ 27,962,576</u>

MURRAY STATE UNIVERSITY
CURRENT UNRESTRICTED FUNDS
UNAUDITED SUMMARY OF CHANGES AND ALLOCATIONS IN FUND BALANCE
For the Period July 1, 1996 through December 31, 1996
With Comparative Figures for the Period Ended December 31, 1995

	1996-97			1995-96
	Educational and General	Auxiliaries	Total	
Fund Balance - Beginning July 1				
Working capital	\$ 1,190,279	\$ 133,122	\$ 1,323,401	\$ 1,827,504
Reserve for self insurance	900,000	-	900,000	900,000
Reserve for revenue contingency	1,851,808	-	1,851,808	997,123
Encumbrances	353,791	59,308	413,099	925,382
Carryovers	4,837,523	572,009	5,409,532	5,387,328
Total fund balance - beginning July 1	\$ 9,133,401	\$ 764,439	\$ 9,897,840	\$ 10,037,337
Increase/(decrease) - year to date				
Revenues	\$ 45,962,899	\$ 10,421,372	\$ 56,384,271	\$ 52,050,014
Expenditures	(32,897,275)	(6,431,824)	(39,329,099)	(36,444,394)
Mandatory transfers				
Debt service	(866,861)	(314,391)	(1,181,252)	(981,734)
Loan match	-	-	-	-
Non-Mandatory transfers				
To CERR	(191,568)	-	(191,568)	(21,187)
From CERR	876,533	-	876,533	1,161,917
To plant funds	(276,101)	-	(276,101)	(561,611)
From plant funds	3,142	-	3,142	18,512
To educational and general	77,320	(77,320)	-	-
From educational and general	-	-	-	-
Other changes	(5)	-	(5)	(1,506)
Total year to date increase/ (decrease) in fund balance	\$ 12,688,084	\$ 3,597,837	\$ 16,285,921	\$ 15,220,011
Fund Balance - ending December 31				
Working capital	\$ 5,267,319	\$ 3,171,877	\$ 8,439,196	\$ 8,900,675
Reserve for self insurance	900,000	-	900,000	900,000
Reserve for revenue contingency	2,486,018	-	2,486,018	997,123
Encumbrances	838,265	41,326	879,591	1,207,108
Carryovers	4,837,523	572,009	5,409,532	5,387,328
Unallocated	7,492,360	577,064	8,069,424	7,865,114
Total fund balance - ending December 31	\$ 21,821,485	\$ 4,362,276	\$ 26,183,761	\$ 25,257,348

MURRAY STATE UNIVERSITY
 CURRENT UNRESTRICTED FUNDS
 UNAUDITED SUMMARY OF BUDGET ADJUSTMENTS
 For the Period July 1, 1996 through December 31, 1996
 With Comparative Figures for the Period Ended December 31, 1995

	1996-97		Current Budget Per Report	1995-96 Budget Per Report
	Original Budget	Adjustments/ Revisions		
REVENUES				
Educational & General	\$ 67,242,118			
Prior year carryovers (Note 5)		\$ 4,837,523		
Prior year carryovers-adjustments		893,577		
Prior year encumbrances (Note 5)		353,791		
Various account adjustments		19,500		
Total Educational & General	<u>\$ 67,242,118</u>	<u>\$ 6,104,391</u>	<u>\$ 73,346,509</u>	<u>\$ 69,904,420</u>
Auxiliary Enterprises	\$ 12,423,227			
Prior year carryovers (Note 5)		\$ 572,009		
Prior year carryovers-adjustments		26,513		
Prior year encumbrances (Note 5)		59,308		
Various account adjustments		1,072		
Total Auxiliary Enterprises	<u>\$ 12,423,227</u>	<u>\$ 658,902</u>	<u>\$ 13,082,129</u>	<u>\$ 12,032,704</u>
Total Revenues	<u>\$ 79,665,345</u>	<u>\$ 6,763,293</u>	<u>\$ 86,428,638</u>	<u>\$ 81,937,124</u>
EXPENDITURES				
Educational & General	\$ 67,242,118			
Prior year carryovers (Note 5)		\$ 4,837,523		
Prior year carryovers-adjustments		893,577		
Prior year encumbrances (Note 5)		353,791		
Various account adjustments		19,500		
Total Educational & General	<u>\$ 67,242,118</u>	<u>\$ 6,104,391</u>	<u>\$ 73,346,509</u>	<u>\$ 69,904,420</u>
Auxiliary Enterprises	\$ 12,423,227			
Prior year carryovers (Note 5)		\$ 572,009		
Prior year carryovers-adjustments		26,513		
Prior year encumbrances (Note 5)		59,308		
Various account adjustments		1,072		
Total Auxiliary Enterprises	<u>\$ 12,423,227</u>	<u>\$ 658,902</u>	<u>\$ 13,082,129</u>	<u>\$ 12,032,704</u>
Total Expenditures	<u>\$ 79,665,345</u>	<u>\$ 6,763,293</u>	<u>\$ 86,428,638</u>	<u>\$ 81,937,124</u>

MURRAY STATE UNIVERSITY
CURRENT UNRESTRICTED FUNDS - EDUCATIONAL AND GENERAL
UNAUDITED SCHEDULE OF REVENUES BY SOURCE, EXPENDITURES BY FUNCTION, AND OTHER CHANGES
For the Period July 1, 1996 through December 31, 1996
With Comparative Figures for the Period Ended December 31, 1995

	1996-97			1995-96	
	Current Budget	Fiscal Year Actual	Actual % Budget	Fiscal Year Actual	Actual % Budget
REVENUES					
Tuition and fees (Note 6)	\$ 21,510,213	\$ 20,194,268	94%	\$ 18,162,018	91%
State appropriation	41,800,200	22,985,200	55%	21,970,100	55%
Indirect cost reimbursement	180,213	69,003	38%	54,531	35%
Sales and services of educational departments	2,006,740	1,096,306	55%	765,534	46%
Other sources	2,536,705	1,618,122	64%	1,725,988	83%
Prior year carryovers and encumbrances (Note 5)	5,312,438	-	N/A	-	N/A
Total revenues	\$ 73,346,509	\$ 45,962,899	63%	\$ 42,678,171	61%
EXPENDITURES (Note 7)					
Instruction	\$ 29,608,030	\$ 13,296,627	45%	\$ 12,387,733	45%
Research	975,695	343,032	35%	324,991	34%
Public service	3,420,467	1,535,861	45%	1,649,881	48%
Academic support	3,061,433	1,473,171	48%	1,460,239	48%
Library	2,624,188	1,443,418	55%	1,328,157	52%
Student services	5,143,375	2,740,173	53%	2,889,974	52%
Institutional support	8,625,548	3,257,545	38%	3,286,046	39%
Operation & maint of plant	10,379,336	3,612,956	35%	3,942,288	40%
Scholarships	4,939,168	5,194,492	105%	3,721,952	87%
Total expenditures	\$ 68,777,240	\$ 32,897,275	48%	\$ 30,991,261	47%
TRANSFERS IN (OUT) AND OTHER CHANGES					
Mandatory transfers					
Consolidated educational bond sinking fund	\$ (4,017,149)	\$ (866,861)	N/A	\$ (673,107)	N/A
Loan fund match	(109,819)	-	N/A	-	N/A
Non-mandatory transfers					
Transfers to CERR (Note 8)	(792,973)	(191,568)	N/A	(21,187)	N/A
Transfers from CERR (Note 8)	546,311	876,533	N/A	1,161,917	N/A
Transfers to unexpended plant fund (Note 8)	(276,101)	(276,101)	N/A	(495,611)	N/A
Transfers from unexpended plant fund (Note 8)	3,142	3,142	N/A	6,405	N/A
Transfers from auxiliaries	77,320	77,320	N/A	77,320	N/A
Transfers to auxiliaries	-	-	N/A	-	N/A
Other changes	-	(5)	N/A	(1,506)	N/A
Total transfers and other changes	\$ (4,569,269)	\$ (377,540)	N/A	\$ 54,231	N/A
Total expenditures, transfers and other changes	\$ 73,346,509	\$ 33,274,815	45%	\$ 30,937,030	44%
Net change in fund balance		\$ 12,688,084		\$ 11,741,141	

MURRAY STATE UNIVERSITY
CURRENT UNRESTRICTED FUNDS - AUXILIARIES
UNAUDITED SCHEDULE OF REVENUES BY SOURCE, EXPENDITURES BY FUNCTION, AND OTHER CHANGES
For the Period July 1, 1996 through December 31, 1996
With Comparative Figures for the Period ended December 31, 1995

	1996-97			1995-96	
	Current Budget	Fiscal Year Actual	Actual % Budget	Fiscal Year Actual	Actual % Budget
REVENUES					
Food services	\$ 3,949,954	\$ 3,848,486	97%	\$ 3,387,259	89%
Housing services	4,887,035	4,253,803	87%	3,965,422	88%
Bookstore	3,008,097	1,825,307	61%	1,617,097	62%
Curriss center	190,000	143,112	75%	143,677	64%
University parking	223,380	260,173	116%	155,862	91%
Racer card administration	73,233	49,223	67%	41,058	59%
Vending and manual commissions	92,600	41,268	45%	61,468	70%
Miscellaneous	-	-	N/A	-	N/A
Prior year carryovers and encumbrances (Note 5)	657,830	-	N/A	-	N/A
Total revenues	\$ 13,082,129	\$ 10,421,372	80%	\$ 9,371,843	78%
EXPENDITURES (Note 7)					
Food services	\$ 3,809,016	\$ 2,021,627	53%	\$ 1,658,575	47%
Housing services	4,582,911	2,277,898	50%	1,852,194	43%
Bookstore	2,624,464	1,598,212	61%	1,438,490	62%
Curriss center	574,068	312,114	54%	327,316	58%
University parking	527,723	129,006	24%	83,496	24%
Racer card administration	63,200	29,465	47%	33,976	49%
Vending and manual commissions	190,689	63,502	33%	59,086	32%
Miscellaneous	-	-	N/A	-	N/A
Total expenditures	\$ 12,372,071	\$ 6,431,824	52%	\$ 5,453,133	48%
TRANSFERS IN (OUT) AND OTHER CHANGES					
Mandatory transfers					
Housing and dining bond sinking fund	\$ (632,738)	\$ (314,391)	N/A	\$ (308,627)	N/A
Non-mandatory transfers					
Transfers to unexpended plant fund (Note 8)	-	-	N/A	(66,000)	N/A
Transfers from unexpended plant fund (Note 8)	-	-	N/A	12,107	N/A
Transfers from CERR (Note 8)	-	-	N/A	-	N/A
Transfers to educational and general	(77,320)	(77,320)	N/A	(77,320)	N/A
Transfers from educational and general	-	-	N/A	-	N/A
Other changes	-	-	N/A	-	N/A
Total transfers and other changes	\$ (710,058)	\$ (391,711)	N/A	\$ (439,840)	N/A
Total expenditures, transfers and other changes	\$ 13,082,129	\$ 6,823,535	52%	\$ 5,892,973	49%
Net change in fund balance		\$ 3,597,837		\$ 3,478,870	

MURRAY STATE UNIVERSITY
CURRENT UNRESTRICTED FUNDS - AUXILIARIES
UNAUDITED SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES BY UNIT
For the Period July 1, 1996 through December 31, 1996
With Comparative Figures for the Period Ended December 31, 1995

	<u>Food Services</u>	<u>Housing Services</u>	<u>Bookstore</u>	<u>Curris Center</u>	<u>University Parking</u>	<u>Racer Card Admin</u>	<u>Vending and Manual Commissions</u>	<u>Misc</u>	<u>Prior Year Carryovers & Enc</u>	<u>Total</u>
1996-97										
REVENUES										
Current Budget	\$ 3,949,954	\$ 4,887,035	\$ 3,008,097	\$ 190,000	\$ 223,380	\$ 73,233	\$ 92,600	\$ -	\$ 657,830	\$ 13,082,129
Fiscal Year Actual	3,848,486	4,253,803	1,825,307	143,112	260,173	49,223	41,268	-	-	10,421,372
Actual % Budget	97%	87%	61%	75%	116%	67%	45%	N/A	N/A	80%
DISBURSEMENTS										
Current Budget	\$ 3,809,016	\$ 4,582,911	\$ 2,624,464	\$ 574,068	\$ 527,723	\$ 63,200	\$ 190,689	\$ -	\$ -	\$ 12,372,071
Fiscal Year Actual	2,021,627	2,277,898	1,598,212	312,114	129,006	29,465	63,502	-	-	6,431,824
Actual % Budget	53%	50%	61%	54%	24%	47%	33%	N/A	N/A	52%
TRANSFERS IN (OUT) AND OTHER CHANGES										
	\$ (13,777)	\$ (300,614)	\$ (77,320)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (391,711)
NET CHANGE IN FUND BALANCE										
	\$ <u>1,813,082</u>	\$ <u>1,675,291</u>	\$ <u>149,775</u>	\$ <u>(169,002)</u>	\$ <u>131,167</u>	\$ <u>19,758</u>	\$ <u>(22,234)</u>	\$ -	\$ -	\$ <u>3,597,837</u>
1995-96										
REVENUES										
Fiscal Year Actual	\$ 3,387,259	\$ 3,965,422	\$ 1,617,097	\$ 143,677	\$ 155,862	\$ 41,058	\$ 61,468	\$ -	\$ -	\$ 9,371,843
Actual % Budget	89%	88%	62%	64%	91%	59%	70%	N/A	N/A	78%
DISBURSEMENTS										
Fiscal Year Actual	\$ 1,658,575	\$ 1,852,194	\$ 1,438,490	\$ 327,316	\$ 83,496	\$ 33,976	\$ 59,086	\$ -	\$ -	\$ 5,453,133
Actual % Budget	47%	43%	62%	58%	24%	49%	32%	N/A	N/A	48%
TRANSFERS IN (OUT) AND OTHER CHANGES										
	\$ (14,167)	\$ (297,353)	\$ (77,320)	\$ -	\$ (51,000)	\$ -	\$ -	\$ -	\$ -	\$ (439,840)
NET CHANGE IN FUND BALANCE										
	\$ <u>1,714,517</u>	\$ <u>1,815,875</u>	\$ <u>101,287</u>	\$ <u>(183,639)</u>	\$ <u>21,366</u>	\$ <u>7,082</u>	\$ <u>2,382</u>	\$ -	\$ -	\$ <u>3,478,870</u>

MURRAY STATE UNIVERSITY
CURRENT RESTRICTED FUNDS
UNAUDITED SCHEDULE OF REVENUES BY SOURCE, EXPENDITURES BY FUNCTION, AND OTHER CHANGES
For the Period July 1, 1996 through December 31, 1996
With Comparative Figures for the Period Ended December 31, 1995

	1996-97			1995-96	
	Current Budget	Fiscal Year Actual	Actual % Budget	Fiscal Year Actual	Actual % Budget
REVENUES					
Federal funds					
Pell	\$ 3,587,205	\$ 1,873,320	52%	\$ 1,720,002	56%
SEOG	315,958	207,813	66%	207,650	65%
Workstudy	475,258	191,360	40%	199,154	42%
Grants and contracts	3,668,101	1,159,088	32%	1,409,710	31%
Total Federal funds	\$ 8,046,522	\$ 3,431,581	43%	\$ 3,536,516	42%
State grants and contracts	3,790,663	1,195,336	32%	854,854	39%
Other grants and contracts	165,282	82,957	50%	155,188	48%
Total current restricted revenues	\$ 12,002,467	\$ 4,709,874	39%	\$ 4,546,558	42%
EXPENDITURES					
Educational and general					
Instruction	\$ 2,311,095	\$ 918,266	40%	\$ 903,565	42%
Research	1,220,759	258,044	21%	237,455	28%
Public service	661,289	276,901	42%	194,585	37%
Library	19,761	19,761	100%	18,102	101%
Academic support	1,564,264	329,977	21%	496,390	32%
Student services	244,961	134,501	55%	130,221	64%
Institutional support	36,876	30,799	84%	31,730	71%
Operation & maint of plant	1,228,562	-	0%	-	0%
Scholarships and financial aid	4,692,464	2,719,189	58%	2,509,029	59%
Total educational and general	\$ 11,980,031	\$ 4,687,438	39%	\$ 4,521,077	42%
Auxiliary enterprises	\$ 22,436	\$ 22,436	100%	\$ 25,481	113%
Total current restricted expenditures	\$ 12,002,467	\$ 4,709,874	39%	\$ 4,546,558	42%

MURRAY STATE UNIVERSITY
CURRENT UNRESTRICTED FUNDS
UNAUDITED SCHEDULE OF REVENUES
For the Period July 1, 1996 through December 31, 1996
With Comparative Figures for the Period Ended December 31, 1995

EDUCATIONAL AND GENERAL	<u>1996-97</u>	<u>1995-96</u>
Tuition and fees		
Fall tuition	\$ 9,456,985	\$ 8,617,812
Spring tuition	7,896,092	7,195,515
Summer II tuition	630,549	484,054
Summer I tuition	10,302	7,025
Miscellaneous tuition	451	432
Student activity fees	1,640,733	1,567,104
Other fees	559,156	290,076
Total tuition and fees	<u>\$ 20,194,268</u>	<u>\$ 18,162,018</u>
State appropriations	\$ 22,985,200	\$ 21,970,100
Total state appropriations	<u>\$ 22,985,200</u>	<u>\$ 21,970,100</u>
Indirect cost reimbursements		
Federal and state indirect cost reimbursements	\$ 69,003	\$ 54,531
Total indirect cost reimbursements	<u>\$ 69,003</u>	<u>\$ 54,531</u>
Sales and services of educational departments		
Archeology service center	\$ 5,267	\$ 4,840
Art cash sales	16,366	16,516
Belize tropical escape	-	579
Biology station income	861	3,534
Breathitt veterinary center	77,542	70,776
Chemical services	2,150	-
Child development center	5,100	6,400
Clinical services	5,280	15,024
English language institute	367,198	291,325
Environmental education workshop	2,120	2,045
Fall business education conference	1,300	870
Foreign language service	-	10
Hong Kong MBA	89,425	-
Journalism workshop	276	30
Keyboard Recruiting	151	-
Kentucky Institute of International Studies (KIIS)	335,402	205,206
Learning center fees	8,372	-
MARC service center	-	66
MSU news advertising	28,277	23,131
MSU x-ray lab	3,015	2,385
Office systems service center	750	1,172
Pediatric assessment	-	3,240
Recording studio	432	565
Safety engineering & health workshop	-	60
School service office	240	-
Shield	36,055	36,284
Theatre revenue	6,567	3,308
TV studio	374	426
University farms	102,363	77,557
Waterfield center	47	185
Well water testing	1,376	-
Total sales and services of educational departments	<u>\$ 1,096,306</u>	<u>\$ 765,534</u>

MURRAY STATE UNIVERSITY
 CURRENT UNRESTRICTED FUNDS
 UNAUDITED SCHEDULE OF REVENUES (cont.)
 For the Period July 1, 1996 through December 31, 1996
 With Comparative Figures for the Period Ended December 31, 1995

Educational and General (cont.)	1996-97	1995-96
Other Sources		
Athletics	\$ 297,031	\$ 273,972
Athletics - concessions	40,618	41,767
Athletics - football playoff	27,327	50,521
Athletics - guarantees	1,000	30,000
Athletics - marketing	17,143	16,085
Athletic camps		
Baseball	150	-
Golf	1,400	-
Men's basketball	4,314	4,500
Ladies' basketball	-	75
Soccer	3,900	-
Tennis	11,090	-
Athletics - NCAA revenue	20,246	16,244
Athletics - programs	14,160	11,484
Athletics - OVC volleyball tournament	4,010	-
Bad debt expense recovery	10,268	5,187
Boots Randolph	125	-
Campus lights	-	1,100
Central stores	660	24,599
Chemistry breakage fees	2,490	2,923
Community education	(698)	264
Conferences and workshops	75,830	69,815
Consolidated educational revenue interest	490,060	519,950
Contract residuals	-	8,137
Cooperative education/placement income	5,943	2,916
Counseling and testing	5,304	4,373
Environmental consortium of Mid-America	3,250	3,750
Faculty resource center	1,305	2,420
Festival of champions	20,515	31,885
Graphic arts technology	3,750	4,919
Hazardous materials training	50,137	28,599
International student orientation	2,031	2,460
Intramural income	2,556	3,137
Kentucky honors roundtable	-	750
Library - census microfilm	156	405
Library - copy service	26,737	26,596
Library - fines	8,549	8,970
Library - inter library loan	716	516
Library - other income	2,691	5,538
Livestock and exposition center	34,367	30,053
Magic silver show	-	3,551
Meal management luncheons	536	677
Music recital income	98	484
Operating fund interest	97,649	89,902
Other revenue	33,638	19,310
Perkins loan recovery	1,548	1,523
Post office box rental	4,254	4,496
Post office contract	3,333	3,333
Printing	17,831	18,943

MURRAY STATE UNIVERSITY
 CURRENT UNRESTRICTED FUNDS
 UNAUDITED SCHEDULE OF REVENUES (cont.)
 For the Period July 1, 1996 through December 31, 1996
 With Comparative Figures for the Period Ended December 31, 1995

	1996-97	1995-96
Educational and General (cont.)		
Other Sources		
Psychology copy account	\$ 68	\$ 369
Quad state	22,862	19,841
Recycling program	1,797	5,635
Regensburg exchange	59,964	52,190
Regional tournaments-		
Boys'	500	50
Girls'	500	50
Rentals	3,937	1,303
Rodeo income	2,985	-
ROTC equipment	(844)	1,013
Sale of surplus property	5,264	32,707
Stocker calves project		24,278
String prep program	2,983	2,844
Student government association	10,420	28,161
Summer challenge	2,378	-
Summer orientation	30,068	23,626
Technology center	22,761	16,369
Telecommunications commission	64,520	110,756
Wellness center	5,756	-
West Kentucky environmental education consortium	8,713	8,536
Wickliffe Mounds gift shop	4,383	4,040
Wickliffe Mounds research center	21,009	18,091
Young authors camp	80	-
Total other sources	\$ 1,618,122	\$ 1,725,988
Total educational and general	\$ 45,962,899	\$ 42,678,171
 AUXILIARY ENTERPRISES		
Food services	\$ 3,848,486	\$ 3,387,259
Housing services	4,253,803	3,965,422
Bookstore	1,825,307	1,617,097
Curris center	143,112	143,677
University parking - fines	94,305	71,425
University parking - permits	161,925	77,020
University parking - other	3,943	7,417
Racer card administration	49,223	41,058
Vending and manual commissions	41,268	61,468
Total auxiliary enterprises	\$ 10,421,372	\$ 9,371,843
Total current unrestricted revenues	\$ 56,384,271	\$ 52,050,014

MURRAY STATE UNIVERSITY
PLANT FUNDS
UNAUDITED BALANCE SHEET
As of December 31, 1996
With Comparative Figures As of December 31, 1995

	1996-97				Total	1995-96
	Unexpended Plant	Renewal And Replacement	Retirement Of Indebtedness	Investment In Plant		
ASSETS						
Cash	\$ 2,903,297	\$ 654,594	\$ 85,805	\$ -	\$ 3,643,696	\$ 7,131,465
Investments	899,658	748,766	4,238,206	-	5,886,630	6,005,386
Interest receivable	11,101	26,932	53,104	-	91,137	88,788
Accounts receivable	-	-	-	-	-	645,476
Discount on bonds	110,999	-	-	347,715	458,714	534,935
Premium on bonds	-	-	-	(6,716)	(6,716)	-
Due from other funds	-	425,000	-	-	425,000	-
Property, plant and equipment	-	-	-	159,250,098	159,250,098	148,760,548
Total assets	\$ 3,925,055	\$ 1,855,292	\$ 4,377,115	\$ 159,591,097	\$ 169,748,559	\$ 163,166,598
LIABILITIES AND FUND BALANCE						
Liabilities						
Interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-
Due to other funds	60,463	-	-	-	60,463	192,275
Bonds payable	3,022,044	-	-	27,987,666	31,009,710	34,363,235
Obligations capital leases	-	-	-	134,242	134,242	116,127
Total Liabilities	\$ 3,082,507	\$ -	\$ -	\$ 28,121,908	\$ 31,204,415	\$ 34,671,637
Fund Balance						
Beginning fund balance - July 1	\$ 3,034,435	\$ 2,501,204	\$ 4,235,912	\$ 127,037,409	\$ 136,808,960	\$ 128,462,000
Additions/(deductions) - YTD	(2,191,887)	(645,912)	141,203	4,431,780	1,735,184	32,961
Total fund balance	\$ 842,548	\$ 1,855,292	\$ 4,377,115	\$ 131,469,189	\$ 138,544,144	\$ 128,494,961
Total liabilities and fund balance	\$ 3,925,055	\$ 1,855,292	\$ 4,377,115	\$ 159,591,097	\$ 169,748,559	\$ 163,166,598

MURRAY STATE UNIVERSITY
PLANT FUNDS
UNAUDITED STATEMENT OF CHANGES IN FUND BALANCE
For the Period July 1, 1996 through December 31, 1996
With Comparative Figures for the Period Ended December 31, 1995

	1996-97					1995-96
	Unexpended Plant	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	Total	
REVENUES AND OTHER ADDITIONS:						
Buildings	-	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	2,108,620	2,108,620	655,588
Equipment	-	-	-	1,449,367	1,449,367	665,640
Improvements other than buildings	-	-	-	10,892	10,892	-
Land	-	-	-	-	-	-
Library books	-	-	-	772,608	772,608	715,565
Donated assets	-	-	-	-	-	-
Retirement of indebtedness	-	-	-	732,433	732,433	357,127
Emergency fire repair funds	30,000	-	-	-	30,000	-
Interest income	14,217	40,086	139,468	-	193,771	202,041
Proceeds from bonds	-	-	-	-	-	1,500,000
State funds	-	-	-	-	-	-
Cost of bond issuance	-	-	-	-	-	148,120
Reduction in lease obligations	-	-	-	-	-	-
Other additions	-	-	-	-	-	6,147
Total revenues and other additions	44,217	\$ 40,086	\$ 139,468	\$ 5,073,920	\$ 5,297,691	\$ 4,250,228
EXPENDITURES AND DEDUCTIONS:						
Buildings	-	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	2,953,004	-	-	333,233	3,286,237	1,296,159
Equipment	-	-	-	300,541	300,541	460,549
Library books	-	-	-	8,366	8,366	219,886
Other assets (leases)	-	-	-	-	-	-
State funds	-	-	-	-	-	-
Debt increase from refunding	-	-	-	-	-	-
Retirement of indebtedness	-	-	732,433	-	732,433	604,626
Interest on indebtedness	-	-	446,055	-	446,055	465,502
New bond indebtedness	-	-	-	-	-	1,551,000
Cost of bond issuance	-	-	-	-	-	-
Other deductions	-	1,033	1,030	-	2,063	3,647
Total expenditures and deductions	2,953,004	\$ 1,033	\$ 1,179,518	\$ 642,140	\$ 4,775,695	\$ 4,661,369
TRANSFERS AMONG FUNDS:						
Mandatory:						
Bond principal and interest	-	\$ -	\$ 1,181,253	\$ -	\$ 1,181,253	\$ 981,733
Note principal and interest	-	-	-	-	-	-
Nonmandatory:						
Transfer from unrestricted current to unexpended plant	276,101	-	-	-	276,101	561,611
Transfer from restricted current to unexpended plant	443,941	-	-	-	443,941	-
Transfer from unexpended plant to investment in plant	-	-	-	-	-	-
Transfer from unexpended plant to unrestricted current	(3,142)	-	-	-	(3,142)	(18,512)
Transfer from unrestricted current to renewal and repl	-	191,568	-	-	191,568	21,187
Transfer from renewal and replacement to unrestricted	-	(876,533)	-	-	(876,533)	(1,161,917)
Total transfers	716,900	\$ (684,965)	\$ 1,181,253	\$ -	\$ 1,213,188	\$ 384,102
Net increase (decrease) - YTD	(2,191,887)	\$ (645,912)	\$ 141,203	\$ 4,431,780	\$ 1,735,184	\$ 32,961
Fund balance - beginning July 1	3,034,435	\$ 2,501,204	\$ 4,235,912	\$ 127,037,409	\$ 136,808,960	\$ 128,462,000
Total fund balance - ending December 31	842,548	\$ 1,855,292	\$ 4,377,115	\$ 131,469,189	\$ 138,544,144	\$ 128,494,961

MURRAY STATE UNIVERSITY
PLANT FUNDS
UNAUDITED UNEXPENDED REVENUES AND EXPENDITURES
For the Period July 1, 1995 through December 31, 1996

	Revised Budget	Fiscal Year To Date	Project Year To Date	Encumbrances	Balance Available
REVENUES					
Revenue bond proceeds	\$ 6,468,590	\$ 24,535	\$ 6,360,749	\$ -	\$ 107,841
Local funds	4,859,591	272,959	4,721,155	-	138,436
Investment income	1,291,938	21,420	1,827,802	-	(535,864)
Other State funds	2,743,555	646,020	2,957,509	-	(213,954)
Federal funds	280,051	443,941	567,905	-	(287,854)
Private funds	43,500	-	43,500	-	-
Other	-	-	16,582	-	(16,582)
State appropriations	343	-	343	-	-
Total Revenues	\$ 15,687,568	\$ 1,408,875	\$ 16,495,545	\$ -	\$ (807,977)
EXPENDITURES					
Architect & engineering fees	\$ 1,532,581	\$ 77,509	\$ 1,079,003	\$ 253,904	\$ 199,674
General construction	10,899,655	2,750,492	8,639,334	1,405,999	854,322
Movable equipment/furniture	164,694	-	-	-	164,694
Land/right of way	1,236,910	80,000	1,313,409	-	(76,499)
Legal & administrative costs	192,806	1,856	155,819	28,144	8,843
Transfer for debt service	782,938	-	901,619	-	(118,681)
Miscellaneous expense	10,000	-	2,800	-	7,200
Agency labor	173,589	5,799	75,335	-	98,254
Agency materials	540,459	37,348	366,968	-	173,491
Arbitrage rebate transfer	-	-	163,249	-	(163,249)
Contingency	1,100,448	-	-	-	1,100,448
Total Expenditures	\$ 16,634,080	\$ 2,953,004	\$ 12,697,536	\$ 1,688,047	\$ 2,248,497
Net Increase (Decrease)	\$ (946,512)	\$ (1,544,129)	\$ 3,798,009	\$ (1,688,047)	\$ (3,056,474)

MURRAY STATE UNIVERSITY
PLANT FUNDS
UNAUDITED SCHEDULE OF UNEXPENDED REVENUES AND EXPENDITURES
For the Period July 1, 1996 through December 31, 1996

PROJECT	Allotments			Expenditures			Outstanding Encumbrances	Balance 12/31/96
	Prior to July 1, 1996	Received 1996-97	Total	Prior to July 1, 1996	Expenditures 1996-97	Total		
100 Clearing	\$ 61,196	\$ -	61,196	\$ -	\$ -	\$ -	\$ -	61,196
131 Land acquisitions	1,294,690	5,200	1,299,890	1,287,546	80,000	1,367,546	-	(67,656)
300 Con Ed Series E & F clearing	989,716	-	989,716	882,764	-	882,764	-	106,952
400 Con Ed Series G clearing	-	-	-	83,542	-	83,542	-	(83,542)
405 Renovate Old Fine Arts building	3,950,000	75,000	4,025,000	3,020,984	756,921	3,777,905	205,737	41,358
410 National Boy Scout Museum Phase IV	36,814	-	36,814	28,064	8,750	36,814	-	-
500 Project 48 bonds clearing	-	-	-	172,368	-	172,368	-	(172,368)
503 Hazardous waste storage	85,000	-	85,000	85,000	-	85,000	-	-
534 Fire alarm replacement and compressed gas storage	67,500	-	67,500	67,500	-	67,500	-	-
551 Hancock Biological Station-cabins,bathhouse	89,223	-	89,223	89,223	-	89,223	-	-
600 Project 50 bonds clearing	-	-	-	26,020	-	26,020	-	(26,020)
605 Expo Center roof replacement	271,000	-	271,000	229,967	27,288	257,255	-	13,745
624 Shower/eyewash station	31,500	-	31,500	31,213	268	31,481	-	19
626 E&G fire horn upgrade	43,500	-	43,500	11,188	-	11,188	-	32,312
637 Faculty Hall elevator renovation	340,000	-	340,000	284,760	32,524	317,284	5,749	16,967
641 Renovate Woods Hall	510,000	-	510,000	366,238	30	366,268	122,499	21,233
645 Masonry defects - Curris Center	208,707	-	208,707	208,707	-	208,707	-	-
706 Equine instruction facility	43,500	-	43,500	6,361	8,972	15,333	23,608	4,559
708 Roof replacement - General Services Bldg	250,000	-	250,000	236,720	-	236,720	-	13,280
717 Fire damage cleanup	1,500,000	30,000	1,530,000	1,459,140	40,040	1,499,180	28,932	1,888
723 Museum enhancement - Wickliffe Mounds	100,000	-	100,000	9,827	40,637	50,464	20,686	28,850
724 Sprinkler system - Lovett Auditorium	154,875	3,150	158,025	65,878	73,604	139,482	14,767	3,776
725 Blackburn Science research modernization	1,284,508	222,106	1,506,614	170,279	767,915	938,194	1,006,796	(438,376)
726 Window replacement - Lovett Auditorium	88,000	-	88,000	69,000	17,339	86,339	-	1,661
727 Parking lot modifications - 16th & Hamilton	123,464	-	123,464	123,464	-	123,464	-	-
728 Winslow Cafeteria renovation	750,000	-	750,000	352,886	338,459	691,345	20,767	37,888
730 BVC building system improvements	133,726	-	133,726	117,643	-	117,643	5,714	10,369
732 Doyle elevator renovation	15,070	206,080	221,150	139	-	139	212,072	8,939
733 Wilson foundation waterproofing	5,000	-	5,000	2,018	127	2,145	-	2,855
734 Sparks exterior repairs	81,600	-	81,600	6,437	57,951	64,388	-	17,212
735 Carr Health - pool liner	50,000	-	50,000	3,501	26,286	29,787	-	20,213
736 Pogue exterior paint	40,411	(3,142)	37,269	33,914	3,355	37,269	-	-
737 Quadrangle lighting replacement	100,000	-	100,000	76,831	4,907	81,738	-	18,262

MURRAY STATE UNIVERSITY
 PLANT FUNDS
 UNAUDITED SCHEDULE OF UNEXPENDED REVENUES AND EXPENDITURES
 For the Period July 1, 1996 through December 31, 1996

PROJECT	Allotments			Expenditures			Outstanding Encumbrances	Balance 12/31/96
	Prior to July 1, 1996	Received 1996-97	Total	Prior to July 1, 1996	Expenditures 1996-97	Total		
738 Doyle fine arts complex improvements	\$ 50,000	\$ -	50,000	\$ -	\$ -	\$ -	\$ -	50,000
739 Carr health windows - lead abate & paint	150,000	-	150,000	109,877	9,393	119,270	-	30,730
740 Regents condensate system repair	136,555	-	136,555	25,318	70,588	95,906	-	40,649
741 Hancock boat dock	95,000	-	95,000	195	81,225	81,420	500	13,080
742 Football field conversion	550,000	-	550,000	20	506,204	506,224	-	43,776
743 Motor pool diesel tank	12,000	12,000	24,000	-	221	221	20,220	3,559
744 Central plant fuel tank	50,000	-	50,000	-	-	-	-	50,000
800 Project 57 revenue bond proceeds	-	-	-	-	-	-	-	-
818 E & G smoke detectors	321,000	-	321,000	-	-	-	-	321,000
821 High volt oil switch	690,000	-	690,000	-	-	-	-	690,000
847 Upgrade legal library	-	67,751	67,751	-	-	-	-	67,751
848 Mall lighting replacement	-	120,000	120,000	-	-	-	-	120,000
849 General services HVAC upgrade	-	35,000	35,000	-	-	-	-	35,000
850 Fine arts equipment & furnishings	-	155,868	155,868	-	-	-	-	155,868
851 Curris center roof renovations	-	5,000	5,000	-	-	-	-	5,000
Total	\$ 14,753,555	\$ 934,013	15,687,568	\$ 9,744,532	\$ 2,953,004	\$ 12,697,536	\$ 1,688,047	1,301,985

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL REPORT
For the Period July 1, 1996 through December 31, 1996

Note 1. Summary of Significant Accounting Policies

Accounting Basis

The annual financial statements of Murray State University are prepared on an accrual basis of accounting except for depreciation on physical plant and equipment.

Tuition and fee revenues for a semester are recognized upon recording the receivable, normally before or shortly after the semester begins. Revenues of summer school academic terms are reported in the fiscal year in which the programs predominately fall. Therefore deferred tuition revenues are recorded for terms which have not begun at year-end. State appropriations revenues are recognized upon receipt.

Expenditures are generally recognized, for interim reporting, in the period expended rather than the period incurred. Some liability accounts on the Balance Sheet are not adjusted until year-end, at which time all expenditures are accrued.

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.

Current funds are used primarily to account for the transactions affecting the general operation of the University. These resources are expendable for performing the primary and support objectives of the University. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds.

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.

Note 2. Deposits and Investments

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

Note 3. Inventories

Inventories are stated at the lower of cost, using first-in-first-out valuation, or market.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL REPORT (cont.)
 For the Period July 1, 1996 through December 31, 1996

Note 4. Murray State University Foundation, Inc.

Murray State University Foundation, Inc. (the Foundation) is a Kentucky not-for-profit corporation formed to receive, invest, and expend funds for the enhancement and improvement of the University.

The Foundation prepares and issues its own financial statements.

Note 5. Prior Year Carryovers and Encumbrances

Budget Revisions for Prior Year Carryovers and Prior Year Encumbrance Carryovers are based on actual balances brought forward to date from fiscal year 95/96.

Note 6. Tuition and Fees and Scholarships

Incentive Grants of \$1,245,125 have been included as both tuition and as scholarship expenditures. The amounts are \$672,546 for Fall 1996 and \$572,579 for Spring 1996.

Note 7. Unrestricted Expenditures

In addition to expenditures, outstanding encumbrances as of December 31, 1996 are \$838,265 for Educational and General and \$41,326 for Auxiliary Enterprises.

Note 8. Non-Mandatory Transfers from/(to) Plant Funds

	Unrestricted Educational and General	Unrestricted Auxiliaries	Restricted Educational and General
I. Transfer from Consolidated Educational Renewal and Replacement Fund:			
a. 6/30 CERR balances in renovation accounts	\$ 330,222	\$ -	\$ -
b. Pogue library - Jesse Stuart room	12,500	-	-
c. Winslow mall extension	11,007	-	-
d. Lovett stage lighting & floor covering	21,000	-	-
e. New fine arts upper intake air louvers	10,000	-	-
f. Expo center - gas boiler	110,000	-	-
g. Lovett auditorium - sprinkler system	3,150	-	-
h. Wall pack fixture replacement	28,200	-	-
i. Carr health pool - chemical storage room	13,703	-	-
j. Old fine arts renovation	75,000	-	-
k. Upgrade pogue legal library	67,751	-	-
l. Mall lighting replacement	120,000	-	-
m. Boy scout museum roof repairs	30,000	-	-
n. Brick walk & wall to OFA from pedestrian mall	15,000	-	-
o. Rodeo barn electrical services	3,000	-	-
p. Mason hall high voltage feeder	21,000	-	-
q. Curris center roof investigation	5,000	-	-
Total	<u>\$ 876,533</u>	<u>\$ -</u>	<u>\$ -</u>

MURRAY STATE UNIVERSITY
 NOTES TO FINANCIAL REPORT (cont.)
 For the Period July 1, 1996 through December 31, 1996

Note 8. Non-Mandatory Transfers from/(to) Plant Funds (cont.)

	<u>Unrestricted Educational and General</u>	<u>Unrestricted Auxiliaries</u>	<u>Restricted Educational and General</u>
II. Transfer (to) Consolidated Educational Renewal and Replacement Fund:			
a. Interest earned on CERR	\$ (178,594)	\$ -	\$ -
b. Waterfield library - electric door locks	(1,352)	-	-
c. Industrial education - floor tiles	(1,809)	-	-
d. Repair/replace exterior windows - wells hall	(6,671)	-	-
e. Pogue library - exterior painting	(3,142)	-	-
	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>(191,568)</u>	\$ <u>-</u>	\$ <u>-</u>
III. Transfer (to) Unexpended Plant Fund:			
a. Lovett auditorium - sprinkler system	\$ (3,150)	\$ -	\$ -
b. Blackburn science modernization	-	-	(411,151)
c. Wickliffe mounds museum enhancement	-	-	(32,790)
d. Old fine arts renovation	(75,000)	-	-
e. Upgrade pogue legal library	(67,751)	-	-
f. Mall lighting replacement	(120,000)	-	-
g. Land acquisition	(5,200)	-	-
h. Curris center roof investigation	(5,000)	-	-
	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>(276,101)</u>	\$ <u>-</u>	\$ <u>(443,941)</u>
IV. Transfer from Unexpended Plant Fund:			
a. Pogue plaster - exterior painting	\$ <u>3,142</u>	\$ <u>-</u>	\$ <u>-</u>



Murray State University

Investment Report

FOR THE PERIOD
July 1, 1996 - December 31, 1996

**SUBMITTED TO
THE PRESIDENT
AND
BOARD OF REGENTS**

February 21, 1997

Murray State University

PO BOX 9
MURRAY KY 42071-0009

January 28, 1997

President Kern Alexander
Members of the Board of Regents
Murray, KY 42071

Dear President Alexander and Members of the Board:

Attached is the Investment Report of Murray State University for the period July 1, 1996 through December 31, 1996.

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Summary of Investment Earnings by Fund and Fund Accounts.....	2
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Thomas W. Denton
Interim Vice President for
Administrative Services

emd

MURRAY STATE UNIVERSITY
SUMMARY OF INVESTMENT EARNINGS BY FUND
 For the Period July 1, 1996 through December 31, 1996

	<u>Current Funds</u>	<u>Endowment Funds</u>	<u>Plant Funds</u>	<u>Total</u>
Investment Earnings to Date	\$ <u>646,678</u>	\$ <u>51,706</u>	\$ <u>197,052</u>	\$ <u>895,436</u>
Composite Interest Rates	<u>7.37%</u>	<u>5.44%</u>	<u>6.03%</u>	<u>6.97%</u>

MURRAY STATE UNIVERSITY
SUMMARY OF INVESTMENT EARNINGS
BY FUND AND FUND ACCOUNTS
For the Period July 1, 1996 through December 31, 1996
With Comparative Figures for Period Ended December 31, 1995

	<u>Earnings To Date 1996-97</u>	<u>Earnings To Date 1995-96</u>
CURRENT FUNDS		
Local Bank Accounts Interest (Peoples Bank)	\$ 124,848	\$ 109,582
Consolidated Educational Revenue Fund (Frankfort)	490,060	486,909
Housing and Dining Revenue Fund (Frankfort)	<u>31,770</u>	<u>60,558</u>
Total Current Funds	<u>\$ 646,678</u>	<u>\$ 657,049</u>
ENDOWMENT FUNDS		
Endowed Chair for Ecosystems Studies	\$ 24,541	\$ 24,222
Smith Scholarship Endowment	21,347	23,371
Other Endowment Funds	<u>5,818</u>	<u>4,908</u>
Total Endowment Fund	<u>\$ 51,706</u>	<u>\$ 52,501</u>
PLANT FUNDS		
Consolidated Educational Renewal and Replacement (Frankfort)	\$ 23,482	\$ 50,646
Unexpended Plant (Frankfort)		
Series G Bonds - Capital Construction Clearing	10,859	16,576
Series H Bonds - Capital Construction Clearing	3,358	5,503
Retirement of Indebtedness (Trustee-PNC Bank)		
Consolidated Educational Bond Reserve Sinking Fund	117,443	116,510
Consolidated Educational Series G Arbitrage Rebate Fund	14	15
Housing and Dining Bond Reserve Sinking Fund	22,011	25,095
Housing and Dining Repair and Maintenance Fund	<u>19,885</u>	<u>21,149</u>
Total Plant Funds	<u>\$ 197,052</u>	<u>\$ 235,494</u>

MURRAY STATE UNIVERSITY
 CURRENT FUNDS
 SCHEDULE OF INVESTMENT ACTIVITIES
 For the Period July 1, 1996 through December 31, 1996

Type of Investment	Maturity	Term	Days Interest Earned	Fiscal YTD Annualized Yield	Fiscal YTD Average Balance	1996-97 Earnings
EDUCATIONAL AND GENERAL						
<u>Interest on Local Bank Accounts (Note 4)</u>						
Peoples Bank of Murray		continuous		Daily rate per overnight Peoples Bank balances		\$ 124,848
Total Local Bank Accounts interest earnings to date						\$ <u>124,848</u>
<u>Consolidated Educational Revenue Fund (Frankfort)</u>						
State Investment Pool	12/31/96	184 days	184 days	7.010%	\$ 13,984,502	\$ 490,060
Total Consolidated Educational Revenue Fund interest earnings to date						\$ <u>490,060</u>
Total Current Funds Educational and General interest earnings to date						\$ <u>614,908</u>
AUXILIARY ENTERPRISES						
<u>Housing and Dining Revenue Fund (Frankfort)</u>						
State Investment Pool	12/31/96	184 days	184 days	7.860%	\$ 808,717	\$ 31,770
Total Housing and Dining Revenue Fund interest earnings to date						\$ <u>31,770</u>
Total Auxiliary Enterprises interest earnings to date						\$ <u>31,770</u>
Total Current Funds interest earnings to date						\$ <u>646,678</u>

MURRAY STATE UNIVERSITY
 ENDOWMENT FUNDS
 SCHEDULE OF INVESTMENT ACTIVITIES
 For the Period July 1, 1996 through December 31, 1996

Type of Investment	Maturity	Term	Days Interest Earned	Effective Yield	Carrying Value at 12/31/96	1996-97 Earnings
ENDOWED CHAIR FOR ECOSYSTEMS STUDIES (Note 7)						
Certificate of Deposit	11/17/96	365 days	140 days	5.750%	\$ 300,000	\$ 6,569
Certificate of Deposit	11/17/96	365 days	140 days	5.550%	240,000	5,073
Certificate of Deposit	11/17/96	365 days	140 days	5.350%	160,000	3,260
Certificate of Deposit	11/13/97	360 days	44 days	6.300%	300,000	2,278
Certificate of Deposit	11/13/97	360 days	44 days	6.100%	255,000	1,875
Certificate of Deposit	11/13/97	360 days	44 days	6.040%	200,000	1,456
Foundation Investment Pool	12/31/96	184 days	184 days	5.020% *	171,589	4,030
Total Endowed Chair interest earnings to date						<u>\$ 24,541</u>

SMITH SCHOLARSHIP ENDOWMENT (Note 7)

Investment	Effective Yield	Carrying Value at 12/31/96	1996-97 Earnings
Foundation Investment Pool	5.020% *	\$ 881,593	\$ 21,347
Total earnings on Smith Endowment			<u>\$ 21,347</u>

OTHER ENDOWMENT FUNDS

Investment	Effective Yield	Carrying Value at 12/31/96	1996-97 Earnings
Foundation Investment Pool	5.020% *	\$ 253,851	\$ 5,818
Total Other Endowment Funds			<u>\$ 5,818</u>
Total Endowment Funds earnings to date			<u>\$ 51,706</u>

* If based on unrealized appreciation of Foundation investments, the total return on the investment pool would be 12.63%.

MURRAY STATE UNIVERSITY
PLANT FUNDS
SCHEDULE OF INVESTMENT ACTIVITIES
For the Period July 1, 1996 through December 31, 1996

Type of Investment	Maturity	Term	Days Interest Earned	Fiscal YTD Annualized Yield	Fiscal YTD Average Balance	1996-97 Earnings
CONSOLIDATED EDUCATIONAL RENEWAL AND REPLACEMENT (CERR)						
State Investment Pool	12/31/96	184 days	184 days	6.670%	\$ 703,658	\$ 23,482
Total Consolidated Educational Renewal and Replacement interest earnings to date						\$ 23,482
UNEXPENDED PLANT FUND						
<u>Series G Bonds - Capital Construction Clearing - Frankfort (Note 9)</u>						
State Investment Pool	12/31/96	184 days	184 days	6.630%	\$ 327,395	\$ 10,859
Total Series G interest earnings to date						\$ 10,859
<u>Series H Bonds - Capital Construction Clearing - Frankfort (Note 10)</u>						
Bond Proceeds Pool	12/31/96	184 days	184 days	7.090%	\$ 94,770	\$ 3,358
Total Series H interest earning to date						\$ 3,358
Total Unexpended Plant Fund interest earnings to date						\$ 14,217
RETIREMENT OF INDEBTEDNESS FUND - Invested by Trustee						
<u>Consolidated Educational Bond Reserve Sinking Fund (Note 11)</u>						Carrying Value at 12/31/96
Money Market Securities	12/31/96	184 days	184 days	Various	\$ 1,555	\$ 1,593
Repurchase Agreement	07/01/04	10 years	184 days	6.500%	3,543,480	115,850
Total Consolidated Educational Bond Reserve Sinking Fund interest earnings to date						\$ 117,443
<u>Consolidated Educational Series G Arbitrage Rebate Fund</u>						
Money Market Securities	12/31/96	184 days	184 days	Various	\$ 609	\$ 14
Total Consolidated Educational Series G Arbitrage Fund interest earnings to date						\$ 14
<u>Housing and Dining Bond Reserve Sinking Fund (Note 12)</u>						
PNC managed account	12/31/96	184 days	184 days	5.880%	\$ 697,427	\$ 22,011
Total Housing and Dining Bond Reserve Sinking Fund interest earnings to date						\$ 22,011
<u>Housing and Dining Repair and Maintenance Reserve Fund (Note 13)</u>						
PNC managed account	12/31/96	184 days	184 days	5.870%	\$ 707,423	\$ 19,885
Total Housing and Dining Repair and Maintenance Reserve Fund interest earnings to date						\$ 19,885
Total Retirement of Indebtedness Fund interest earnings to date						\$ 159,353
Total Plant Funds interest earnings to date						\$ 197,052

MURRAY STATE UNIVERSITY
NOTES TO INVESTMENT REPORT
For the Period July 1, 1996 through December 31, 1996

Note 1. **BASIS OF REVENUE RECOGNITION**

Accrual basis accounting is used to recognize interest earnings on the Investment Report.

Note 2 **INVESTMENT POLICIES AND PROCEDURES**

POLICIES

Scope: This investment policy applies to activities of the University with regard to investing the financial assets of all funds, including those maintained by:

- I. the Commonwealth of Kentucky's treasury,
- II. local depositories, and
- III. external trustees and investment managers.

Written procedures will indicate which funds are covered under each of the previously mentioned investment structures.

Goals: Consistent with state statutes and administrative regulation, the goals of the University's investment program are:

- * preservation and maintenance of the real purchasing power of the principal in the portfolios,
- * maintenance of sufficient liquidity to meet normal and foreseeable expenditures, and
- * attainment of the greatest possible dollar return to the University while observing statutory and policy constraints.

Investment Objective: The investment objective is to produce a yield that when compared to the current marketplace, would be described as competitive by investment managers.

Strategy: The University's investment strategy is designed to match the life of the asset with the date liability occurs.

Delegation of Authority:

General: The treasurer is responsible for investment decisions and activities, under the direction of the Board of Regents. The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with these policies. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person shall engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate investment personnel.

Bond Funds: With regard to bond funds, the investment/reinvestment (on instruments authorized by the bond indenture and resolutions) by the trustee(s) shall be directed from time to time by the Treasurer

Minimal Non-Cash Investment Transactions: In order to correct stock transfer errors or dispose of small non-cash investments, the Treasurer is authorized to sell or otherwise dispose of items less than \$10,000 without specific resolution from the Board of Regents

Note 2 INVESTMENT POLICIES AND PROCEDURES (cont.)

Reporting: The Treasurer and the Vice President for University Relations and Administrative Services shall submit quarterly investment reports to the President and Board of Regents. These reports will include investment data for investment securities held at the end of the reporting period.

PROCEDURES

Specific investment procedures are contained within the full "Investment Policies and Procedures" as approved by the Board of Regents on May 14, 1994.

Note 3. DEPOSITS AND INVESTMENTS

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

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

	12/31/96 Carrying Amount	12/31/95 Carrying Amount
U. S. Government Securities	\$4,948,330	\$ 4,910,041
Stocks	-	-
Certificates of Deposit	755,000	700,000
Money Market Securities	<u>2,164</u>	<u>2,512</u>
Subtotal:	\$ 5,705,494	\$ 5,612,553
Investment in State Investment Pool	\$15,402,357	\$ 19,696,062
MSU Foundation Pool	<u>1,307,033</u>	<u>1,203,599</u>
Total Investments	<u>\$22,414,884</u>	<u>\$26,512,214</u>

Note 4. CURRENT FUNDS - LOCAL BANK ACCOUNT

Per banking contract with People's Bank of Murray, interest earnings are based on 100% of the overnight federal funds rate.

Interest earnings may be expended in Current Fund.

Note 5. CONSOLIDATED EDUCATIONAL BUILDING AND REVENUE BOND FUND (CEBRB)

This fund was created, as result of the trust indenture established when the first Consolidated Educational Building and Revenue Bonds were sold in the 1960's, as a depository of tuition and fees in order to provide funds to service the principal and interest debt requirements of each series of aforementioned bonds. The fund also supports the Educational and General Funds operations.

Note 5. CONSOLIDATED EDUCATIONAL BUILDING AND REVENUE BOND FUND (CEBRB) (cont.)

The Commonwealth of Kentucky Office of Financial Management and Economic Analysis invests available funds of the CEBRB in the State's university investment pool.

All interest earnings are transferred to Consolidated Educational Renewal and Replacement (CERR) at the end of each quarter according to the Board's approval for renewal and replacement projects.

Note 6. AUXILIARY FUNDS - HOUSING AND DINING REVENUE FUND

This fund was created, as a result of the trust indenture established when the first Housing and Dining System Revenue Bonds were sold in 1960's as a depository of all auxiliary income in order to provide funds to service the principal and interest debt requirement of each series of aforementioned bonds. The fund also supports the Auxiliary Fund operations.

Note 7. ENDOWMENT FUND INVESTMENTS

ENDOWED CHAIR

During 1987, the University was awarded \$500,000 by the Commonwealth of Kentucky for an Endowed Chair for Eco-Systems Studies. University discretion, within the Board Policy, is used to invest these funds. Ten percent of the total earnings are returned to the Endowment investment pool. Ninety percent of the earnings are transferred to the Restricted Fund (Endowed Chair Grant) for program expenditures.

SMITH ENDOWMENT

During the fourth quarter of fiscal year 1991-92 and the first three quarters of fiscal year 1992-93, the University received proceeds, in excess of \$750,000, from the Laura Smith estate for the Smith Endowment. The majority of the proceeds were deposited with the Murray State University Foundation for investment in the investment pool.

Note 8. CONSOLIDATED EDUCATIONAL RENEWAL AND REPLACEMENT (CERR)

As established by the Board of Regents in March 1982, CERR provides a plant fund sub-group so that funds transferred from CEBRB could be accumulated for future projects of repair and renovation.

The University invests the proceeds in the same manner as CEBRB in Note 5.

Interest earnings remain within the fund for future projects.

Note 9. UNEXPENDED PLANT FUNDS - SERIES G REVENUE BOND

This capital construction clearing account holds the proceeds from the University's Series G bond sale until such time as they are needed for specific capital construction projects.

The University issued \$14,785,000 in Series G revenue bonds dated December 1, 1987. The proceeds are to be used to pay costs of repair, renovation, construction or addition to buildings on the campus of Murray State University that are and shall be a part of the Consolidated Educational Building Project. This project was established and created by the Board of Regents on April 20, 1961.

Note 9. UNEXPENDED PLANT FUNDS - SERIES G REVENUE BOND (cont.)

The University invests the proceeds in the same manner as CEBRB in Note 5.

Interest earnings on Series G can be spent on the Industry and Technology Building project or any other Educational and General project the Board and State approves.

Note 10. UNEXPENDED PLANT FUNDS - SERIES H REVENUE BOND

This capital construction clearing account holds the proceeds from the University's Series H bond sale until such time as they are needed for specific capital construction projects.

The University issued \$4,625,000 in Series H revenue bonds dated March 1, 1992. The proceeds are to be used to pay costs of repair, renovation, construction of addition to buildings on the campus of Murray State University that are and shall be a part of the Consolidated Educational Building Project. This project was established and created by the Board of Regents on April 20, 1961.

The Commonwealth of Kentucky invests the proceeds in a pooled account with other state agency bond proceeds.

Interest earnings on Series H can be spent on the renovation of the Old Fine Arts Building and the Underground Steam and Condensate Lines as approved by the Board and State.

Note 11. RETIREMENT OF INDEBTEDNESS - CONSOLIDATED EDUCATIONAL SINKING FUND (CESF)

This fund was created, as a result of the first trust indenture established when the Consolidated Educational Building and Revenue bonds were sold in the 1960's, to provide a sinking fund to pay debt principal and interest expense on all related CEBRB bonds. The amount of interest earned is part of the formula for annual funding of CERR projects. (See Note 5)

Interest earnings are used to reduce the amount of semi-annual debt service transferred from University Unrestricted Educational and General Fund to this sinking fund. Bond requirements mandate a minimum reserve of \$3,543,480.

Note 12. RETIREMENT OF INDEBTEDNESS - HOUSING AND DINING SINKING FUND

This fund was created, as a result of the trust indenture established when the first Housing and Dining System Revenue Bonds were sold in the 1960's, to provide a sinking fund to pay debt principal and interest expense on related Housing and Dining Revenue Bonds.

Interest earnings are retained in the fund for future use. Bond requirements mandate a minimum reserve of \$679,204.

Note 13. HOUSING AND DINING REPAIR AND MAINTENANCE RESERVE FUND

This fund was created, as a result of the establishment of the trust indenture in Note 5, to provide a fund to pay for extraordinary repairs, not paid from the Auxiliary Fund, to the Housing and Dining System buildings.

Interest earnings are retained in the fund for future use. The use is determined by Board of Regents resolution and the indentures. Bond requirements mandate a minimum reserve of \$550,000.

**Publishing Guidelines for
World Wide Web Pages
at Murray State University
Approved by ITAC 5/24/96**

Introduction

Murray State University (MSU) provides access to information resources (which includes the World Wide Web) for use by faculty, staff and students to further the University mission of teaching, learning, research and service. Use of University information resources should be in support of those objectives.

The World Wide Web affords MSU a new medium to provide information to both internal and external University constituents. As with all communications, the University's Web presence should promote a positive image of the University to an audience consisting of prospective students and their families, other universities, accrediting agencies, funding agencies, the media and the public.

The following guidelines have been developed to assist the University in presenting a consistent, high quality identity for the University. All departments and individuals providing information through MSU's Web sites are expected to conform to these guidelines.

Web Document Types, Responsibilities and Requirements.

All University Web Documents. All pages produced utilizing University resources must abide by standards governing other University publications. In addition:

- * Web authors must abide by University policy, state, and federal law, as well as appropriate licensing agreements relating to copyright and intellectual property.
- * Web authors must respect the rights of other users. All University policies relating to sexual, racial, and other forms of harassment apply to Web pages, just as they do to any other University publication.
- * Web authors must obtain written permission by the subject prior to publishing photographs of individuals on the University's Web site.
- * University information technology resources may not be used for personal profit and are subject to official university policy. The user may not utilize these resources for any commercial purpose without prior written authorization from the Vice President for Administrative Services and the Vice President for Academic Affairs.

Murray State University Web documents fall into three general categories:

Official University Web Documents. The University home page (primary entry point) is Murray State's "front door" for World Wide Web (Web) users. The University home page and supporting Web structure is maintained by Information

Publishing Guidelines

MSU's Web Pages

5/24/96

Page 2

Systems and Marketing and Public Relations. In many cases it forms the basis for the first impression that people have of the University. In addition to requirements for all University Web documents identified above, pages with direct links from the University's home page that may be considered official University pages must comply with the following review and style guidelines:

Content Statements of political advocacy should not appear on official university pages.

Review - Vice Presidents and/or Deans have formally appointed Web Coordinators to administer Web activities for most major segments of the University. Web Coordinators attend regular meetings to discuss new developments, review policy, and exchange ideas. Web Coordinators for each unit have responsibility for approving and coordinating the development and maintenance of Web publications for their area. A listing of Web Coordinators is included as Appendix A.

Style - All University level Web publications are subject to review and approval by Marketing and Public Relations for conformance to University standards for external communications, graphic identity and public information. In addition, University Web pages must contain:

- * Standard buttons to assist the user in navigating the University Web site
- * The name of the University and/or appropriate graphic that clearly identifies the page as a publication of Murray State University
- * Name and contact information (including e-mail address if possible)

Note - Templates will be available on the MSU Web site to assist users in constructing pages that conform to these guidelines.

Instructional/Research Pages

Instructional or research pages are pages produced by individuals or groups that directly advance instruction or research. Examples of this type of page include course materials (such as syllabi), class assignments or projects, research grants or projects related to current or planned research. Instructional/Research pages are created and maintained by their authors, and do not require Web Coordinator approval.

Authors are reminded that these pages should be appropriate reflections of the University's mission. The above guidelines for "All University Pages" apply to Instructional/Research pages as they do to other documents created with University resources.

Individual Pages

Any faculty, staff or student with a University computer account may create Web

pages to be included on the University's web site as an individual page. Individual pages may be created for University mission related and professional purposes. They are expected to conform to University policies governing appropriate use of resources. For example, use of individual pages for illegal or commercial purposes is prohibited.

Individual pages on the MSU Web site are the responsibility of the person to whom the account is assigned. Therefore the pages are not subject to University policies for external communication, graphic identity, and public information. The above guidelines for "All University Pages" apply to individual pages as they do to other documents created with University resources. A general link to individual pages will not be provided from the university's main Web site.

The individual's home page (entry point) and any other pages used or designed as an alternate entry point should carry the following disclaimer at the bottom of each page:
Murray State University is not responsible for the contents of this (these) individual page(s). Comments on this (these) pages should be directed to the page author.

Reservation of Rights

The University reserves the right after appropriate warning and review, to disable and or remove the Web page links and publishing capability on University managed servers (or Internet accessibility to such by University supplied network components) of anyone who uses the Internet to violate University policy, to conduct or promote activities which are illegal or violate University contractual obligations, including but not limited to criminal acts or intellectual property (e.g. copyright) violations, to make accessible materials that are obscene or that damage the reputation or good will of the University or consume (or result in the consumption of) excessive amounts of computing or network resources. The University reserves the right to impose charges for use of computing or network resources.

With permission, guidelines in use at the University of Louisville, were utilized in developing this document.

1997-98 AGENCY FUNDED MAJOR MAINTENANCE**Educational and General
February 21, 1997**

<u>PROJECT</u>	<u>ESTIMATED COST</u>
Expo Center Exterior Trim	\$135,000
Elevator Controls and Passenger Unit Upgrade	200,000
Miscellaneous Major Maintenance	250,000
Contingency (Emergency Repairs)	<u>250,000</u>
TOTAL FOR 1997-98	\$835,000

ADDITIONS FOR 1996-97

<u>PROJECT</u>	<u>ESTIMATED COST</u>
Elevator Controls and Passenger Unit Upgrade	\$200,000
Entrance Gates to Stewart Stadium Parking Lot	40,000
Pogue Library Skylight Retrofit	30,000
Mall Posting Boards	<u>20,000</u>
TOTAL FOR 1996-97	\$290,000

1997-98 AGENCY FUNDED MAJOR MAINTENANCE

Housing and Dining
February 21, 1997

<u>PROJECT</u>	<u>ESTIMATED COST</u>
Additional Faculty Office in Residential Colleges	\$20,000
Paint Rooms/2 Buildings	30,000
Replace 2nd half of Shower Stalls/Clark College	65,000
Paint Exterior of College Courts/12 Buildings	60,000
Replace Playground Equipment/College Courts	15,000
Replace 1st half of Room Convector Units/Clark College	75,000
Elevator Replacement/Elizabeth College	55,000
Renovate Elizabeth Interior Stairwells	15,000
Renovate Clark Center Stairwell	5,000
Upgrade Kitchenettes in Elizabeth & Hester	8,000
Add Kitchenettes in Franklin & Regents	7,000
Floor Tile Replacement/Low Rises	10,000
Refinish Room Doors/2 Buildings	8,000
Closet Replacement/Elizabeth College	10,000
Emergency Maintenance (Examples: Replacing Chillers/ Heating & Cooling Motors)	<u>\$100,000</u>
TOTAL	\$483,000

**Deloitte &
Touche LLP**



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INDEPENDENT ACCOUNTANTS' REPORT

Dr. Kern Alexander, President
Murray State University
#1 Murray Street
Murray, Kentucky 42071

We have audited the financial statements of Murray State University (the "University") as of and for the year ended June 30, 1996 and have issued our report thereon dated September 13, 1996.

At your request, we have also applied certain agreed-upon procedures, enumerated below, to the accounting records and system of internal accounting control of the University for the year ended June 30, 1996, solely to assist the University in complying with National Collegiate Athletics Association (the "NCAA") Bylaw 6.2.3.1. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

Statement of Current Revenues and Expenditures - Agreed-Upon Substantive Procedures

- a) We obtained the combined statement of current revenues and expenditures for the University's athletics programs for the year ended June 30, 1996, as prepared by management and presented in Exhibit 1. We recalculated the addition of the amounts in the statement, traced the amounts in the statement to the supporting worksheets prepared by management and agreed the amounts in the worksheets to the appropriate accounts in the University's general ledger.
- b) We determined through inquiry of University personnel that all amounts received in the name of the Racer Athletic Association (which we were informed by management is the University's only booster organization) are recorded in the accounts designated by the contributor and accordingly, we determined that the activity of the Racer Athletic Association was included in the financial statement obtained in procedure (a).

- c) We determined through inquiry of management that it is the University's policy that expenditures for the athletics programs are subject to the same budgetary controls as other institutional expenditures. The athletics programs had net expenditures over budget of approximately \$191,000 for the year ended June 30, 1996, per the revised budgets provided to us by management.
- d) We compared the athletics program current year revenues and expenditures reported in the combined statement of current revenue and expenditures to the comparable amounts reported from the prior year. We obtained explanations from management for all significant variances.

Because the above procedures "a" through "d" do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. Had we performed additional procedures or had we made an audit of any financial statements of the athletics programs of the University in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to the financial statements of the University or its athletics programs taken as a whole.

Internal Accounting Controls Related to Intercollegiate Athletics - Agreed-Upon Procedures

The management of the University is responsible for establishing and maintaining systems 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 of internal accounting control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

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

- e) We made inquiries of University management and personnel regarding the control environment, competence of personnel and protection of records and equipment, and we were informed that the control procedures relative to the athletics programs are the same as those utilized by the University.
- f) We selected 25 charges to the expenditure accounts included in the Combined Statement of Current Revenues and Expenditures (Exhibit 1) and performed the following:

We obtained the voucher package for each charge and agreed the expenditure amount to the underlying documentation (e.g., invoice, purchase order, journal voucher, etc.). We examined each invoice for receipt of goods or services (where applicable) and for proper approval of payment. We also agreed voucher amounts to canceled checks (where applicable). No exceptions were noted.

Agreed upon procedures "e" through "f" applied to certain aspects of the University's system of internal accounting control were more limited than would be necessary to express an opinion on the system of internal accounting taken as a whole. Because the scope of our work was limited to applying agreed-upon procedures "e" through "f" to certain aspects of the system of internal accounting control, we are unable to express and do not express an opinion on whether the system of internal accounting control of Murray State University in effect for the year ended June 30, 1996 taken as a whole, was sufficient to meet the objectives stated above.

This report is solely for your information and is not to be referred to or distributed to anyone who is not a member of management of the University or a representative of the NCAA.

Very truly yours,

Deloitte & Touche LLP

November 15, 1996

MURRAY STATE UNIVERSITY ATHLETICS
COMBINED STATEMENT OF CURRENT REVENUES AND EXPENDITURES
For the Year Ended June 30, 1996

	Football	Basketball	Other Sports	Non-Program Specific	Total
Revenues:					
Ticket Sales (note 1)	\$ 158,634	\$ 186,949	\$ 1,411	\$ 2,507	\$ 349,501
Concessions	-	-	-	92,604	92,604
Programs	-	-	-	15,668	15,668
Student Activity Fees	-	-	-	288,374	288,374
Gifts and contributions (note 2)	122,682	147,602	43,562	37,657	351,503
Guarantees	-	75,000	7,200	-	82,200
NCAA Revenue Distribution	-	-	-	183,436	183,436
Other Revenue	14,356	27,916	7,435	169,718	219,425
Total Revenues	\$ 295,672	\$ 437,467	\$ 59,608	\$ 789,964	\$ 1,582,711
Expenditures:					
Salaries and Benefits	\$ 436,754	\$ 291,316	\$ 403,142	\$ 441,529	\$ 1,572,741
Films, Books and Subscriptions	75	5,251	997	36,305	42,628
Travel:					
Recruiting	10,696	27,281	13,362	6,691	58,030
Team	36,331	83,393	134,954	2,822	257,500
Other	3,239	7,791	4,868	9,992	25,890
Financial Aid	537,763	127,446	515,817	86,677	1,267,703
Athletic Subsistence	35,762	26,491	9,930	19,390	91,573
Maintenance and Administration	1,338	30	395	4,145	5,908
Equipment Purchases	31,840	6,719	25,863	21,682	86,104
Athletic Medical Expense	-	1,312	-	22,669	23,981
Athletic Officials	26,130	23,276	12,460	22,049	83,915
Athletic Guarantees	40,999	17,600	1,500	-	60,099
Miscellaneous Expense	32,513	16,746	25,568	35,895	110,722
Entertainment and Promotions	-	-	1,830	-	1,830
Publicity	-	-	-	6,697	6,697
Car Leases	1,000	3,300	-	1,100	5,400
Insurance	2,720	1,878	-	37,624	42,222
Office Equipment and Supplies	6,669	8,587	5,404	32,942	53,602
Concession Food Resale	-	-	-	45,364	45,364
Total Expenditures	\$ 1,203,829	\$ 648,417	\$ 1,156,090	\$ 833,573	\$ 3,841,909
Revenues Over (Under) Expenditures	\$ (908,157)	\$ (210,950)	\$ (1,096,482)	\$ (43,609)	\$ (2,259,198)

Note 1: Complementary tickets totaling \$36,400 were provided to other University departments for the use of University guests, student recruits, and administrative use. These tickets have not been recorded as revenue above, nor were they charged to other University departments.

Note 2: Gifts and contributions represent amounts collected through the Murray State University Foundation, Inc. that are restricted for the related athletic programs. Expenditures include amounts funded by the gifts and contributions.

Attachment #7

WKMS-FM RADIO STATION

**Financial Statements
For the Year Ended June 30, 1996
and
Independent Auditors' Report**

**WKMS-FM RADIO
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INDEPENDENT AUDITORS' REPORT

Board of Regents
Murray State University
Murray, Kentucky

We have audited the accompanying balance sheet of WKMS-FM Radio (a Public Telecommunications Entity owned and operated by Murray State University) as of June 30, 1996, and the related statements of financial activity and cash flows - operating fund for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of WKMS-FM Radio as of June 30, 1996, and the results of its operations and cash flows of its operating fund for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, WKMS-FM Radio has changed its method of accounting for programming provided by National Public Radio and Public Radio International and for services provided by nonprofessional volunteers.

Deloitte & Touche LLP

November 15, 1996

**WKMS-FM RADIO
BALANCE SHEET**
As of June 30, 1996
With Comparative Figures as of June 30, 1995

	1996		1995	
ASSETS	Operating Fund	Plant Fund	Total	Total
Current assets:				
Cash	\$ 173,552	\$ -	\$ 173,552	\$ 265,538
Investments	156,226	-	156,226	105,504
Accounts receivable	13,614	-	13,614	14,252
Insurance claim receivable	-	-	-	32,215
Prepaid expenses	24,945	-	24,945	24,488
Total current assets	\$ 368,337	\$ -	\$ 368,337	\$ 441,997
Equipment	-	370,744	370,744	298,867
Total assets	\$ 368,337	\$ 370,744	\$ 739,081	\$ 740,864
 LIABILITIES AND FUND BALANCES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 13,705	\$ -	\$ 13,705	\$ 50,866
Fund balances:				
Operating	\$ 354,632	\$ -	\$ 354,632	\$ 391,131
Investment in plant	-	370,744	370,744	298,867
Total fund balances	\$ 354,632	\$ 370,744	\$ 725,376	\$ 689,998
Total liabilities and fund balances	\$ 368,337	\$ 370,744	\$ 739,081	\$ 740,864

See notes to financial statements.

WKMS-FM RADIO
STATEMENT OF FINANCIAL ACTIVITY
For the Year Ended June 30, 1996
With Comparative Figures for the Year Ended June 30, 1995

	1996		Total	1995 Total
	Operating Fund	Plant Fund		
Revenue and support:				
Community service grants from Corporation for Public Broadcasting	\$ 99,088	\$ -	\$ 99,088	\$ 106,419
Other grants and support:				
General appropriation from Murray State University	211,122	-	211,122	201,492
Subscriptions and membership income	98,686	-	98,686	86,610
Business and industry revenue	52,704	-	52,704	45,206
Interest income	11,451	-	11,451	10,552
Donated facilities and administrative support from Murray State University	102,679	-	102,679	95,093
Donated property	-	-	-	6,772
In-kind contributions	18,591	-	18,591	76,660
Donated personal services of volunteers	-	-	-	23,020
Kentucky Colonels grant	3,400	-	3,400	-
Miscellaneous revenue	363	-	363	33
Total revenue and support	\$ 598,084	\$ -	\$ 598,084	\$ 651,857
Expenditures:				
Program services:				
Programming and production	\$ 297,060	\$ -	\$ 297,060	\$ 373,402
Broadcasting	43,953	-	43,953	41,832
Program information	10,356	-	10,356	12,013
Total program services	\$ 351,369	\$ -	\$ 351,369	\$ 427,247
Supporting services:				
Management and general	\$ 179,710	\$ -	\$ 179,710	\$ 174,916
Fund-raising	16,183	-	16,183	16,572
Underwriting and grant support	15,444	-	15,444	13,672
Loss on disposal of equipment	-	-	-	2,894
Total supporting services	\$ 211,337	\$ -	\$ 211,337	\$ 208,054
Total expenditures	\$ 562,706	\$ -	\$ 562,706	\$ 635,301
Excess of revenue and support over expenditures	\$ 35,378	\$ -	\$ 35,378	\$ 16,556
Capital additions	(71,877)	71,877	-	-
Net change in fund balances	\$ (36,499)	\$ 71,877	\$ 35,378	\$ 16,556
Fund balances, beginning of year	391,131	298,867	689,998	673,442
Fund balances, end of year	\$ 354,632	\$ 370,744	\$ 725,376	\$ 689,998

See notes to financial statements.

WKMS-FM RADIO
STATEMENT OF CASH FLOWS - OPERATING FUND
 For the Year Ended June 30, 1996
 With Comparative Figures for the Year Ended June 30, 1995

	<u>1996</u>	<u>1995</u>
Cash flows from operations:		
Excess of revenue and support over expenditures	\$ 35,378	\$ 19,450
Adjustments to reconcile to net cash provided by operations-		
changes in certain assets and liabilities:		
Accounts receivable	638	(1,750)
Insurance claim receivable	32,215	(32,215)
Inventory	-	1,745
Prepaid expenses	(457)	(10,091)
Accounts payable and accrued expenses	<u>(37,161)</u>	<u>34,545</u>
Net cash provided by operations	<u>\$ 30,613</u>	<u>\$ 11,684</u>
Cash flows from investing activities:		
Purchase of investments	(50,722)	(404)
Additions to equipment	<u>(71,877)</u>	<u>(1,365)</u>
Net cash used in investing activities	<u>\$ (122,599)</u>	<u>\$ (1,769)</u>
Net increase (decrease) in cash	\$ (91,986)	\$ 9,915
Cash, beginning of year	<u>265,538</u>	<u>255,623</u>
Cash, end of year	<u>\$ 173,552</u>	<u>\$ 265,538</u>

See notes to financial statements.

WKMS-FM RADIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996

Note 1. Organization

WKMS-FM (the "Station") is operated by and receives support from Murray State University (the "University") Murray, Kentucky. The Station is a component unit of the University.

The Station also receives support from Murray State University Foundation (the "Foundation"), a not-for-profit corporation associated with the University. The Foundation is a fund raising organization which administers certain funds on behalf of the University. The Foundation coordinates the receipt of contributions and proceeds from program sales and disbursement of those receipts by the Station at no charge to the Station.

Note 2. Summary of Significant Accounting Policies

Fund Accounting

The Station follows generally accepted accounting principles applicable to a governmental entity. The assets, liabilities and fund balances of the Station are reported in two self-balancing fund groups as follows:

- Operating Fund: includes all resources that are available for support of the Station's operations.
- Plant Fund: includes resources invested in equipment.

Revenue Recognition

Contributions, pledges and grants are recorded as revenues in the accompanying statement of financial activity when a legally enforceable contract exists or funds are received, whichever is earlier.

In-kind contributions other than the contribution from the University are recognized in the accompanying statement of financial activity as revenue at the estimated fair market value at the date of the gift. The portion of the University's indirect costs attributable to the Station's operations and the value of space provided to the Station by the University are included in the accompanying statement of financial activity as revenue and expenditures and are computed in accordance with guidelines furnished by the Corporation for Public Broadcasting. Total donated facilities and administrative support from the University and in-kind contributions received in the year ended June 30, 1996 were \$121,270.

Effective July 1, 1995, WKMS-FM Radio discontinued recording as revenues and expenses the value of programming provided by National Public Radio and Public Radio international and the value of donated personal services of nonprofessional volunteers. This change was made to conform WKMS-FM Radio's financial accounting practices to those predominately used in the industry. It was not practicable for management to determine the effect of this change in the components of 1996 revenues, support and expenditures. However, this change had no impact on the reported excess of revenues and support over expenditures for the year ended June 30, 1996.

NOTE 2. Summary of Significant Accounting Policies: (cont)

Cash Deposits

For administrative purposes, cash balances of the Station are included in bank accounts maintained by the University and the Foundation. Details of accounting transactions affecting cash are maintained by each entity.

The University currently uses the Commonwealth of Kentucky and a commercial bank for its depositories. The accounts maintained by the Commonwealth of Kentucky are pooled with those of other agencies of the state. These state pooled deposits are substantially covered by federal depository insurance or by collateral held by the bank in the state's name.

The Foundation's cash is on deposit with commercial banks and is federally insured up to \$100,000 per account.

Investments

Investments are stated at cost, adjusted for any unamortized premium or discount, or at fair market value at date of donation.

Equipment

Equipment is recorded at cost or, in the case of donated equipment, at estimated fair market value at date of receipt. Consistent with the accounting policies of the University, no depreciation expense is recorded on Station equipment.

Use of Estimates

Financial statements prepared in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Note 3. Investments

The Station participates in an investment pool with the Foundation to obtain maximum earnings. Interest is allocated to the Station each calendar quarter based on the Station's balance in the pool at the beginning of the quarter. The assets in the pool are invested as follows: securities of the U.S. government and its agencies, 55%; marketable equity securities, 24%; certificates of deposit, 9%; and other 12%. The carrying value of investments in the pool approximates their fair value at June 30, 1996.

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

**Corporation for Public Broadcasting
Annual Financial Report
for the Year Ending June 30, 1996**



CORPORATION FOR PUBLIC BROADCASTING

Annual Financial Report

STATION FISCAL PERIOD ENDING JUNE 30 1996
(or December 31, 1995)

CALL LETTERS OR NETWORK DESIGNATION

Television Station
OR Radio Station

 WKMS

City

 MURRAY

State

 KENTUCKY

SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT
ONLY ORIGINALS OF THIS PAGE SHOULD BE FILED WITH CPB

SUMMARY OF NONFEDERAL FINANCIAL SUPPORT

Fiscal Year 1996

1. Direct Revenue (Schedule A)	\$ <u>377,726</u>
2. Indirect Administrative Support (Schedule B)	<u>102,679</u>
3. In-Kind Contributions	
a. Services and Other Assets (Schedule C)	<u>18,591</u>
b. Property and Equipment (Schedule D)	<u>-0-</u>
4. Total Nonfederal Financial Support (sum of lines 1, 2 and 3)	\$ <u><u>498,996</u></u>

CERTIFICATION BY LICENSEE

I certify that the above Schedule of Nonfederal Financial Support for the fiscal year ending JUNE 30, 1996 conforms with the definition of nonfederal financial support set forth in the Communications Act of 1934, as amended, and adheres to the appropriate source, form, purpose, and recipient criteria as described in the Corporation for Public Broadcasting's Fiscal Year 1996 Annual Financial Report Handbook of Instructions.

WKMS-FM BOARD OF REGENTS
MURRAY STATE UNIVERSITY

Signature of Station Manager or Chief Executive

Call Letters and Licensee Name

ELLEN DALE (502) 762-3141
Name and phone number of person completing this report

Address of Station

REPORT OF INDEPENDENT AUDITOR

We have audited, in accordance with generally accepted auditing standards, the financial statements of WKMS-FM RADIO for the year ended JUNE 30, 1996 and have issued our report thereon dated NOV. 15, 1996. We have also audited the above Schedule of Nonfederal Financial Support (Schedule) for the year ended JUNE 30, 1996 pursuant to the Public Telecommunications Financing Act of 1978. This Schedule is the responsibility of the management of WKMS-FM RADIO. Our responsibility is to express an opinion on this Schedule based on our audit.

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

The above Schedule was prepared for the purpose of complying with the criteria for revenue established in the Corporation for Public Broadcasting's Fiscal Year 1996 Annual Financial Report Handbook of Instructions, and is not intended to be a complete presentation of WKMS-FM RADIO revenue.

In our opinion, the above Schedule presents fairly, in all material respects, the nonfederal financial support of WKMS-FM RADIO for the year ended JUNE 30, 1996 as defined by the Communications Act of 1934, as amended; and adheres to the appropriate source, form, purpose, and recipient criteria as described in the Corporation for Public Broadcasting's Fiscal Year 1996 Annual Financial Report Handbook of Instructions; and includes only amounts that are also included in WKMS-FM RADIO financial statements for the year ended JUNE 30, 1996.

This report is intended solely for the information and use of the board of directors and management of WKMS-FM RADIO and the Corporation for Public Broadcasting and should not be used for any other purpose.

DELOITTE & TOUCHE LLP

220 WEST MAIN STREET, SUITE 2100

Name of Independent Auditor

Address

Deloitte + Touche LLP **NOVEMBER 15, 1996**

Authorized Signature *Date*

(502) 562-2000

Telephone Number

**CERTIFIER'S QUALIFICATION STATEMENT *
1996**

**CERTIFICATION OF INDEPENDENT AUDITOR
WHO IS NOT A REPRESENTATIVE OF AN INDEPENDENT CPA FIRM**

ONLY ORIGINALS OF THIS PAGE SHOULD BE FILED WITH CPB

Licensee/Station(s) _____

I certify that:

1. I qualify to certify this financial report based on the following explanation of my independence from the () licensee and/or () station:

I am not in any way responsible for the accounting operations of the station in either a working or supervisory capacity.

I am not in any way responsible for, or connected with, establishment of the overhead rates or other factors that govern the amounts of indirect or other in-kind contributions included in the station's Schedule of Nonfederal Financial Support.

I was not involved with the operations of the station during the period covered by this Report.

2. I qualify to certify this financial report based on the following explanation of my technical training and experience. (See Certification Requirements, Acceptable Auditors section, CPB Handbook of Instructions.)

CHECK ONE:

_____ I am employed by a state audit agency which qualifies as an acceptable independent audit agency. (See pages 14 and 15 of the Handbook of Instructions.)

OR

_____ I am an internal auditor who is also a:

Certified Public Accountant _____, licensed to practice in _____ (state)

Licensed Public Accountant _____, licensed to practice in _____ (state)

Name of Independent Auditor

Title

Authorized Signature

Address

Telephone Number

Date

*** NOT APPLICABLE**

SCHEDULE A
FISCAL YEAR 1996

DIRECT REVENUE

Round all figures
to nearest dollar

1. Amounts provided directly by federal government agencies.

Name of Agency

A. PTFP (NTIA) Facilities Grants	\$ _____	(1A)
B. Department of Education	_____	(1B)
C. Department of Health and Human Services	_____	(1C)
D. Nat'l. End. for the Arts and Humanities	_____	(1D)
E. National Science Foundation	_____	(1E)
F. Other federal funds (specify) _____	_____	(1F)
Total federal government	\$ _____	(1)

2. Amounts provided by public broadcasting entities such as CPB, PBS, NPR, AIT, CTW, FCI, other stations and regional networks.

Name of Organization

A. CPB - Community Service Grants	\$ <u>69,461</u>	(2A)
B. Annenberg/CPB Project Grants	_____	(2B)
C. CPB - NPPAG	<u>26,763</u>	(2C)
D. CPB - Interconnection grants	_____	(2D)
E. CPB - all other funds (LAST MILE GRANT)	<u>2,864</u>	(2E)
F. PBS - all payments	_____	(2F)
G. NPR - all payments	_____	(2G)
H. Public broadcasting stations - all payments	_____	(2H)
I. Other (specify) _____	_____	(2I)
Total public broadcasting entities	\$ <u>99,088</u>	(2)

3. Local boards and departments of education or other local government or agency sources.

_____ (3)

4. State boards and departments of education or other state government or agency sources.

_____ (4)

5. State colleges and universities.

211,122 (5)

6. Other tax-supported colleges and universities.

_____ (6)

7. Private colleges and universities.

_____ (7)

8. Foundations and nonprofit associations (include underwriting).

3,400 (8)

9. Business and Industry (include underwriting).

52,704 (9)

10. Subscription and membership revenue 98,686

less write-off of uncollectible pledges _____

(include miscellaneous contributions from individuals.) _____

98,686 (10)

10a. Total number of contributors 1,359 (10a)

SCHEDULE A - continued

Fiscal Year 1996

11. Revenue from friends groups less any revenue included on line 10.	_____	(11)
11a. Total number of friends contributors _____ (11a)		
12. Revenue from subsidiary enterprises and related organizations. See instructions for determining extent of includability.	_____	(12)
13. Auction revenue.	_____	(13)
14. Net revenue from special fund raising activities.	_____	(14)
15. Passive income (from all sources).		
15A. Interest and dividends _____ 11,451		
15B. Royalties _____		
15C. Copyright Tribunal Distributions _____	11,451	(15)
16. Gains (losses) on sale of assets.	_____	(16)
17. Other (specify).		
Description	Amount	
<u>MISCELLANEOUS</u>	<u>363</u>	
_____	_____	
_____	_____	363 (17)
18. Total Revenue (Sum of lines 1 through 17)	\$ <u>476,814</u>	(18)
<i>Adjustments to Revenue:</i>		
19. Federal revenue from line 1.	_____	(19)
20. Public broadcasting revenue from line 2.	<u>99,088</u>	(20)
21. Specified fund raising costs.	_____	(21)
22. Other revenue on line 18 not meeting the source, form, purpose, or recipient criteria (Schedule A-1, line 19).	_____	(22)
23. Revenue on line 18 that has been previously claimed as NFFS.	_____	(23)
24. Total Direct Nonfederal Financial Support (Line 18 less lines 19 through 23). Forward to Line 1 of the Schedule of Nonfederal Financial Support.	\$ <u>377,726</u>	(24)

ADDITIONAL INFORMATION REQUIRED

1. Revenue received as underwriting from foundations and nonprofits (line 8)	\$ _____
2. Revenue received as underwriting from business and industry (line 9)	\$ <u>52,704</u>

SCHEDULE A-1
FISCAL YEAR 1996

**REVENUE NOT MEETING CRITERIA FOR
INCLUSION AS NFFS**

Unless revenue meet the specific criteria defined in the Communications Act of 1934, as amended, they must be excluded from NFFS. This Schedule (A-1) is used to report revenue that must be excluded from the total reported on Schedule A. The criteria are defined as follows:

- Source:* A commercial (profit-making) business enterprise, including a for-profit subsidiary, or any individual.
- Form:* Payment in exchange for any services or materials.
- Purpose:* Services or materials for any related activity of the public broadcasting entity.
- Recipient:* A public broadcasting entity.

List revenue from for-profit corporations or individuals reported on Schedule A which is for the sales of goods and services:

- | | | |
|---|----------|------|
| 1. Production, taping, or other broadcast related activities | \$ _____ | (1) |
| 2. Telecasting production/teleconferencing. | _____ | (2) |
| 3. Foreign rights. | _____ | (3) |
| 4. Rentals of membership lists. | _____ | (4) |
| 5. Rentals of studio space, equipment, tower, parking space. | _____ | (5) |
| 6. Leasing of SCA, VBI, ITFS channels. | _____ | (6) |
| 7. Sale of programs or program rights for public performance. | _____ | (7) |
| 8. Sale or rental of program transcripts or recordings for other than public performance including private use. | _____ | (8) |
| 9. Gains on sale of assets (property, equipment or securities.) | _____ | (9) |
| 10. Sale of premiums. | _____ | (10) |
| 11. Licensing fees reported as royalty income | _____ | (11) |
| 12. Other (Attach list of other excludable revenue not listed above.) | _____ | (12) |

List any revenue claimed on Schedule A from:

- | | | |
|---|---------------------------|------|
| 13. A wholly owned or partially owned for-profit subsidiary regardless of the nature of business. | _____ | (13) |
| 14. A wholly owned or partially owned nonprofit subsidiary engaged in nontelecommunications work. | _____ | (14) |
| 15. Sale of program guides. | _____ | (15) |
| 16. Program guide advertising attributable to that percent of total copies distributed that have been sold through normal retail outlets and/or by magazine subscription. | _____ | (16) |
| 17. Refunds, rebates, reimbursements, and insurance proceeds. | _____ | (17) |
| 18. Other (Specify any other excludable revenue not previously itemized.) | _____ | (18) |
| 19. Total Excludable Revenue. (Sum of lines 1 through 18).
Forward to Schedule A, line 22. | \$ <u> -0- </u> | (19) |

SCHEDULE B
FISCAL YEAR 1996

INDIRECT ADMINISTRATIVE SUPPORT

For Use By Institutional Licensees Only

	Institutional Support	Physical Plant Operations
1. Costs per licensee financial statements	<u>6,665,176</u>	<u>8,457,853</u>
2. LESS: Costs groups that do not benefit the operations of the public broadcast station	<u>1,251,028</u>	<u>520,503</u>
3. Adjusted balance (line 1 minus line 2) <i>Attach a listing of cost groups included in this amount</i>	<u>5,414,148</u>	<u>7,937,350</u>
4. Percentage of allocation <i>basis of allocation must be stated below</i>	<u>1.29277</u>	<u>.33257</u>
5. Portion of support activity benefiting station (line 3 times line 4)	<u>69,988</u> 5a	<u>26,392</u> 5b
6. Total support activity benefiting station sum of lines 5a and 5b	<u>96,380</u>	
7. Occupancy value - <i>check one</i>	<u>6,299</u>	
<input type="checkbox"/> Annual Value - same as FY95		
<input checked="" type="checkbox"/> NEW Annual value Occupancy forms attached		
8. LESS: any fees paid to the licensee for overhead recovery, assessment, etc.	<u> </u>	
9. Total Indirect administrative support sum of lines 6 and 7 minus line 8. Forward to line 2 of the Schedule of NFFS.	<u>\$ 102,679</u>	

Basis of allocation used for line 4 above

Institutional support *explain*

DIRECT OPERATING EXPENSE

Physical plant operations *explain*

ASSIGNABLE SQUARE FEET

SCHEDULE B - WORKSHEET
FISCAL YEAR 1996

INDIRECT ADMINISTRATIVE SUPPORT
Using the Other Sponsored Activities Indirect Cost Rate

For Use By Institutional Licensees Only

1. Determine station net direct expenditures

Total station operating expenditures \$ _____
Audited amounts

Less: Capital Outlays	\$	_____	
Depreciation		_____	
Amortization		_____	
In-kind services		_____	
Donated property		_____	
Other		_____	
Total			(_____)

Net Station Direct Expenses _____ (1)

2. Modify licensee negotiated cost rate

If the station's direct expenses are not included in the cost base, do not continue with this worksheet.

1996 Licensee negotiated indirect cost rate _____ %
attach rate sheet

Less: portion of rate that does not benefit the operation of the station:

Departmental administration		_____
Sponsored projects administration		_____
Library support		_____
Other		_____
Modified cost rate		_____ %

3. Apply modified rate to station net direct expenditures

Station net direct expenditures		\$ _____
Modified other sponsored activities rate	X	_____
Total indirect support (forward to line 6 of Schedule B)		\$ _____

NOTE: Do not claim a value for occupancy if the cost pool includes a rate for building use

SCHEDULE C
FISCAL YEAR 1996

IN-KIND CONTRIBUTIONS - SERVICES AND OTHER ASSETS

This support must be recognized in the station's statement of activities

Attach supporting documentation for all claims

	Type of Donor		
1. PROFESSIONAL SERVICES			
(a) Legal	_____	\$ _____	(a)
(b) Accounting/Auditing	_____	_____	(b)
(c) Engineering	_____	_____	(c)
(d) Other (specify exact type)			
<u>OFFICE/ADMINISTRATION</u>	<u>BUSINESS</u>	<u>361</u>	(d)
<u>GRAPHIC DESIGN</u>	<u>BUSINESS</u>	<u>700</u>	
_____	_____	_____	
_____	_____	_____	
Total Professional Services		\$ <u>1,061</u>	(1)

2. GENERAL OPERATIONAL SERVICES			
(a) Annual Rental Value of Space (Studios, Offices, or Tower)	_____	\$ _____	(a)
(b) Annual Value of Land used for Locating a Station-Owned Transmission Tower	_____	_____	(b)
(c) Station Operating Expenses	_____	_____	(c)
(d) Other (specify exact type)			
<u>DONATED FOODS</u>	<u>BUSINESS</u>	<u>739</u>	(d)
_____	_____	_____	
_____	_____	_____	
Total General Operational Services		\$ <u>739</u>	(2)

SCHEDULE C - continued
FISCAL YEAR 1996

IN-KIND CONTRIBUTIONS - SERVICES AND OTHER ASSETS

Attach supporting documentation for all claims

	Type of Donor		
3. OTHER SERVICES			
(a) ITV or Educational Radio	_____	\$ _____	(a)
(b) State Public Broadcasting Agencies (APBC, FL DOE, NYN, OEB and PPTN only)	_____	_____	(b)
(c) Local Advertising	<u>BUSINESS</u>	<u>16,791</u>	(c)
(d) National Advertising	_____	_____	(d)
Total Other Services		\$ <u>16,791</u>	(3)
4. Total in-Kind Contributions - Services and Other Intangibles (Sum of Lines 1 through 3)		\$ <u>18,591</u>	(4)
5. In-Kind Contributions from Federal and Public Broadcasting Entities Included in Line 4		_____	(5)
6. Total Nonfederal In-Kind Contributions - Services and Other Intangibles (Line 4 less Line 5) Forward to Line 3a of the Schedule of Nonfederal Financial Support.		\$ <u><u>18,591</u></u>	(6)

SCHEDULE D
FISCAL YEAR 1996

IN-KIND CONTRIBUTIONS - PROPERTY AND EQUIPMENT

Support claimed on this schedule must follow licensee guidelines for capitalization. All claims must be recognized in the station's audited financial statements

Attach supporting documentation for all claims

	Type of Donor		
1. Land	_____	\$	_____ (1)
2. Building	_____		_____ (2)
3. Equipment	_____		_____ (3)
4. Vehicle	_____		_____ (4)
5. Other (specify)			
_____	_____		_____ (5)
_____	_____		_____ (5)
6. Total In-Kind Contributions - Property and Equipment (Sum of Lines 1 through 5)		\$	_____ (6)
7. In-Kind Contributions from Federal and Public Broadcasting Entities Included in Line 6			_____ (7)
8. Total Nonfederal In-Kind Contributions - Property (Line 6 less Line 7) Forward to Line 3b of the Schedule of Nonfederal Financial Support		\$	<u> -0- </u> (8)

SCHEDULE E
FISCAL YEAR 1996

EXPENDITURES

Include both cash and noncash expenditures

Round all figures
to nearest dollar

PROGRAM SERVICES

1. Programming and Production	\$ <u>297,060</u>	(1)
2. Broadcasting	<u>43,953</u>	(2)
3. Program Information and Promotion	<u>10,356</u>	(3)

SUPPORT SERVICES

4. Management and General	<u>179,710</u>	(4)
5. Fund Raising and Membership Development	<u>16,183</u>	(5)
6. Underwriting and Grant Solicitation	<u>15,444</u>	(6)
7. Depreciation and Amortization*	<u> </u>	(7)
8. Total Operating Expenditures (Lines 1 to 7)	\$ <u>562,706</u>	(8)

ADDITIONAL INFORMATION

9. Cost of Capital Assets Purchased or Donated

Land and Buildings	\$ <u> </u>	(9a)	
Equipment	<u>71,877</u>	(9b)	
All Other	<u> </u>	(9c)	<u>71,877</u> (9)

10. Total Expenditures (Sum of Lines 8 and 9)	\$ <u>634,583</u>	(10)
---	-------------------	------

ADDITIONAL INFORMATION REQUIRED

1. What percent of line 8 is attributed to salaries, wages, and benefits? 46 %

*If depreciation and amortization are not allocated to the various functional categories, report the full amount on this line.

RECONCILIATION FORM

FISCAL YEAR 1996

As stated in the 1996 Annual Financial Report Handbook of Instructions, a station's AFR must be reconciled with its audited financial statements. This form may be used to assist in reconciling the two reports. Remember that all NFFS reported for any given year by a station must be recognized as support and revenue in the station's audited financial statements for that year.

CPB Annual Financial Report

list revenue reported on the following lines:

Schedule A, line 18	\$ 476,814
Schedule A, line 10 write-off of uncollectible pledges	-0-
Schedule B, line 9	102,679
Schedule C, line 4	18,591
Schedule D, line 6	-0-
TOTAL	\$ 598,084

Audited Financial Statements

Total support and revenue as recognized in the statement of activities	\$ 598,084
Capital grants	
Other <i>(please explain below)</i>	
TOTAL	\$ 598,084

Difference - Total CPB Annual Financial Report less total audited financial statements <i>explain in the space provided</i>	\$ -0-
---	--------

**ANNUAL VALUE COMPUTATIONS FOR
BUILDINGS AND TOWER FACILITIES
Fiscal Year 1996**

Call Letters and Address of Station
WKMS-FM
Name and Location of Building
PRICE DOYLE FINE ARTS

	<u>Column A</u> <i>use for original costs</i>	<u>Column B</u> <i>use for improvements</i>
1. Record building at original cost or at fair market value at the time the station took possession (use fair value only if original cost is unknown)	<u>3,923,824</u>	<u>N/A</u>
2. Total original cost of major improvements	<u>N/A</u>	<u>9,550</u>
3. Subtract federal and CPB funds used in construction or improvements	<u>-0-</u>	<u>-0-</u>
4. Total nonfederal value of building/improvements	<u>3,923,824</u>	<u>9,550</u>
5. Enter year constructed or acquired	<u>1971</u>	<u>1984</u>
6. Estimated useful life of building/improvements from date of acquisition or construction	<u>50 YEARS</u>	<u>37 YEARS</u>
7. Remaining useful life of building <i>if remaining useful life is zero, do not continue the computation</i>	<u>25 YEARS</u>	<u>25 YEARS</u>
8. Annual value (line 4 divided by line 6)	<u>78,476</u>	<u>258</u>
9. Station's prorata use of building	<u>8%</u>	<u>8%</u>
10. Product of lines 8 and 9	<u>6,278</u>	<u>21</u>
11. Payments made by the station as part of lease or rental agreements	<u>-0-</u>	<u>-0-</u>
12. Payments received by the station for use by others of this space	<u>-0-</u>	<u>-0-</u>
13. Annual value for NFFS purposes (line 10 minus lines 11 and 12)	<u><u>6,278</u></u>	<u><u>21</u></u>

**DO NOT USE THIS FORM IF THE STATION CLAIMED THE
CAPITAL OUTLAY AS NFFS IN ANY PREVIOUS YEAR**

**KENTUCKY INSTITUTE
FOR
INTERNATIONAL STUDIES**

**Financial Statements
for the Year Ended October 31, 1996
and Independent Auditors' Report**



INDEPENDENT AUDITORS' REPORT

Board of Regents of
Murray State University
and
Board of Directors of Kentucky Institute
for International Studies

We have audited the accompanying balance sheets of the Kentucky Institute for International Studies (the "Institute") (operated by Murray State University) as of October 31, 1996 and 1995, and the related statements of revenue, expenditures and changes in fund balance and changes in cash for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Kentucky Institute for International Studies as of October 31, 1996 and 1995, and the results of its operations and changes in its cash for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental combining schedule of revenue and expenditures on page 6 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the Institute's management. Such information has been subjected to the auditing procedures applied in our audit of the 1996 basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the 1996 basic financial statements taken as a whole.

Deloitte & Touche LLP

January 24, 1997

**Deloitte Touche
Tohmatsu
International**

KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES

BALANCE SHEETS

	October 31,	
	<u>1996</u>	<u>1995</u>
ASSETS		
Cash	\$ 163,061	\$ 122,865
Accounts receivable	1,722	1,896
Advance for Morelia, Mexico program	35,553	-
Equipment	<u>29,972</u>	<u>25,115</u>
Total assets	\$ <u>230,308</u>	\$ <u>149,876</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 2,537	\$ 1,201
Deferred revenue	<u>41,687</u>	<u>-</u>
Total liabilities	44,224	1,201
Fund balance	<u>186,084</u>	<u>148,675</u>
Total liabilities and fund balance	\$ <u>230,308</u>	\$ <u>149,876</u>

See notes to financial statements

KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES

STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

for the Years Ended October 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Revenue:		
Program fees	\$ 704,804	\$ 531,787
Consortium fees	26,500	26,500
Other revenue	<u>11,634</u>	<u>13,036</u>
Total revenue	<u>742,938</u>	<u>571,323</u>
Expenditures:		
Program expenditures:		
Student and faculty food and lodging	235,260	160,301
Student and faculty travel	230,819	210,812
Faculty expense	48,996	34,543
Other	<u>58,856</u>	<u>43,920</u>
Total program expenditures	573,931	449,576
General and administrative expenditures	<u>131,598</u>	<u>98,418</u>
Total expenditures	<u>705,529</u>	<u>547,994</u>
Excess of revenue over expenditures	37,409	23,329
Fund balance, beginning of year	<u>148,675</u>	<u>125,346</u>
Fund balance, end of year	<u>\$ 186,084</u>	<u>\$ 148,675</u>

See notes to financial statements

KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES

STATEMENTS OF CHANGES IN CASH

for the Years Ended October 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Sources of cash:		
Excess of revenue over expenditures	\$ 37,409	\$ 23,329
Increase (decrease) in accounts payable	1,336	(3,819)
Increase in deferred revenue	<u>41,687</u>	<u>-</u>
Total sources of cash	<u>80,432</u>	<u>19,510</u>
Uses of cash:		
(Decrease) in accounts receivable	(174)	(1,757)
Increase in advance for Morelia, Mexico program	35,553	-
Increase in equipment	<u>4,857</u>	<u>6,383</u>
Total uses of cash	<u>40,236</u>	<u>4,626</u>
Increase in cash	40,196	14,884
Cash, beginning of year	<u>122,865</u>	<u>107,981</u>
Cash, end of year	<u>\$ 163,061</u>	<u>\$ 122,865</u>

See notes to financial statements

KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES

NOTES TO FINANCIAL STATEMENTS

for the Years Ended October 31, 1996 and 1995

1. Background

The Kentucky Institute for International Studies (KIIS) is a consortium comprised of the following member institutions: Murray State University (which administers the program), Eastern Kentucky University, Western Kentucky University, Morehead State University, Northern Kentucky University, University of Kentucky, Berea College, Union College, Transylvania College, Bellarmine College, University of Louisville, and Ball State University. It was established in 1975 to organize and coordinate a group of summer, study-abroad programs for students of the member institutions. Member institutions pay an annual membership fee (consortium fee) between \$1,500 and \$2,500 to KIIS.

2. Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements of KIIS have been prepared on the accrual basis of accounting.

Revenue and Expenditures:

Revenue is generated primarily from program fees paid by participating students to cover their travel, housing and meal expenses while abroad, as well as administrative expenses incurred by KIIS. The costs of executing studies while abroad and related program fees paid by the students to cover these expenses while abroad, are reported in the statement of revenue, expenditures and changes in fund balance in the year the program is completed. The costs involved with the administration of the KIIS program are considered expenses of the KIIS program in the year in which they are incurred. Certain services, including office space and administrative support, are provided to KIIS by Murray State University (the University) at no charge. Consistent with the accounting policies of the University, no depreciation expense is recorded on equipment.

KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUE AND EXPENDITURES

for the year ended October 31, 1996

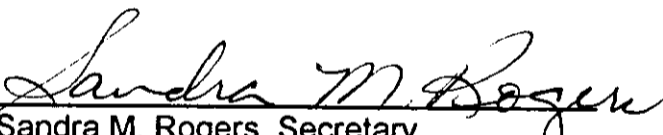
	Austria- Bregenz	Austria- Salzburg	Equador	France	Germany	Italy	Mexico	Spain	Segovia	Home Office	Total Program
Revenue:											
Program fees	\$ 129,240	\$ 48,257	\$ 63,660	\$ 53,070	\$ 48,992	\$ 96,244	\$ 63,196	\$ 113,215	\$ 88,930	\$ -	\$ 704,804
Management fee	(19,150)	(6,300)	(9,625)	(7,475)	(7,500)	(13,450)	(15,550)	(16,800)	(8,100)	103,950	-
Consortium fees	-	-	-	-	-	-	-	-	-	26,500	26,500
Other revenue	-	-	-	-	-	-	-	-	-	11,634	11,634
Total revenue	\$ 110,090	\$ 41,957	\$ 54,035	\$ 45,595	\$ 41,492	\$ 82,794	\$ 47,646	\$ 96,415	\$ 80,830	\$ 142,084	\$ 742,938
Expenditures:											
Program expenditures:											
Student and faculty food and lodging	\$ 28,998	\$ 13,276	\$ 33,441	\$ 16,484	\$ 9,252	\$ 40,372	\$ 18,687	\$ 35,925	\$ 38,825	\$ -	\$ 235,260
Student and faculty travel	61,984	21,792	19,238	19,762	17,288	30,653	10,918	38,202	10,982	-	230,819
Faculty expense	8,525	4,468	1,508	5,479	3,319	6,677	1,395	5,520	12,105	-	48,996
Other	7,135	1,420	2,701	3,739	9,393	3,411	9,946	4,600	16,511	-	58,856
Total program expenditures	\$ 106,642	\$ 40,956	\$ 56,888	\$ 45,464	\$ 39,252	\$ 81,113	\$ 40,946	\$ 84,247	\$ 78,423	\$ -	\$ 573,931
General and administrative expenditures:											
Salary and remuneration of directors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,385	\$ 92,385
Other	-	-	-	-	-	-	-	-	-	39,213	39,213
Total general and administrative expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,598	\$ 131,598
Total expenditures	\$ 106,642	\$ 40,956	\$ 56,888	\$ 45,464	\$ 39,252	\$ 81,113	\$ 40,946	\$ 84,247	\$ 78,423	\$ 131,598	\$ 705,529
Excess of revenues over expenditures	\$ 3,448	\$ 1,001	\$ (2,853)	\$ 131	\$ 2,240	\$ 1,681	\$ 6,700	\$ 12,168	\$ 2,407	\$ 10,486	\$ 37,409

CERTIFICATE

I, the undersigned Secretary of the Board of Regents of Murray State University, certify that the foregoing is a true copy of a resolution adopted by the Board of Regents of Murray State University at a meeting of the Board of Regents held on the 21st day of February, 1997.

I further certify that all actions taken in connection with the resolution were in compliance with the requirements of KRS 61.810, 61.815, 61.820, and 61.825, and that said resolution is now in full force and effect, all as appears from the official records of the University in my custody and under my control.

Witness my hand as Secretary of the Board of Regents of Murray State University this 21 day of February, 1997.


Sandra M. Rogers, Secretary
MSU Board of Regents

MASTER LEASE-PURCHASE AGREEMENT

By and Between

PEOPLES FIRST NATIONAL BANK & TRUST COMPANY

and

MURRAY STATE UNIVERSITY

Dated as of February 25, 1997

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(The Table of Contents is not part of the Master Lease-Purchase Agreement, but for convenience of reference only)

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MASTER LEASE-PURCHASE AGREEMENT

This Master Lease-Purchase Agreement (the "Agreement"), made and entered into as of this 25th day of February, 1997, by and between PEOPLES FIRST NATIONAL BANK & TRUST COMPANY ("Lessor"), a national banking association duly organized and existing under the laws of the United States of America and authorized to transact business in the Commonwealth of Kentucky, and MURRAY STATE UNIVERSITY (the "Lessee") a state university and a body corporate and politic under the laws of the Commonwealth of Kentucky, organized and existing under and by virtue of the laws and Constitution of the Commonwealth.

WITNESSETH

WHEREAS, Lessee is authorized by law, including 65.940 to and including 65.956 of the Kentucky Revised Statutes, to acquire equipment and other items of personal property for educational purposes and to finance such property by entering into lease-purchase agreements; and

WHEREAS, Lessee has determined that it is necessary for it to acquire under this Agreement certain items of personal property described herein as Equipment; and

WHEREAS, Lessor is willing to acquire such items of Equipment and to lease and sell them to Lessee pursuant to this Agreement;

NOW, THEREFORE, in the joint and mutual exercise of their powers, and in consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

SECTION 1. Certain Defined Terms and References. (a) In addition to the terms defined elsewhere in this Agreement, the following terms have the meanings given below unless the context clearly requires otherwise:

"Acquisition Fund" means the Acquisition Fund established pursuant to Section 4 of this Agreement and Section 2 of the Escrow Agreement.

"Additional Rent" means the payments required to be made pursuant to Section 7 in addition to the Base Rent.

"Agreement" means this Master Lease-Purchase Agreement as the same may be amended or supplemented from time to time.

"Applicable Rate of Interest" means such rate as shall be determined from the Rate Schedule with respect to each Individual Payment Schedule.

"Authorized Officer," when used:

(i) With respect to Lessee, means the Vice President for Administrative Services of the Lessee or any officer of Lessee who is designated in writing by the Lessee as an Authorized Officer for the purposes of this Agreement.

(ii) With respect to Lessor, means the any vice president of Lessor or any other officer of Lessor who is designated in writing as an Authorized Officer for purposes of this Agreement.

(iii) With respect to any successor to Lessor as the Lessor, means the officer of the successor who is designated in writing by the successor's governing body as an Authorized Officer for purposes of this Agreement.

"Base Rent" means the payments, including the principal and interest components thereof, specified in the Individual Payment Schedules attached hereto.

"Commencement Date" means the date when the term of the Individual Payment Schedule begins and Lessee's obligation to make Lease-Purchase Payments accrues, as evidenced by the deposit by Lessor into the Acquisition Fund of the moneys required by the Escrow Agreement.

"Commonwealth" means the Commonwealth of Kentucky.

"Contractor" means each of the manufacturers or vendors from whom Lessee has ordered or will order or with whom Lessee has contracted or will contract for the manufacture, delivery or installation of the Equipment.

"Escrow Agent" means Peoples First National Bank & Trust Company in Paducah, Kentucky, acting under and pursuant to the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement of even date herewith by and between the Escrow Agent and Lessee, as the same may be amended and supplemented from time to time.

"Equipment" means the personal property described in the Individual Payment Schedules, which is being leased and purchased by Lessee pursuant to this Agreement. The property so listed shall be, collectively, the "Equipment" and individually, a "Unit of Equipment."

"Equipment Location" means the location where the Equipment is installed, used or maintained by the Lessee.

"Final Renewal Period" or "Final Period" means the last Fiscal Period during which a lease will be renewed, as shall be indicated in the Individual Payment Schedule with respect to each Unit of Equipment.

"Fiscal Period" means July 1 through June 30 of each annual period applicable to the Lessee.

"Implicit Rate of Interest" means the rate used to determine the interest portion of the Lease-Purchase Payments, as set forth in the Individual Payment Schedules.

"Independent Counsel" means any attorney or attorneys duly admitted to practice law before the highest court of any state and not an officer or full time employee of Lessor or Lessee and who is not reasonably objected to by Lessee.

"Individual Payment Schedules" means the schedules which identify specific Units of Equipment, the Commencement Date of the individual leases and terms thereof (which are treated as separate lease obligations) which may become a part of this Agreement from time to time. Each Individual Payment Schedule shall consist of the forms attached hereto as Exhibit A, Exhibit B, Exhibit C, Exhibit D, Exhibit E and Exhibit F, and supplemental documents including an original invoice or purchase order and any other documents needed to perfect a security interest in the Equipment by Lessor.

"Initial Fiscal Period" or "Initial Period" means such period as shall be indicated by the Commencement Date set forth in each Individual Payment Schedule for the Equipment, which shall terminate the last day of Lessee's then current Fiscal Period. The term of the leases will be renewed in the manner described in Section 6 hereof at the end of the Initial Period or any Renewal Period for an additional one (1) year, upon Lessee's budgeting of sufficient funds for the making of Lease-Purchase Payments for the next occurring Renewal Period with respect to the Equipment or specific Units of Equipment, as provided in Section 10 of the Agreement.

"Lease-Purchase Payments" means the sum of the Base Rent and any Additional Rent due at or during a stated time.

"Lease Term" means, collectively, the Initial Period and all Renewal Periods provided for in the Agreement.

"Leases" means the individual leases of the Units of Equipment, as specified in the Individual Payment Schedules, entered into as a part of and pursuant to the Agreement.

"Lessee" means Murray State University, a state university and a body corporate and politic under the laws of the Commonwealth of Kentucky.

"Lessor" means Peoples First National Bank & Trust Company, or its successors or assigns.

"Maximum Fiscal Periods" means the total number of Fiscal Periods of the Lessee during which the leases may be renewed, as shown on the Individual Payment Schedules.

"Payment Date" means each date of payment during the Lease Term designated as a Payment Date in the Individual Payment Schedules, commencing as of the Commencement Date.

"Purchase Option" means the Lessee's option to purchase the Equipment or specific Units of Equipment for the applicable Purchase Price on a given Purchase Price Date, in accordance with the terms of the Individual Payment Schedules and other applicable provisions of this Agreement.

"Purchase Price" means, as of any Purchase Price Date, the amount set forth in the Individual Payment Schedules which Lessee may pay to purchase the Equipment or specific Units of Equipment.

"Purchase Price Date" means any Payment Date referred to in the Individual Payment Schedules, on which Lessee may purchase the Equipment or specific Units of Equipment by payment of the applicable Purchase Price after payment of the Lease-Purchase Payment due on such date.

"Rate Schedule" means the schedule attached to this Agreement setting forth the Applicable Rates of interest for Individual Payment Schedules based on the term of each Individual Payment Schedule and whether such Individual Payment Schedules are "qualified tax-exempt obligations" under § 265(b) of the Code.

"Renewal Period" means any Fiscal Period subsequent to the Initial Period of an individual lease during which such lease is renewed.

"Taxable Rate of Interest" means a rate of interest equal to the Tax Equivalent Yield.

"Tax Equivalent Yield" means the Implicit Rate of Interest divided by the remainder resulting from subtracting the current maximum federal corporate income tax rate from one.

References to sections, exhibits or attachments, unless otherwise indicated, are to sections of or exhibits or attachments to this Agreement.

SECTION 2. Assignment of Warranties. Lessor shall assign to Lessee during the Lease Term, all warranties, if any, express or implied with respect to the Equipment. That assignment shall include an authorization to Lessee to obtain the customary services furnished in connection with those warranties, at Lessee's expense.

SECTION 3. Lease of Equipment. Lessor hereby agrees to demise, lease and let to Lessee, and Lessee hereby agrees to rent, lease and hire from Lessor, the Equipment in accordance with the provisions of this Agreement, to have and to hold for the Lease Term. Upon and during acquisition of the Equipment, all leasehold rights granted to Lessee by Lessor under this Agreement shall vest in Lessee, without any further action on the part of Lessor.

The lease of Equipment pursuant to the terms hereof shall be evidenced by Individual Payment Schedules executed by Lessor and Lessee describing specific personal property, and setting forth provisions relating to the rent, term of the lease, and other details relating to such Equipment. The lease of Equipment pursuant to the terms hereof shall become effective on the Commencement Date, and the Individual Payment Schedule for such Equipment shall specify such date as the effective date of the lease.

SECTION 4. Disbursements. The Lessor and Lessee agree to establish an Acquisition Fund for the purposes hereinafter described for each Individual Payment Schedule through a separate Escrow Agreement. The Lessor at the direction of the Lessee is authorized to disburse the moneys in the Acquisition Fund for payment of, or reimbursement to the Lessor or the Lessee for payment of, the following:

- (i) Expenses incurred in connection with the authorization, issuance and delivery of the Agreement and the preparation and delivery of all agreements, instruments and documents related thereto, including, but not limited to, all financial, legal,

administrative, accounting and printing fees, expenses and charges and all recording, filing or insurance, and any other fees, expenses or charges relating to the Equipment or the Agreement;

(ii) Any other costs, expenses, fees and charges properly chargeable to the cost of acquisition and installation of the Equipment; and

(iii) Any other costs relating to the Equipment for which payment may be made under the terms of this Agreement.

Any disbursements from the Acquisition Fund for the payment of costs shall be made upon acceptance of the Equipment pursuant to Section 5.

SECTION 5. Acceptance of Equipment. Upon the acquisition and installation of each Unit of Equipment, the Lessee shall acknowledge and certify in writing its acceptance of such Equipment by signing a Certificate of Acceptance, substantially in the form attached hereto as Exhibit C.

SECTION 6. Lease Term. The term of each lease will be for the Initial Period and will be renewable upon budgeting by Lessee of sufficient funds to pay Base Rent and Additional Rent on July 1 of each succeeding Fiscal Period for the Maximum Fiscal Periods indicated on the Individual Payment Schedules, unless the Lessee exercises its Purchase Option prior to the end of the Final Renewal Period. This Lease will terminate upon payment of the final Lease-Purchase Payment indicated on the applicable Individual Payment Schedule (plus any Additional Rent payable under the terms of this Agreement), or on a sooner Purchase Price Date.

SECTION 7. Rent. (a) Lessee agrees to pay to Lessor during the Lease Term of each lease the Lease-Purchase Payments set forth in the Individual Payment Schedules on the dates and in the amounts set forth therein, including the interest components thereof, equal to the amounts provided below in this Section. The Lease-Purchase Payments during the Lease Term will be absolute and unconditional in all events and will not be subject to any set-off, defense, counterclaim or recoupment for any reason whatsoever.

(b) Lessee agrees to pay as Base Rent directly to the Lessor the following amounts: Lessee agrees to pay the Lease-Purchase Payments specified in each Individual Payment Schedule. Each payment shall be applied first to payment of the interest component of the respective Lease-Purchase Payment; provided, however, Lessee may make advance payments of principal components of Base Rent.

(c) Lessee agrees to pay to the Lessor the following amounts as Additional Rent:

(i) Lessee represents that no charges or taxes (local, state or federal) are currently imposed on the ownership, leasing, rental, sale, purchase, possession or use of the Equipment, exclusive of taxes on or measured by Lessor's income, and acknowledges that no provision has been made for the inclusion of any such charges or taxes in the Base Rent. If during the Lease Term, the ownership, leasing, rental, sale, purchase, possession or use of the Equipment shall result in the imposition on Lessor of any charges or taxes

(local, state or federal), exclusive of taxes on or measured by Lessor's income, Lessee shall promptly pay to Lessor, upon receipt from Lessor of a statement therefor, as Additional Rent an amount equal to those charges and taxes imposed on Lessor.

(ii) Lessee will pay to Lessor as Additional Rent all supplemental payments required by Section 8(d) below in the amount necessary to preserve the Tax Equivalent Yield to the Lessor under the terms of the Agreement, in the manner provided therein.

(d) If Lessee does not make payment of all or any part of the Additional Rent, the Lessor shall have the right, but shall not be obligated, to pay or advance the amount of such Additional Rent. If the Lessor pays any portion of such Additional Rent, Lessee shall pay Lessor no later than the first Payment Date in the next succeeding Fiscal Period during which the Lease Term is in effect an amount equal to the sum of such Additional Rent and the costs incurred by Lessor in making such payment or advance, including the amount Lessor would have earned from investment of the amount paid or advanced before repayment thereof as determined by the prime rate of Peoples First National Bank & Trust Company, as announced from time to time, plus 1-1/2%. Lessor shall notify Lessee in writing of the costs incurred in any case of its paying or advancing such Additional Rent. If Lessor pays or advances such Additional Rent, and is repaid as provided for in this paragraph, then such initial failure to pay shall be deemed to be cured and shall not be deemed to be an Event of Default under Section 22 of this Agreement.

(e) Lease-Purchase Payments shall be payable at the principal commercial leasing office of the Lessor or at such other place as Lessor may from time to time designate in writing.

SECTION 8. Actions Relating to Tax Exemption of Interest Components. (a) Lessor and Lessee each covenant that it will restrict the use of moneys realized under this Agreement or otherwise in connection with the acquisition and financing of the Equipment in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of entering into this Agreement, so that there will not exist at any time any obligation in connection with this Agreement or the Equipment that constitutes an obligation the interest on which is includible in gross income for federal income tax purposes or an "arbitrage bond" under § 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed under that § and any subsequent amendments or modifications thereto. Any officer of the Lessor or Lessee having responsibility with respect to the execution and delivery of this Agreement shall, alone or in conjunction with any other officer, employee or agent of or consultant to the Lessor or Lessee, give an appropriate certificate of the Lessor or Lessee pursuant to §§ 103 and 148 of the Code and those regulations, setting forth the reasonable expectations of the Lessor or Lessee on the date of entering into each Individual Payment Schedule of this Agreement, substantially in the form attached hereto as Exhibit D, regarding each lease and the use of those moneys.

(b) Lessee represents and covenants that it will not use the Equipment, or permit the Equipment to be used, in such a manner as would result in the loss of the exclusion from gross income for federal income tax purposes of the component of the Lease-Purchase Payments designated as interest on the Individual Payment Schedules afforded under § 103(a) of the Code.

(c) The Lessor and Lessee each covenant to take all action required to maintain exclusion from gross income for federal income tax purposes afforded under § 103(a) of the Code, of the Lease-Purchase Payments designated as the interest component on the Individual Payment Schedules attached hereto.

(d) (i) In the event that at anytime the yield to the Lessor as to any lease is decreased by any change in the limitation in the deductibility of the interest paid on debt incurred by the Lessor to carry tax exempt obligations from that which is presently incurred by the Lessor, or in the event there shall occur any other change in law which lessens the Tax Equivalent Yield to the Lessor, then the Lessee shall make a supplemental payment to the Lessor annually, on written demand by the Lessor, in an amount which is equal to the amount necessary on an after-tax basis to preserve the same Tax Equivalent Yield. (ii) In the event that for any reason the interest portion of the Lease-Purchase Payments of any lease is determined not to be excludable from gross income for federal income tax purposes, the Implicit Rate of Interest will increase to a rate equal to a Taxable Rate of Interest. In addition, Lessee will pay an amount equal to the difference between the portion of the Lease-Purchase Payments which constituted interest with respect to such lease which were actually paid and the interest which would have been paid if the Implicit Rate of Interest had been a Taxable Rate of Interest from the Commencement Date or, if later, the effective date from which the interest component is determined to be taxable, plus any penalties, interest, assessments and additions to tax payable by the Lessor as a result of the loss of the tax exempt status of interest on the lease.

SECTION 9. Authority and Authorization. Lessee represents, covenants and warrants, and will deliver to Lessor an opinion of its counsel to the effect that: (i) the Lessee is a state university and a body corporate under the laws of the Commonwealth, duly organized and validly existing under and by virtue of the laws of the Commonwealth; (ii) the execution, delivery and performance by the Lessee of this Agreement have been duly authorized by all necessary action on the part of the Lessee; and (iii) this Agreement constitutes a legal, valid and binding obligation of the Lessee enforceable in accordance with its terms. Lessee agrees and warrants that: (i) it will do or cause to be done all things necessary to preserve and keep this Agreement, including each Individual Payment Schedule hereunder, in full force and effect; (ii) it has complied with all requirements applicable to it, and has taken all steps for approval and adoption of this Agreement as a valid obligation on its part; and (iii) sufficient funds are appropriated to pay all amounts due under this Agreement for the Initial Period.

SECTION 10. Title; Termination; Nonappropriation. (a) Lessee will obtain title to the Equipment during the Lease Term, subject to the Lessor's rights under this Agreement. Lessor and Lessee agree that this Agreement or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Equipment and the Agreement.

(b) The Equipment shall become the property of Lessee and Lessor's interest therein shall pass to Lessee without cost upon (i) Lessee's exercise of the Purchase Option granted in Section 20 hereof, or (ii) the complete payment and performance by Lessee of all of its obligations during the Lease Term. Notwithstanding the foregoing, title shall immediately and without any action by Lessee vest in Lessor and Lessee shall immediately surrender possession of the applicable Units of Equipment to Lessor upon (i) any termination of any lease under this Agreement without Lessee exercising its Purchase Option to purchase with respect thereto, or (ii) the occurrence of an Event of Default which is not cured in accordance with the terms of this

Agreement. In any of such cases, Lessee agrees to execute such instruments and do such things as Lessor reasonably requests in order to effectuate transfer of any and all of Lessee's right, title and interest in such Equipment, as is, to Lessor. It is hereby acknowledged by Lessor and Lessee that Lessee will purchase the Equipment on the terms set forth in the Individual Payment Schedules of this Agreement.

(c) It is Lessee's intent to pay Lease-Purchase Payments for the Initial Period and all Renewal Periods as scheduled on each Individual Payment Schedule if funds are legally available to it and in this regard Lessee represents that the use of the Equipment is essential to its operations. However, if the Lessee is not allotted funds for any successive Fiscal Period to continue paying the Lease-Purchase Payments as to any Individual Payment Schedule for the Units of Equipment relating thereto and it has no funds legally available for such payment from other sources, Lessee may terminate the applicable Individual Payment Schedules of this Agreement at the end of the then current Fiscal Period, and Lessee shall not be obligated to make any payments thereon beyond the end of the then current Fiscal Period. In such event, Lessor shall have all the rights and remedies to take possession of the Units of Equipment relating to the Individual Payment Schedules so terminated. Lessee agrees to transfer all of its right, title and interest and to peaceably surrender possession of the applicable Units of Equipment to Lessor or its assignee on the effective date of such termination, and to have such Equipment packaged for shipment in accordance with manufacturer's specifications.

If the provisions of the previous paragraph are utilized by Lessee, the Lessee hereby agrees, to the extent permitted by law and subject to applicable public policy, not to purchase, lease, or rent other equipment performing functions the same as or similar to those performed by the Equipment for a period of six months; provided, however, that this restriction shall not apply in the event that (i) the Equipment is sold, released or otherwise disposed of by the Lessor and (ii) the amounts received from such disposition, less all costs of such sale or disposition, are sufficient to pay the entire unpaid Purchase Price plus all other amounts due hereunder.

SECTION 11. Security Interest. In order to secure all of its obligations hereunder, Lessee hereby (i) grants to Lessor a first and prior security interest in any and all right, title and interest of Lessee in the Equipment and in all additions, attachments, accessions, and substitutions thereto, and on any proceeds therefrom, (ii) agrees that this Agreement may be filed as a financing statement evidencing such security interest, and (iii) agrees to execute and deliver all financing statements, certificates of title and other instruments necessary or appropriate to evidence such security interest and Lessee hereby irrevocably makes, constitutes and appoints Lessor as Lessee's true and lawful attorney with full power to sign the name of Lessee to any such document.

SECTION 12. Disclaimer of Warranties: THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY OF THE EQUIPMENT OR AS TO ITS TITLE THERETO OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE EQUIPMENT and the Lessor hereby assigns to Lessee for and during the Lease Term all manufacturer's warranties or guaranties, express or implied, issued on or applicable to the Equipment and the Lessor authorizes Lessee to obtain the customary services furnished in connection with such warranties or guaranties at Lessee's expense. Lessee acknowledges that the Equipment shall be purchased by the Lessor in accordance with Lessee's specifications and from

A RESOLUTION OF THE BOARD OF REGENTS OF MURRAY STATE UNIVERSITY APPROVING A MASTER LEASE-PURCHASE AGREEMENT WITH PEOPLES FIRST NATIONAL BANK & TRUST COMPANY IN A PRINCIPAL AMOUNT NOT TO EXCEED \$1,500,000 FOR THE FINANCING OF THE ACQUISITION AND INSTALLATION OF A CAMPUS INFORMATION NETWORK; AUTHORIZING THE EXECUTION OF VARIOUS DOCUMENTS RELATED TO SUCH MASTER LEASE; AND MAKING CERTAIN DESIGNATIONS REGARDING SUCH MASTER LEASE.

WHEREAS, the Board of Regents (the "Board") of Murray State University (the "University"), pursuant to a resolution adopted on December 6, 1996, authorized the borrowing of up to \$1,500,000 for the purpose of financing the acquisition and installation of a campus information network (the "Project"); and

WHEREAS, the University solicited proposals for a tax-exempt lease purchase agreement to finance the Project; and

WHEREAS, the University has received proposals for the financing of the Project and has determined that the proposal of Peoples First National Bank & Trust Company, as lessor (the "Lessor"), is in the best interests of the University, and that the University should proceed to execute a Master Lease-Purchase Agreement (the "Master Lease") with the Lessor to provide for the borrowing from time to time under the Master Lease of an amount not to exceed \$1,500,000 upon the terms and the conditions set forth in the Master Lease, the form of which is attached hereto and made a part hereof and

WHEREAS, it is necessary in connection with the Master Lease for the Board to authorize such other documents and instruments as may be necessary to consummate the transaction contemplated by the Master Lease.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF MURRAY STATE UNIVERSITY:

Section 1. Recitals and Authorization. The University, as lessee, hereby approves the Master Lease, in substantially the form presented to the Board. It is hereby found and determined that the Project to be financed through the Master Lease is public property to be used for public purposes. It is further determined that it is necessary and desirable and in the best interests of the University to enter into the Master Lease for the purposes therein specified, and the execution and delivery of the Master Lease and all representations, certifications and other matters contained in the Closing Memorandum with respect to the Master Lease, or as may be required by Peck, Shaffer & Williams, L.L.P., as Bond Counsel, prior to delivery of the Master Lease, are hereby approved, ratified and confirmed. The Board hereby authorizes any of the President or Vice President for Administrative Services to execute the Master

Lease, together with such other agreements or certifications which may be necessary to accomplish the transaction contemplated by the Master Lease. The Secretary of the Board is authorized to attest the signatures of the President or the Vice President for Administrative Services and to execute such certifications as may be necessary to accomplish the transaction contemplated by the Master Lease.

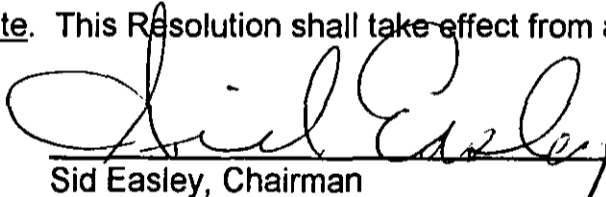
Section 2. Designation as Qualified Tax-Exempt Obligation. Pursuant to § 265(b)(3)(B)(ii) of the Internal Revenue Code of 1986 (the "Code"), the University hereby authorizes the President or the Vice President for Administrative Services to designate any borrowing installment under the Master Lease as a "qualified tax-exempt obligation" for purposes of § 265(b)(3) of the Code; provided that the University shall not have expressed its intention to issue more than \$10,000,000 in "qualified tax-exempt obligations" in the calendar year of such designation. In compliance with § 265(b)(3)(D) of the Code, the University hereby represents that the University (including all "subordinate entities" of the University within the meaning of § 265(b)(3)(E) of the Code) reasonably anticipates that it will not issue in calendar year 1997, "qualified tax-exempt obligations" in an amount greater than \$10,000,000.

Section 3. Expectation Regarding the Lease. The University, by the adoption of this Resolution, certifies that it does not reasonably anticipate that less than 95 percent of the proceeds of the Lease will be used for "local government activities" of the University.

Section 4. Severability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution.


Section 5. Open Meetings Laws. This Board hereby finds and determines that all formal actions relative to the adoption of this Resolution were taken in an open meeting of this Board and that all deliberations of this Board and of its committees, if any, which resulted in formal action, were in meetings open to the public, in full compliance with applicable legal requirements.

Section 6. Effective Date. This Resolution shall take effect from and after its passage, as provided by law.



Sid Easley, Chairman
MSU Board of Regents

Attest:



Sandra M. Rogers, Secretary
MSU Board of Regents

a vendor selected by Lessee; that the Lessor is not a manufacturer of or dealer of such Equipment and takes no part in or responsibility for the installation of the Equipment, and that the Lessor has made no representation or warranty and assumes no obligation with respect to the merchantability, condition, quality or fitness of the Equipment or the enforcement of the manufacturer's warranties or guaranties.

SECTION 13. Personal Property. The Equipment is and shall at all times be and remain personal property notwithstanding that the Equipment or any part thereof may be or hereafter become in any manner affixed or attached to or embedded in or permanently rested upon real property or any building or fixtures thereon or otherwise attached in any manner to what is permanent by means of cement, plaster, nails, bolts, screws or otherwise.

SECTION 14. Use; Maintenance and Repair; Indemnification. (a) Lessee will: (i) use the Equipment in a careful manner for the use contemplated by this Agreement and the Kentucky Revised Statutes with respect to equipment of this type; (ii) comply with all laws, insurance policies and regulations relating to the use, maintenance and operation of the Equipment; and (iii) pay all costs, claims, damages, fees and charges arising out of its possession, use or maintenance of the Equipment.

(b) Lessee, at its expense, will: (i) keep the Equipment in good repair and furnish all parts, mechanisms and devices required therefor, and (ii) obtain and maintain any governmental licenses and permits required for ownership and operation of the Equipment.

(c) Lessee will repair and maintain, or by contract provide for the proper repair and maintenance of, the Equipment during the Lease Term.

(d) Lessor agrees that during the Lease Term it will not impair the Lessee's abilities to operate or maintain the Equipment in sound operating condition so that the Equipment will be able to carry out its intended functions.

(e) To the extent permitted by the Constitution and laws of the Commonwealth of Kentucky, the Lessee releases Lessor from, agrees that Lessor shall not be liable for and shall indemnify Lessor against causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses except as may be limited by law or judicial order or decision entered in any action brought to recover moneys under this Section) imposed upon, incurred by or asserted against either Lessor on account of (a) ownership of any interest in the Equipment or any part thereof, (b) any accident, injury or death to persons or damage to property occurring on or about the Equipment or any part thereof or the adjoining sidewalks, curbs, streets or ways, (c) any use, disuse or condition of the Equipment or any part thereof, or the adjoining sidewalks, curbs, streets or ways, (d) any failure on the part of Lessee to perform or comply with any of the terms hereof or (e) the performance of any labor or services or the furnishing of any materials or other property in respect of the Equipment or any part thereof. In case any action, suit or proceeding is brought against Lessor for any such reason, Lessee, upon the request of Lessor, will at Lessee's expense, cause such action, suit or proceeding to be resisted and defended by Independent Counsel.

Lessor agrees to indemnify and save harmless Lessee against and from any and all cost, liability, expenses and claims arising from any breach or default on the part of Lessor in the performance of any covenant or agreement on the part of Lessor to be performed pursuant to the terms of this Agreement, or arising from any act or negligence of or failure to act by Lessor, or any of its agents, contractors, servants, employees, or licensees, and from and against all cost, liability and expenses incurred in or in connection with any such claim or action or proceeding brought thereon, including any costs, liabilities and expenses relating to the Escrow Agreement; and in case any action or proceeding be brought against Lessee by reason of any such claim, Lessor, upon notice from Lessee, covenants to resist or defend such action (using counsel acceptable to Lessee, as the case may be) or proceedings at Lessor's expense.

SECTION 15. Alterations. Following completion of the acquisition of the Equipment, Lessee will not make any alterations, additions, substitutions or replacements to the Equipment which would have an adverse effect on either the nature of the Equipment or the function or value of the Equipment, unless such alterations, additions, substitutions, replacements or improvements may be readily removed without damage to the Equipment. Any alterations, additions or improvements to the Equipment which may not be readily removed without damage to the Equipment, and any substitutions or replacements, shall be considered to constitute a part of the Equipment.

SECTION 16. Location; Inspection. Except for removal for repair or replacement, no part of the Equipment will be removed from the Equipment Location. Lessor will be entitled to enter upon the Equipment Location or elsewhere during reasonable business hours to inspect or observe the use, operation and maintenance of the Equipment.

SECTION 17. Liens and Encumbrances. Lessee and Lessor shall keep the Equipment free and clear of all liens and encumbrances except those created or permitted under this Agreement.

SECTION 18. Risk of Loss; Damage; Destruction. Lessee assumes all risk of loss or damage to the Equipment from any cause whatsoever. No loss of or damage to, or appropriation by governmental authorities of, or defect in or unfitness or obsolescence of, the Equipment will relieve Lessee of its obligation under this Agreement or the Individual Payment Schedules hereunder. Lessee will promptly repair or replace any portions of Equipment lost, destroyed, damaged or appropriated necessary to maintain the Equipment in sound operating condition so that at all times during the Lease Term the Equipment will be able to carry out its intended functions.

SECTION 19. Insurance.

(a) Lessee during the Lease Term of this Agreement shall maintain casualty insurance, with any loss deductible commonly used by Lessee, covering the Equipment;

(b) Casualty insurance covering the use of the Equipment may be provided under blanket or similar coverage insuring other facilities of the Lessee. Such insurance may be a combination of self-insurance and an excess casualty liability policy;

(c) the proceeds of any casualty insurance or appropriation awards, to the extent they are not promptly used or encumbered for the purposes stated in Section 18 hereof, shall be paid to the Lessor for deposit in the Lease-Purchase Payment Account and name the Lessee as an additional insured and as loss payee; and

(d) in the event of total destruction of any Units of Equipment, the Lessee shall apply insurance proceeds, self-insurance and any other moneys available and appropriated for the purpose, to the acquisition of replacement Equipment.

Notwithstanding Lessee's acquisition of insurance against all risks of loss or damage pertaining to the Equipment, any claims of negligence against the Lessee must be filed with the Board of Claims of the Commonwealth of Kentucky, pursuant to Section 44.070 et. seq. of the Kentucky Revised Statutes. Furthermore, the Lessee's acquisition of insurance does not constitute waiver of sovereign immunity for the Lessee, as an agency of the Commonwealth of Kentucky.

SECTION 20. Purchase Option. Lessee, upon 30 days prior written notice to Lessor on and after the Commencement Date, shall have the right to purchase the Equipment or any Unit thereof on any Purchase Price Date by paying to Lessor the Lease-Purchase Payment then due on the applicable Individual Payment Schedule, together with the Purchase Price relating to that date. The Purchase Price shall be an amount equal to the outstanding principal balance on the Individual Payment Schedule relating thereto, plus any Additional Rent payable under the terms of this Agreement, plus one dollar (\$1.00).

SECTION 21. Assignments. (a) Lessee may not, without the prior written consent of Lessor: (i) assign, transfer, pledge, hypothecate or grant any security interest in or otherwise dispose of this Agreement or any lease under this Agreement or any Unit of Equipment (without replacement or substitution) or any interest in this Agreement or any lease under this Agreement or Unit of Equipment, or (ii) sublease the Equipment or permit it to be operated by anyone other than Lessee, Lessee's employees or persons authorized by Lessee in connection with Lessee's operation and maintenance of the Equipment.

(b) Subject to the preceding subsection this Agreement inures to the benefit of and is binding upon the successors or assigns of the parties to this Agreement.

SECTION 22. Events of Default. The occurrence of any one or more of the following events constitutes an "Event of Default" under this Agreement:

(a) Lessee's failure to make any Lease-Purchase Payment (or any other payment) as it becomes due in accordance with the terms of the applicable Individual Payment Schedules of this Agreement, and the failure continues for 15 days after the due date;

(b) Lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Agreement, and the failure is not cured or steps satisfactory to Lessor taken to cure the failure, within 15 days after written notice of the failure to Lessee by Lessor; or

(c) The discovery by Lessor that any material statement, representation or warranty made by Lessee in this Agreement or in any writing delivered by Lessee pursuant to or in connection with this Agreement is false, misleading or erroneous in any material respect.

SECTION 23. Remedies. Upon the occurrence of an Event of Default, and as long as the Event of Default is continuing, Lessor may, at its option, exercise any one or more of the following remedies as to the Equipment:

(a) By written notice to Lessee, declare an amount equal to all amounts then due under all Individual Payment Schedules and all remaining Lease-Purchase Payments due thereon during the then applicable Fiscal Period, plus a fee equal to one percent (1%) thereof to be immediately due and payable, whereupon that amount shall become immediately due and payable;

(b) Within 15 days after written demand or notice to Lessee, enter and take immediate possession of the applicable Units of Equipment;

(c) Sell or lease the Equipment or sublease the Equipment for the account of Lessee, holding Lessee liable for all Lease-Purchase Payments and other payments due during the then applicable Fiscal Period to the effective date of such selling, leasing or subleasing and for the difference between the purchase price, rental and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease and the amounts payable during such Fiscal Period by Lessee under all Individual Payment Schedules of this Agreement; and

(d) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of this Agreement or to recover damages for the breach of this Agreement or to rescind this Agreement as to any or all of the Equipment.

Lessee will remain liable for all covenants and obligations under this Agreement, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by Lessor with respect to the enforcement of any of the remedies under this Agreement, when a court of competent jurisdiction has finally adjudicated that an Event of Default has occurred.

SECTION 24. Notices. All notices to be given under this Agreement shall be made in writing and mailed by certified or registered mail, return receipt requested, to the party at its address stated below or at such other address as the party may provide in writing from time to time. All parties listed below shall be sent a copy of any notice sent to any party pursuant to this Agreement.

If to Lessee: Murray State University
P.O. Box 9
Murray, Kentucky 42071
Attn: Vice President for Administrative Services
and a copy to the Attorney for the Lessee

If to Lessor: Peoples First National Bank & Trust Company
c/o Peoples First National Bank & Trust Company
P.O. Box 1080
Murray, Kentucky 42071-1080
Attn: Ronnie Gibson

SECTION 25. Headings. All section headings contained in this Agreement are for convenience of reference only and are not intended to define or limit the scope of any provision of this Agreement.

SECTION 26. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Kentucky.

SECTION 27. Delivery of Related Documents. Lessee will execute or provide, as requested by Lessor, such other documents and information as are reasonably necessary with respect to the transactions contemplated by this Agreement, including the Individual Payment Schedules which are or become a part of this Agreement.

Lessor and Lessee agree that this Agreement or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Equipment and this Agreement or the individual leases hereunder.

SECTION 28. Special Representations and Covenants of Lessor. Lessor represents that Lessor is a national banking association duly organized and existing under the laws of the United States of America, is duly authorized to transact business in the Commonwealth of Kentucky and in good standing under the laws of the Commonwealth of Kentucky; has full and complete power to enter into this Agreement and to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Agreement; is possessed of full power to own and hold real and personal property, and to lease the same; and has duly authorized the execution and delivery of this Agreement.

SECTION 29. Special Representations and Covenants of Lessee. Lessee represents that it is a state university and a body corporate under the laws of the Commonwealth responsible for promoting the education and welfare of the inhabitants of the Commonwealth and that acquiring, owning and financing of the Equipment and the leasing of the Equipment will advance such purposes. Lessee further represents that it intends, to the fullest extent possible, to support and maintain the Equipment to assure performance of its essential function. Upon the execution of each Individual Payment Schedule, Lessee will provide Lessor a completed and executed copy of the opinion of the legal counsel to the Lessee, substantially in the form attached hereto as Exhibit E to Schedule 1. The opinion of legal counsel to Lessee will be dated the date that funding for the Individual Payment Schedule is provided by Lessor. In addition, Lessee shall provide the items listed as Exhibit A through D (and the applicable supplements thereto) as provided for in the Individual Payment Schedules.

SECTION 30. Escrow Agreement. Immediately following the execution and delivery of this Agreement by Lessor and Lessee, Lessor and Lessee agree to execute and deliver and to cause Lessee and Escrow Agent to execute and deliver the Escrow Agreement. This Agreement shall take effect only upon execution and delivery of the Escrow Agreement by the parties thereto. Upon receipt of each properly completed Payment Request Form, in the form attached

as Exhibit A to the Escrow Agreement, Lessor shall deposit or cause to be deposited with Escrow Agent for credit to the Acquisition Fund the sum designated therein, which shall be held, invested and disbursed in accordance with the Escrow Agreement.

SECTION 31. Entire Agreement; Amendment; Severability. (a) This Agreement, together with all Individual Payment Schedules and attachments and exhibits, and other documents or instruments executed by Lessee and Lessor in connection with this Agreement, constitute the entire agreement between the parties with respect to the lease of the Equipment.

(b) This Agreement may not be modified, amended, altered or changed except with the written consent of Lessee and the Lessor and except as contemplated by the addition of Individual Payment Schedules.

(c) If any provision of, or any covenant, obligation or agreement contained in this Agreement is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained in this Agreement. The invalidity or unenforceability shall not affect any valid or enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

IN WITNESS WHEREOF, the parties have executed this Master Lease-Purchase Agreement by their authorized officers on the-dates of the respective acknowledgments as of the 25th day of February, 1997.

MURRAY STATE UNIVERSITY

By: _____

Title: _____

ATTEST:

PEOPLES FIRST NATIONAL BANK & TRUST
COMPANY

By: _____

Title: _____

ATTEST:

COMMONWEALTH OF KENTUCKY)
) ss
COUNTY OF CALLOWAY)

The undersigned, Notary Public in and for the State and County aforesaid, hereby certifies that on this day the foregoing instrument was acknowledged before me in said County by _____, and _____, _____ of Murray State University, Murray, Kentucky, to be their free act and deed as _____ and _____ of said University and the act and deed of said University as authorized by a Resolution of the Board of Regents of said University.

WITNESS my signature this ___ day of _____, 1997.

(Seal of Notary)

Notary Public, _____
Kentucky
My commission expires _____.

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF _____)

The undersigned, Notary Public in and for the State and County aforesaid, hereby certifies that on this day the foregoing instrument was acknowledged before me in said County by _____, _____, and _____, _____ of Peoples First National Bank & Trust Company, Paducah, Kentucky, to be their free act and deed as _____ and _____ of said Bank and the free act and deed of said Bank as authorized by a Resolution of the Board of Directors of said Bank.

WITNESS my signature this ___ day of _____, 1997.

(Seal of Notary)

Notary Public, _____
Kentucky
My commission expires _____.

RATE SCHEDULE

The following provisions concerning rates and other terms for the lease financing are included as a part of this financing:

LESSOR: Peoples First National Bank & Trust Company
LESSEE: Murray State University
PURPOSE: To finance certain equipment for the Lessee (commencing on the date of funding into escrow of Individual Payment Schedules)
EQUIPMENT: Any personal property acceptable to Lessor, subject to appropriate use of such equipment for federal income tax purposes

RATE: For each Individual Payment Schedule, including Individual Payment Schedule 1, the following index shall form the basis of the Applicable Rate:

Term	Index (I)	Spread (S)
Up to 84 months (Final Maturity Date February 25, 2004)	Weekly average of 5 Year U.S. Treasuries adjusted to a constant maturity	115 Basis Points

If the Individual Payment Schedule will be for a "qualified tax-exempt obligation" under § 265(b)(3) of the Code (bank qualified transaction) then the Applicable Rate (TFR) shall be as follows:

$$\text{TFR} = \text{I} - \text{S}$$

If the Individual Payment Schedule will be for a transaction not involving a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code (Non-bank qualified transaction), then the Applicable Rate (NTFR) shall be as follows:

$$\text{NTFR} = \text{TFR}/.65$$

OTHER PROVISIONS:

1. Lessee shall provide in form satisfactory to Lessor an opinion from Peck, Shaffer & Williams, L.L.P. that the Lease constitutes an obligation under which the interest paid shall be excludable from gross income for federal income tax purposes by the Lessor. Lessee shall also have filed any necessary forms with the Internal Revenue Service.
2. Lessor will allow additional purchases for up to three years based on the above rates and index.
3. Lessee is not obligated to use the entire master lease commitment and is permitted to negotiate amounts above the \$1,500,000 estimate.
4. There will be a minimum "Block" of equipment equal to \$250,000 that may be purchased through this Master Lease-Purchase Agreement.
5. The Applicable Rate shall be determined not less than five days nor more than 15 days prior to the date of an Individual Payment Schedule.

INDIVIDUAL PAYMENT SCHEDULE 1
TO
MASTER LEASE-PURCHASE AGREEMENT
DATED AS OF FEBRUARY 25, 1997

entered into this ____ day of February, 1997, by and between the Lessor and the Lessee

This Individual Payment Schedule consists of:

- Exhibit A Equipment Schedule
- Exhibit B Schedule of Payments
- Exhibit C Certificate of Acceptance
- Exhibit D Certificate with Respect to Arbitrage
- Exhibit E Opinion of Counsel to Lessee
- Supplements: Resolution or Approval of Lessee
(Exhibit F) Certificate of Fiscal Officer
- Insurance Requirements
- 8038-G or 8038-GC IRS Filing
- Bank Eligibility Certificate
- Financing Statement(s)
- Evidence of Deposit to Acquisition Fund pursuant to Escrow Agreement
- Purchase Order or Invoice
- Supplemental Opinion of Bond Counsel

EXHIBIT A
EQUIPMENT SCHEDULE NO. 1

Lessor: Peoples First National Bank & Trust Company
401 Kentucky Avenue
Paducah, Kentucky 42002

Lessee: Murray State University
P.O. Box 9
Murray, Kentucky 42071

This Equipment Schedule entered into this ___ day of _____, _____, by and between Lessor and Lessee pursuant to and subject to the terms and conditions of the Master Lease-Purchase Agreement dated as of February 25, 1997.

1. Equipment covered by this Equipment Schedule:

<u>Quantity</u>	<u>Type</u>	<u>Model</u>	<u>Serial No.</u>	<u>Description</u>
-----------------	-------------	--------------	-------------------	--------------------

(See Schedule A attached hereto)

2. Equipment Location:
3. Commencement Date:
4. Maximum Fiscal Periods:
5. Final Renewal Period:
6. Payment Schedule: See Exhibit B

Lessor: PEOPLES FIRST NATIONAL BANK
& TRUST COMPANY

Lessee: MURRAY STATE UNIVERSITY

By: _____

By: _____

Title: _____

Title: _____

Date:

Date:

EXHIBIT B

SCHEDULE OF PAYMENTS

Payment Date	Base Rent*	Interest Component	Principal Component	Declining Balance	Purchase Price**
-----------------	---------------	-----------------------	------------------------	----------------------	---------------------

(See Attachment)

*The Base Rent of the Lease-Purchase Payments is determined by applying an annual rate of interest equal to ___% the outstanding balance of an original principal amount of \$_____ for the Equipment, being an amount equal to the cost of acquiring the Equipment.

** The Purchase Price shall equal the Declining Balance or the Principal outstanding after payment of the Lease-Purchase Payment due on such date, plus any Additional Rent payable under the terms of the Agreement.

EXHIBIT C

CERTIFICATE OF ACCEPTANCE

The undersigned Lessee under that Master Lease-Purchase Agreement dated as of February 25, 1997, hereby certifies that the Equipment described in Equipment Schedule No. 1, dated _____, 199_, has been delivered to, and installed at, the Equipment Location specified therein and, as between Lessor and Lessee, is in good working order and is hereby accepted this ___ day of _____, 199__

Lessee: MURRAY STATE UNIVERSITY

By: _____

Title: _____

EXHIBIT D

CERTIFICATE WITH RESPECT TO ARBITRAGE

Re: Master Lease-Purchase Agreement dated as of February 25, 1997, by and between Peoples First National Bank & Trust Company (Lessor) and Murray State University (Lessee)

The undersigned, a duly authorized representative responsible for the execution and delivery of the Lease by the Lessee hereby certifies as follows:

This Certificate With Respect to Arbitrage (the "Certificate") is being executed and delivered pursuant to §§ 1.148-1 through 11 of the Treasury Regulations under § 148 of the Internal Revenue Code of 1986, as amended (the "Code"):

1. This Certificate is executed for the purpose of establishing the reasonable expectations of the Lessee as to future events regarding the financing of certain Units of Equipment by the Lessee, which Units of Equipment are more fully described in Exhibit A to Individual Payment Schedule No. 1 of the Agreement (the "Equipment").

2. The Lease has been entered into by the Lessee pursuant to authority granted the Lessee for the purpose of providing funds to pay the cost of acquiring and installing the Equipment.

3. The moneys received by the Lessee pursuant to the funding of the Individual Payment Schedule (hereinafter the "Proceeds") are expected to be needed and fully expended for payment of the costs of retiring acquiring and installing the Equipment and issuance expenses.

4. The Lessee reasonably expects that the Proceeds (including any investment proceeds thereon) net of the related issuance expenses, will not exceed the amount necessary to pay the costs of acquiring and installing the Equipment.

5. The Lessee does not expect to sell or otherwise dispose of any of the Equipment prior to the maturity of the lease in accordance with terms of the Individual Payment Schedule.

6. The Lessee has not been advised of any listing or proposed listing of the Lessee in the Internal Revenue Service Bulletin as a governmental unit upon whose Certificates Pertaining to Arbitrage Bonds one may not rely.

7. This Certificate is based upon facts, circumstances, estimates and expectations of the Lessee in existence on this date, and the date of the lease.

8. Lessee is a state university and a body politic and corporate of the Commonwealth of Kentucky and does not reasonably anticipate that less than 95% of the proceeds of the lease will be used for "local government activities" of the Lessee.

9. The proceeds received from the sale of the lease will be deposited immediately upon receipt in its fund established pursuant to the Agreement, and, together with earnings derived from the investment of funds in the Acquisition Fund will be used to pay the cost of acquiring and installing the Equipment on or before _____, which is within three years of the date hereof.

10. The Agreement contains a covenant of the Lessee that it will restrict the use of the proceeds of the lease in such manner and to such extent and take such other actions as may be necessary so that the Lease will not constitute obligations the interest on which is subject to federal income taxation or "arbitrage bonds" under §§ 103(b)(2) and 148 of the Code and the Regulations.

To the best of the knowledge and belief of the undersigned, the expectations of the Lessee set forth in this Certificate are reasonable.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____, 199_.

Lessee: MURRAY STATE UNIVERSITY

By: _____

Title: _____

EXHIBIT E
(On Letterhead of Counsel to Lessee)

Murray State University
Murray, Kentucky 42071

Peoples First National Bank & Trust Company
Paducah, Kentucky 42002

Peck Shaffer & Williams, L.L.P.
Covington, Kentucky 41011

RE: Master Lease-Purchase Agreement dated as of February 25, 1997, by and between Peoples First National Bank & Trust Company (Lessor) and Murray State University (Lessee), Individual Payment Schedule No. 1

Gentlemen:

I have acted as counsel to Lessee with respect to the Master Lease-Purchase Agreement, Schedule 1, described above (the "Lease") and various related matters, and in this capacity have reviewed a duplicate original or certified copy of the Lease by and between Lessee and Lessor. Based upon the examination of these and such other documents as I deem relevant, it is my opinion that:

1. Lessee is a state university and a body politic and corporate of the Commonwealth of Kentucky (the "Commonwealth"), duly organized, existing and operating under the Constitution and laws of the Commonwealth.
2. The Lease and Escrow Agreement dated as of February 25, 1997, (the "Escrow Agreement") by and between Lessee and Peoples First National Bank & Trust Company have been duly authorized, approved, executed and delivered by and on behalf of Lessee.
3. The authorization, approval and execution of the Lease and the Escrow Agreement and all other proceedings of Lessee relating to the transactions contemplated thereby have been performed in accordance with all applicable open meeting and public bidding laws, rules and regulations of the Commonwealth which pertain to public post secondary educational institutions organized under KRS 164, such as Lessee.
4. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body, that challenges the organization or existence of Lessee; the authority of Lessee or its officers or its employees to enter into the Lease; the proper authorization, approval and execution of the Lease, the Exhibits, the Escrow Agreement and the other documents contemplated thereby; or the ability of Lessee otherwise to perform its obligations under the Lease and the transactions contemplated thereby.

Very truly yours,

CERTIFICATE OF FISCAL OFFICER

The undersigned fiscal officer of Murray State University, hereby certifies that the moneys required to meet the obligations of the University during the fiscal period ending June 30, 199_, with respect to Individual Payment Schedule No. 1 under the Master Lease-Purchase Agreement dated as of February 25, 1997, by and between Peoples First National Bank & Trust Company, as Lessor, and the University, as Lessee, have been lawfully appropriated by the Board of Regents of such University for such purposes and are in the treasury of the University or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances.

MURRAY STATE UNIVERSITY

By: _____

Title: _____

Dated: _____, _____

BANK ELIGIBILITY CERTIFICATE

THIS BANK ELIGIBILITY CERTIFICATE is entered into this ___ day of ____, ___ and executed by Murray State University, as lessee.

WITNESSETH:

WHEREAS, the Lessor and the Lessee have entered into a Master Lease-Purchase Agreement dated as of February 25, 1997, and (collectively, the "Agreement"); and

WHEREAS, the Lessee desires to supplement the Agreement with Individual Payment Schedule No. 1;

NOW THEREFORE, in consideration of the premises hereinafter contained, the Lessee hereby certifies that:

The Lessee has not issued or effected the issuance of, and reasonably anticipates that it shall not issue or effect the issuance of more than Ten Million Dollars (\$10,000,000) of tax-exempt obligations during the 199___ calendar year, and hereby designates the lease of the Equipment to which this certificate pertains as a "qualified tax-exempt obligation" as defined by § 265(b)(3) of the Internal Revenue Code of 1986, as amended.

IN WITNESS WHEREOF, the Lessee has caused this Supplement to the Agreement to be executed by its respective officers thereunto duly authorized, all as of the date and year first above written.

MURRAY STATE UNIVERSITY

By: _____

Title: _____

INSURANCE COVERAGE REQUIREMENTS

TO: Peoples First National Bank & Trust Company
FROM: Murray State University
SUBJECT: INSURANCE COVERAGE REQUIREMENTS

1. In accordance with Section 19 of the Master Lease-Purchase Agreement, dated as of February 25, 1997 and Individual Payment Schedule No. 1 (collectively, the "Agreement"), we have instructed the insurance agent named below (please fill in name, address and telephone number)

to issue:

- a. All Risk Physical Damage Insurance on the leased Equipment or Unit thereof (as defined in the Agreement) evidenced by a Certificate of Insurance and Long Form Loss Payable Clause naming Lessor "and/or its assigns" Loss Payee.
- b. Public Liability insurance evidence by a Certificate of Insurance naming "Lessor and/or its assigns" as an Additional Insured.

Minimum Coverage Required:

\$ _____	per person
\$ _____	aggregate bodily injury liability
\$ _____	property damage liability

or

2. Pursuant to Section 19 of the Agreement, we are self-insured for all risk, physical damage, and public liability and will provide proof of such self-insurance in letter form together with a copy of the statute authorizing this form of insurance.

3. Proof of insurance coverage will be provided to Lessor prior to the time that the Equipment or Unit thereof is delivered to us.

Lessee: MURRAY STATE UNIVERSITY

By: _____

Title: _____

Date: _____, _____

MURRAY STATE UNIVERSITY
BUDGET PREPARATION
FY 1997-98
February 21, 1997

REVENUE INCREASES:

Appropriations:

If the Council on Higher Education confirms that Murray State University has met its performance funding criteria, the operating portion of the University's state appropriation (excluding debt service) for fiscal year 1997-98 is anticipated to increase by 2.4% or \$848,500 in recurring funds.

Tuition:

The CHE recommended tuition rate increases of 3.4% for undergraduate students and 3.10% for graduate students based on current enrollment will increase tuition approximately \$600,000. Prior year enrollment increases (1996-97) will produce additional yet to be determined tuition increases.

EXPENDITURE PRIORITIES:

1) Salaries for Faculty and Staff:

Providing competitive salaries for faculty and staff is the highest priority. The minimal increase in appropriations will provide a basis for a modest increase in salaries. The attached (page 3) salary guidelines define general salary increase parameters.

Fringe benefit costs will be greater since salary increases require funding for retirement and social security benefits matching costs. In addition, the institution's share of health insurance costs will increase.

2) Recruitment and Retention:

The University is committed to improving efforts at recruitment of new students and retention of current students.

A major factor in recruitment and retention is the availability of scholarships and tuition waivers. Various initiatives implemented over the past two fiscal years will require increases in scholarship and tuition waiver programs. In addition, annual tuition and fee increases require funding for existing general, minority and athletic scholarships.

3) Fixed Costs:

Certain unavoidable or mandated costs will increase. Examples include utilities, maintenance contracts, property insurance, job audits and academic promotions.

4) Technology:

Technology has become an increasingly important aspect of higher education and as such will require more attention in the budget process. The University is focusing on development and installation of basic components of a technological infrastructure. Within the 96/97 fiscal year, segments of the fiber optic backbone have been installed and several buildings have been networked. The University is currently assembling a package for financing and installation bids to provide approximately \$1.5 million for the Campus Networking Project. Current student technology fees will be used to fund payment of a municipal lease/purchase agreement.

5) Other Priorities:

Numerous funding requests from Academic Affairs, Student Affairs, Institutional Advancement, Administrative Services, and the President's areas have been identified in the budget priority review process. Many of these items, including expenditures for recruitment and retention of African-American students, library holdings, and accreditation fall into the priority categories previously identified. Further review will allow for prioritization of the requests to be included for funding.

SALARY GUIDELINES:

1) Benchmark Salaries:

Board policy states that salary levels for faculty and professional staff should equal, and hopefully exceed, Benchmark salaries for universities of similar type and size in Kentucky, the surrounding states, and where appropriate beyond our mid-America region. When average salaries do not equal benchmark levels, budgetary priorities should be established to achieve that end.

2) Base/Merit Increases:

The Salary Policy as approved by the Board of Regents on May 10, 1980, directs the allocation of salary increases at 75% for satisfactory performance and 25% for merit purposes. The annual Consumer Price Index for the period ended December 1996 was 3.3%. The University's state appropriations are scheduled at a very modest increase of 2.4%. It is anticipated that the University general salary increases will also equal 2.4%. An exception to the 1980 Salary Policy is requested in order to allocate the entire 2.4% as salary base to offset the loss to employees due to the rise in cost of living. If the state appropriations are increased in the anticipated Special Session of the Legislature to provide additional funds for general salary increases, any increase above the 2.4% will be based upon merit considerations.

3) Equity Increases above Base/Merit Increases:

Given the limited University resources, funding beyond the base/merit increment may be distributed to remedy salary inequities or to reflect major changes in responsibilities.

4) Promotions and Reclassifications:

Funds will be allocated for promotion stipends for professors, associate professors and assistant professors. In addition, non-exempt positions reclassified for the 1997-98 fiscal year will receive an increase per grade.