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2002-12-06

Board of Regents, Murray State University

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**Minutes of the Quarterly Meeting of the Board of Regents
Murray State University
December 6, 2002**

The Board of Regents of Murray State University met on December 6, 2002, in quarterly session in the Jesse Stuart Room of Pogue Library on the main campus of Murray State University. The meeting was called to order at 11:30 a.m. by Chair Sid Easley. Mr. Mike Miller gave the invocation.

Upon roll call, the following members were present: Marilyn Buchanon, Olivia Burr, Lori Dial, Elizabeth McCoy, Mike Miller, Jace Rabe, Don Sparks, Terry Strieter, and Sid Easley. Absent: Beverly Ford and Wells Lovett.

Others present were F. King Alexander, President of the University; Sandra M. Rogers, Secretary to the Board of Regents; Tom Denton, Treasurer to the Board of Regents and Vice President for Finance and Administrative Services; Don Robertson, Vice President for Student Affairs; Jimmy Carter, Vice President for Institutional Advancement; Gary Brockway, Provost and Vice President for Academic Affairs; Dewey Yeatts, Associate Vice President for Facilities Management; Joyce Gordon, Associate Vice President for Human Resources; John Rall, University Counsel; members of the faculty, staff, students, news media and visitors.

Agenda

The following agenda for the meeting was presented:

**AGENDA
Meeting of the Board of Regents
Murray State University
Jesse Stuart Room, Pogue Library
December 6, 2002
1:30 p.m.**

- | | | |
|----|---|----------------------|
| 1. | <u>Roll Call</u> | |
| 2. | <u>Minutes of the Special Meeting of the Board of Regents held on November 9, 2002</u> | |
| 3. | <u>Report of the President</u> | Dr. Alexander |
| 4. | <u>Report of the Chair</u> | Mr. Easley |
| 5. | <u>Report of the Treasurer</u> (Financial and Investment Reports for the period of July 1, 2002, through September 30, 2002) | Mr. Denton |
| 6. | <u>Report of the Registrar</u> | Dr. Alexander |
| 7. | <u>Personnel Changes</u> | Dr. Alexander |
| | A. Early Retirement Contracts | |
| | B. Staff Leaves of Absence Without Pay | |
| 8. | <u>Naming Recommendation</u> | Dr. Alexander |
| 9. | <u>Committee Reports/Recommendations</u> | |
| | A. Academic Affairs | Mr. Lovett |
| | B. Athletic | Mrs. Ford |
| | C. Audit | Mrs. McCoy |

| | | |
|----|---|----------------------|
| D. | Buildings and Grounds | Mr. Miller |
| E. | Development/Investments | Mr. Lovett |
| F. | Equal Opportunity/Affirmative Action | Mrs. Burr |
| G. | Faculty/Staff Affairs | Mrs. Buchanon |
| H. | Finance | Mr. Easley |
| I. | Governmental Relations | Mr. Miller |
| J. | International Relations | Mr. Sparks |
| K. | Student Life | Mr. Rabe |

10. Appointments to the University Student Appeals Board Dr. Alexander

Minutes of the Special Meeting of the Board of Regents held on November 9, 2002

Mr. Miller moved, seconded by Mrs. McCoy, that the minutes of the Special Meeting of the Board of Regents held on November 9, 2002, be approved. Motion carried.

Report of the President

Recognition of Professor Sandi Flynn

Dr. Alexander recognized Professor Sandi Flynn for her contributions to Murray State University. Her death on November 30, 2002, was a tragic loss and we are deeply saddened. Her current involvement at MSU as Supervisor/Coordinator/Team Leader included:

- Southern Association of Colleges and Schools (SACS) Reaccreditation
- Commonwealth Honors Academy
- Graduate Student Enrollment: Overseeing dramatic increases
- Spearheaded our Reading, England, Ph.D. in Education Program (22 students)
- Professor of the Year: International Students Association
- Taught in Paducah, Henderson, Hopkinsville and Murray
- Her students absolutely adored her and the knowledge they acquired from her classes.

There will be a tribute for Dr. Flynn on campus in January when her family can come to campus.

Enrollment Update

Dr. Alexander asked Mr. Jim Vaughan, Assistant Vice President for Enrollment Management, to give the enrollment update. Mr. Vaughan indicated that the University has had another year of record enrollment. We did not make the 10,000 goal, but we came close to it. We came up with 9,920 for Fall 2002, which is up 2.8 percent. We have record African-American enrollment, 8 percent increase, and our Kentucky African-American enrollment of 412 is the highest we have had in Kentucky. The trends in total headcount were shown. The University is up 61 percent in new freshmen enrollments compared to last year at this point. In Jefferson County we are up from 15 to 42 students at this time of the year. Our campus visitation is up 32 percent; housing applications are up 46 percent, and in all admissions, we are up 57 percent from where we were at this point last year. We want to try to maintain a 2 percent growth. We expect to have anywhere from about 300-400 new students a year (total enrollment).

Health Insurance

Dr. Alexander asked Mrs. Joyce Gordon, Associate Vice President for Human Resources, to give a brief review of health insurance. Mrs. Gordon indicated that the University has completed the campus open enrollment and everyone on campus has a much better understanding and a much better acceptance of the issue. There was a lot of information out there and everybody understood the severity of the situation, so when the rates came out there was more of a sense of relief. Mrs. Gordon pointed out that at one of the University's sister institutions there were about two articles a week in the *Courier-Journal* on their health insurance

problems and that has been a continuing issue. We have 100 percent enrollment. She emphasized that the state health program is an issue as the Legislative Session begins. We will be back without question with additional information and how we will manage our insurance.

State Budget and Potential Consequences

Dr. Alexander stated that the state has asked the University to draw up plans for a 2.6 percent cut for the current year and a 5.2 percent cut for 2003-2004. If this happens it could have substantial impact both directly and indirectly in just about anything the University does. That would mean a 7.8 percent cut in a year and a half to go along with 2 percent cut last year, that's 9.8 percent. If you factor in the issue that about 70-75 percent of the budget is tied up, it is not flexible because it is tied into salaries and existing personnel, that's about a 35 percent hit on flexible resources. We are looking at substantial issues if this budget progresses in this direction and if there are not any new revenues that surface that could certainly impact tuition. It would drastically impact the way we serve our extended campus; it could drastically impact positions that we currently have and it will drastically impact the programs that we currently offer. There's no easy way around this. We are doing everything the state wants us to do and we are looking at a situation that can be extremely detrimental to this institution to the extent that we haven't seen in 17 years of this kind of cut. The Presidents have come together to talk about not only how we manage this, but how it is going to impact the rest of the state. This is not just an internal issue; it is going to impact families; it is going to impact students; it is going to impact extended campuses and the regional growth that we have been fortunate to build upon. Projections are quite bleak; the shortfalls are certainly present and we are trying to get the strategy together, along with the K-12 schools, so we can project a consolidated format of educational support. We have made a lot of progress in the years as a university and as a state and this has the potential to turn a progressive direction into a regressive direction that can substantially change what the state of Kentucky has been doing to improve the quality of life.

When asked if it helped us to continue to grow, Dr. Alexander stated that it puts substantial pressure on whether we will grow to the extent that we have been planning on growing. The environment is demanding universal access and we have got to manage the political and public demands for higher education, at the same time making sure that we don't substantially hurt the education enterprise. It does raise questions about growth and, with these cuts coming up, it could limit growth substantially and we could move away from some of the direction of our strategic plan until we get some budget recovered to provide assistance for us. It also raises issues about the students that we are admitting and scholarships that we are offering. We will have to offer less scholarships. In many ways we will have to make sure we are maximizing federal programs and our student aid programs. We have to monitor and watch this very closely and at the same time keep our momentum as a university and also manage this growth in a manner that is fiscally conservative and prudent. We can continue growing and continue serving more students, but we have to be really cautious because our class sizes will grow and our services won't expand.

Regent Miller stated that the University should look at the problem as a challenge and not as a problem. We've got to plan to manage our growth and stay within this plan. This economy is very volatile right now. We don't know how long it's going to be before it will stabilize. If history repeats itself, it will stabilize at some point and time. Right now we are on what I think is the right path and I would certainly hate to see us shift gears in midstream. I'd rather look at this as a challenge that we as a Board and as a community will overcome. There is no easy answer, but we have to continue to meet the educational needs of our students.

Dr. Alexander stated that the University is in a good leadership position in how we are approaching the environment and we are growing for the right reasons. It is a tremendous challenge. Our extended campuses are growing which shows the need in those communities and this balance is important to maintain as part of the challenge. The new building in Henderson will help significantly in Henderson because they have problems with everybody heading north to Indiana.

Dr. Alexander stated that because of numbers dwindling demographically, some of our on-campus growth will probably be coming from farther away. Our regional growth will be coming from local students that are seeking to finish their degrees who are working and part-time students. The catalyst is an interesting one to make sure that we are able to manage

effectively. We are very committed to access and affordable access. That's what we do best and we offer high quality at the same time. It makes perhaps the most difficult challenge we have had in a long time to try to make sure that we continue our momentum and don't lose our momentum and recoil in this environment. That is what I am very committed to do and I think our staff certainly is and our University is reaping the benefit of the direction that this Board is trying to create. I think any regression of our direction certainly has substantial impact throughout.

Dr. Alexander further stated that as the budget cuts occur, we are going to have a lot of building going on from pools of resources to be used for building only. We have a \$13 million Science Building going up that was allocated two and a half years ago and will continue to be built. We are going to begin construction on a student recreation and wellness center, a \$10 million project, and we will also have underway probably by the summer or fall the Business Incubator and Commercialization Center(ICC). This ICC building will be built on the north end of campus and will link us to the economic realities of the region while getting our faculty involved in a lot of what goes on to start a business that we can help promote and develop. Funding for the building is from new economy money, EBA money, and TVA money specifically for the building. Even though we are having budget cuts, we are going to have nearly \$30 million in construction in progress on campus. We need to make sure that people understand that these are completely separate pools that cannot be used for other reasons. Hopefully, we are moving in the right direction as all of these facilities are badly needed and can help to redefine, not only the University, but also this region of the state economically.

Public Relations Efforts

Our public relations efforts continue. We are staying on a complete offensive in public relations. Dr. Alexander shared with the Regents the pocket foldout on Murray State and urged everyone to distribute them. Information on the foldout emphasizes all of Murray State's successes. We keep telling people that we are an outcomes-based university and we keep promoting these outcomes on television and in the newspapers. It is starting to generate its own dialogue and it will have perpetual benefits from now on and it is starting to show in Louisville and other areas of the state where we really haven't done a good job of this. Vice President Jimmy Carter is very involved in this and we are trying hard to get the word out on the success of this University.

Development Efforts

Development efforts are expanding. We have spent a lot of time redesigning the annual fund. We are \$66,000 ahead of last year's efforts. We were able to do this while also giving the departments, on the average, about an \$800 departmental increase to help them offset some of the growing costs by paying for the callers that they normally would have paid for. We are also going to be hiring a Development Director. I am very pleased with the ground level in the annual fund and what everybody has done in the annual fund area.

Nine-Month Contract Issue

Dr. Alexander stated that the University should start looking seriously into nine month contracts. He distributed a brief summary of pros and cons of going from a ten-month contract to a nine-month contract and what it would do for the institution. Right now, roughly about 90 percent of all the universities have nine-month contracts, giving them an opportunity to apply for an extra month of federal support. The nine-month contract gives us an opportunity to involve more faculty and graduate students in federal opportunities for more money. Presented were the highs and lows of the nine-month contract and what it would be worth to the University. At the high, it could be worth \$500,000 to \$600,000 annually. At the low, it could be worth \$150,000 to \$200,000 in federal grant support to the institution. He added that he would like for the Board to begin a concerted dialogue on the nine-month contract. The sheet provided a synopsis of the pros and cons of nine-month contract.

Council on Postsecondary Education(CPE), President Search

Dr. Alexander and other university presidents will be in Frankfort December 18 and 19, 2002, to review the final three candidates for the President of CPE. We are hoping to get

someone we can work with that will see the value of Murray State University and the value to the state and can help us continue growing and meeting these challenges.

Federal Work Force Development Act

The Federal Work Force Development Act has allocated an additional \$3 million to help us in job training for displacement workers. This will be announced later this month.

Henderson Campus

The Henderson Campus is a wonderful addition to the University and it is a tremendous facility of high visibility. We are expecting our enrollment in January to double in Henderson, which will give us another 125 students.

Chairman's Report

Mr. Easley asked Mrs. Olivia Burr to comment on her class experience with Sandi Flynn.

Mrs. Burr took two classes with Dr. Flynn. Ms. Burr stated that "As one of her students and not an education major it was very hard for me to go back to school, especially graduate school, under a teacher thinking that I knew nothing about education. She was the kind of person that made you feel like you knew more about the subject than she did because she took what you knew and she always brought out the practical side of your knowledge and she made it very clear that you were an authority in your own right. I liked her as a leader. She taught us how to be leaders and how to stay focused on the main objective of educating students. I'm real grieved of her loss because she was so practical, yet knowledgeable, and she never put herself on a pedestal, because we were always doing it. She was always trying to make sure that we understood that she was a woman who had learned a lot through a lot of hard knocks and a lot of experiences. She taught us the value of teaching and that we should always keep as a focus that teaching was a very valuable profession. She made sure that we shaped and formed the world and that we had that for our mission. As an administrator, she was personable but yet also she balanced the need that she thought, even though we were going into administration, that we need to know how to balance the needs of the students, the teacher and the community. Always try to win those three and think about, not our needs, but what those need that we are serving. She will be greatly missed."

Mr. Easley stated that since he has been on the Board, the University has progressed and done extremely well, but we have never had the challenge we have now with the expected budget cuts. There has always been more money every year and salaries were increased. How we deal with the budget cuts is a lesson in life. You can deal with adversity a lot of ways and one of the quickest ways to deal with adversity is to blame someone else instead of looking internally about what you can do. Everyone will have to work a little harder and assume more responsibility. Not only do you have to work harder, you have to work smarter.

Mr. Easley emphasized the need for the momentum to continue and praised the leadership of the University. We should see this budget situation as a challenge and work through it with more intensity and hard work. The fact that we sent information about Murray State University all over Louisville to the right people is a smart move and we have more applications from Louisville than we have had in past years.

Mr. Easley praised the faculty and staff for the real team effort that seems to be going on on campus. He thanked Terry Strieter and Lori Dial for their efforts in keeping faculty and staff informed.

Treasurer's Report

Treasurer Tom Denton presented and reviewed the financial and investment reports for the period of July 1, 2002 - September 30, 2002. Following a brief discussion, Mrs. McCoy moved, seconded by Mr. Rabe, that the Treasurer's Report be accepted. Motion carried.

(See Attachments #1 and #2)

Mr. Easley introduced Mr. Steve Catron of Bowling Green, Kentucky, to review the Student Recreation and Wellness Center. Mr. Catron has been our shepherd and, helped us through Wellness Center financing and it has been done extremely well.

Mr. Catron gave a synopsis to the Board of the Wellness Center financing. At the last special called meeting a Memorandum of Understanding with the City of Murray was approved. This is a wonderful way for the University to finance these projects without stifling the state system and the state system gets terribly difficult. Bonds are being sold next Tuesday and there will be a closing two weeks later. The bonds will be funded and there will be \$2 million deposited into a construction fund for Murray State University to build a Wellness Center. He expressed appreciation to Dr. Alexander for going out on a limb on these projects which is not an easy thing for a University President to do. Likewise, thanks cannot be overstated to the City for their willingness to issue the general obligation bonds to support this kind of project. Tom Denton and Dewey Yeatts have worked diligently to make sure that this project comes off as we had planned. Beth McKinney, of Wyatt, Tarrant and Combs, in Bowling Green, has done the lion share of the work on this project. It has gone extraordinarily smoothly, thanks in a large measure to Senator Bob Jackson who has been a wonderful champion of this project. Most importantly, the willingness of the University and the willingness of Dr. Alexander to step out and request that a project be done in this manner is significant. It is a new way to finance projects. If it had not been done, the likelihood is that the Wellness Center Project would not be done any time in the foreseeable future. This is an extraordinary project for the students here at MSU and the dirt will be turned for the project in the spring.

Mr. Catron further stated that the action by the Board today is just the last step of the process and this is really a technical maneuver more than anything. This is to rescind the \$3 student fee that was put into place earlier and then immediately reenacted. The reason we do that is that when you enacted the student fee last year, it was done in such a way that it triggered it being, at least theoretically, pledged as a part of the revenue to other projects, the housing and dining fund project. We don't want that money mixed up with money allocated to those projects so we are recommending that you rescind the student fee, reenact it as the Wellness Center Fee, and then allocate the money that you have already accumulated as a part of the student fees that have been collected into the Wellness Center Project. That way we can technically get all the dollars allocated and pledged and created for this specific project.

Mr. Easley expressed appreciation to Mr. Catron and presented the following motion on behalf of the Finance Committee.

Segregation of the Student Recreation and Wellness Center Fee, approved

On October 8, 2001, the Board of Regents approved a \$3.00 per semester hour increase in the Mandatory Fee to be designated for funding of the Wellness/Recreation Center building. This increase took effect with the 2002-2003 academic year. With this increase, the Mandatory Fee was increased from \$17.50 per credit hour to \$20.50 per credit hour. It was not the intent of the Board of Regents to include the previously enacted Wellness Center Fee as a part of the Mandatory Fees that would have been subject to any pledge as security for any currently outstanding bond indebtedness of the University.

Since the earlier enactment of the Wellness Center Fee, the City of Murray, Kentucky, has agreed to issue up to \$10,000,000 of its general obligation bonds to be utilized to construct the Wellness/Recreation Center building. The indebtedness to be incurred by the City of Murray will be repaid by the \$3.00 per credit hour Wellness Center Fee as approved this date. In order to accomplish the allocation of the \$3.00 per semester hour to the City of Murray, the Wellness Center Fee previously enacted should be rescinded and a new fee specifically established for the Wellness/Recreation Center project. All funds previously collected and designated as the \$3.00 per semester hour Wellness Center Fee should be utilized for the Wellness/Recreation Center project. The new Wellness Center Fee, established by this Board action, will be paid over to the City of Murray for payment of the bonds based upon the terms and provisions of the Memorandum of Understanding between the University and the City of Murray.

Mr. Rabe moved that the Board of Regents, upon the recommendation of the President of

University, takes the following action: (1) The \$3.00 per semester hour increase in the Mandatory Fee enacted on October 8, 2001 designated for funding of the wellness/recreation center building shall be and is hereby rescinded in all respects; (2) There shall be and is hereby established a \$3.00 per semester hour fee for all students of the University and it shall be referred to as the "Wellness Center Fee" to be a fee separate and distinct from any other Mandatory Fee, including students fees, now existing or from time to time established, by the Board of Regents; (3) Any and all Wellness Center Fees collected prior to the date of this action shall be and are hereby transferred to the Wellness Center project, and shall be paid over to such project fund(s) as determined by the President of the University. Any and all other mandatory or student fees not otherwise rescinded or amended by this action shall remain in full force and effect until otherwise acted upon by the Board of Regents.

Mr. Miller seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Burr, yes; Mrs. Dial, yes; Mrs. McCoy, yes; Mr. Miller, yes; Mr. Rabe, yes; Mr. Sparks, yes; Dr. Strieter, yes; and Mr. Easley, yes. Motion carried.

Report of the Registrar

Mr. Miller moved, seconded by Mr. Rabe, that the Board of Regents approve the awarding of degrees to individuals on December 13, 2002, as recommended by the Registrar. Motion carried.

(See Attachment #3)

Personnel Changes

A. Early Retirement Contracts, approved

Dr. Strieter moved, seconded by Mr. Sparks, that the Board of Regents, upon the recommendation of the President of the University, approve the following applications for early retirement, effective with the 2003-2004 contracts:

Gary Jones, Professor, Department of Mathematics and Statistics
Thomas Posey, Professor, Department of Psychology

Motion carried.

B. Staff Leaves of Absence Without Pay, approved

Mrs. Dial moved, seconded by Mr. Rabe, 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:

| | | |
|---------------------|-----------------------------|----------------------|
| Adams, Rhonda | Food Service | 9/9/02 - 10/28/02 |
| Arnold, John | Facilities Management | 11/16/02 - 12/01/02 |
| Bradley, Stephen | Regional Special Events Ctr | 9/11/02 - 1/15/03 ** |
| Dick, Lisa M. | Human Resources | 11/13/02 - 12/23/02 |
| Garland, Juanita | Facilities Management | 9/7/02 - 11/29/02 |
| Harris, Gerald | Facilities Management | 10/1/02 - 12/13/02 |
| Hunt, William | Facilities Management | 8/24/02 - 10/8/02 |
| McCoy, Michael D. | Facilities Management | 9/28/02 - 11/8/02 |
| McKinney, Angela | Facilities Management | 10/18/02 - 10/29/02 |
| Parris, Kathryn D. | Facilities Management | 10/10/02 - 11/15/02 |
| Shields, Michael D. | West KY Expo. Center | 10/26/02 - 2/28/03 |
| Taylor-Lee, Anna M. | Breathitt Veterinary Center | 8/31/02 - 10/14/02 |
| Vogle, Tressa | Facilities Management | 9/7/02 - 12/31/02 |

Motion carried.

Naming Recommendation, approved

The generous support by the Mead Westvaco Company of the University's Environmental Education Outreach Program will provide for an expansion of the library that is utilized by current students and teachers throughout the region and assist with residential training in environmental education for MSU students preparing to become teachers.

Mrs. McCoy moved, seconded by Mrs. Dial, that the Board of Regents, upon the recommendation of the President of the University, ratify the naming of the Environmental Education Resource Room, located at 321 Alexander Hall, The MeadWestvaco Room. Motion carried.

Committee Reports

- A. Academic Affairs - Mrs. McCoy (Chair Lovett was absent)

Changes in Faculty Handbook, permission granted

On behalf of the Academic Affairs Committee, Mrs. McCoy moved, seconded by Mr. Miller, that the Board of Regents, upon the recommendation of the President of the University, grant permission to make the attached academic changes in the faculty handbook, sections 1.5.1.2 and 1.5.1.4. Motion carried.

(See Attachment #4)

- B. Athletic - No report.

- C. Audit - Mrs. McCoy.

Audit Reports, accepted

On behalf of the Audit Committee, Mrs. McCoy moved, seconded by Mr. Miller, that the Board of Regents, upon the recommendation of the President of the University, accept the following audited financial reports for 2001-2002:

General Financial Statement
Opportunity Letter
A-133

Motion carried.

(See Attachments 5, 6 and 7)

- D. Buildings and Grounds - Mr. Miller.

Hopkinsville Project Right-of Way Resolution

On behalf of the Buildings and Grounds Committee, Mr. Miller presented the following resolution.

A resolution authorizing the President of Murray State University in his discretion to execute the necessary legal documents to convey to the city of Hopkinsville and dedicate for the benefit of the city of Hopkinsville, Kentucky, a 40 foot wide right-of-way extending north and south between Lot No. 1, Lot No. 4, and Tract No. 3 extending from Murray State University property to Lover's Lane for the purpose of providing and maintaining a city street serving the University, Hopkinsville Civic Center, the general public, and subsequent property development, a 80 foot wide right-of-way extending east and west from the previously north-south right-of-way east to the existing right-of-way provided by the MSU Athletic Foundation for the purpose of providing and maintaining a city street, a 20 foot wide drainage and utility easement along the north and south side of the aforementioned 80 foot wide right-of-way, and along the east side of the aforementioned 40 foot right-of-way, in Lot 4A a 20 foot wide strip of land to be conveyed

from the MSU Athletic Foundation to Murray State University. It is further understood that the MSU Athletic Foundation will dedicate a 20 foot wide drainage and utility easement east and west parallel to Lot 4A.

On behalf of the Buildings and Grounds Committee, Mr. Miller moved that the Murray State University Board of Regents approve the above resolution in concept and authorize the President of Murray State University to make moderate, necessary changes, corrections, and additions as may be necessary and to fully execute deeds, titles, etc., to fulfill the purpose of allowing the City of Hopkinsville to properly use and maintain the referenced right-of-way and easements.

Mrs. McCoy seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Burr, yes; Mrs. Dial, yes; Mrs. McCoy, yes; Mr. Miller, yes; Mr. Rabe, yes; Mr. Sparks, yes; Dr. Strieter, yes; and Mr. Easley, yes. Motion carried.

Purchase of Property

On behalf of the Buildings and Grounds Committee, Mr. Miller moved that the Board of Regents, upon the recommendation of the President of the University, approve the purchase of the property located at 1627 Hamilton in Murray, Kentucky.

Mrs. McCoy seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Burr, yes; Mrs. Dial, yes; Mrs. McCoy, yes; Mr. Miller, yes; Mr. Rabe, yes; Mr. Sparks, yes; Dr. Strieter, yes; and Mr. Easley, yes. Motion carried.

Mr. Easley asked that the record show that the Finance Committee joined in the motion for acceptance.

- E. Development/Investments - no report.
- F. Equal Opportunity/Affirmative Action - no report.
- G. Faculty/Staff Affairs - no report.
- H. Finance - Mr. Easley.

Course Fee Increase - for information only

At its meeting on December 12, 1997, the MSU Board of Regents approved the annual increase of existing course fees based on Consumer Price Index (CPI). The fee increases will be implemented only when the cumulative increase equals at least fifty cents.

Murray State University course fees will be increased (rounded to the nearest fifty cents) based upon the Consumer Price Index for the twelve months ending June 30, 2002, of 1.1 percent.

Segregation of Student Recreation and Wellness Center Fee was discussed at the beginning of the meeting as Steve Catron of Bowling Green, Kentucky, was present.

- I. Governmental Relations - no report.
- J. International Relations - no report.
- K. Student Life - no report.

University Student Appeals Board Appointments

Dr. Strieter moved, seconded by Mr. Rabe, that the Board of Regents, upon the recommendation of the President of the University, appoint the following faculty and students to the University Student Appeals Board for the terms indicated below:

Faculty: Three-year term (2002-2005)

Dr. Chuck Hulick, Educational Studies, Leadership & Counseling

Dr. Crystal Coleman, Organizational Communication

Students: One-year term (2002-2003)

Cassie Ayers

Amanda Birkner

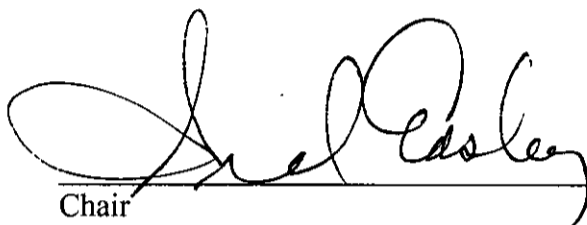
Christina Cowan


Motion carried.

Mr. Easley expressed congratulations to the Murray State Football Team for winning the conference.

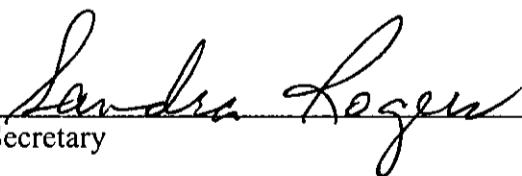
Adjournment

Mrs. Dial moved, seconded by Mrs. McCoy, that the meeting adjourn. Motion carried. Adjournment was at 3:18 p.m.


Chair

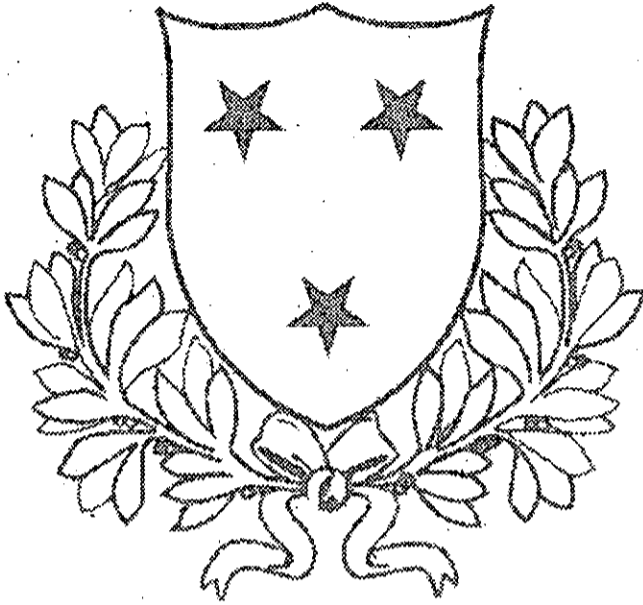

Secretary

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Secretary

Murray State University

FINANCIAL REPORT



FOR THE PERIOD

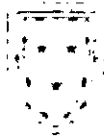
July 1, 2002 - September 30, 2002

Submitted to:

The President

&

Board of Regents



Murray State University

Accounting and Financial Services
200 Sparks Hall
Murray, KY 42071-3312
Phone (270) 762-4126 Fax (270) 762-3014

November 22, 2002

President F. King 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, 2002 through September 30, 2002.

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Thomas W. Denton
Vice President for Finance and
Administrative Services

ahs

MURRAY STATE UNIVERSITY
BALANCE SHEET BY FUND (UNAUDITED)
September 30, 2002

With Comparative Unaudited Figures as of September 30, 2001

| | Current Funds | | | Plant Funds | Loan Funds | Endowment Funds | Agency Funds | Totals | |
|---|-------------------|------------------|------------------|--------------------|------------------|--------------------|-----------------|--------------------|--------------------|
| | E&G | Auxiliary | Restricted | | | | | 2003 | 2002 |
| ASSETS | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Cash and cash equivalents | \$ 26,593,000 | \$ 1,444,365 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 28,037,365 | \$ 27,339,523 |
| Inventories | 333,581 | 814,279 | - | - | - | - | - | 1,147,860 | 1,122,165 |
| Prepaid expenses | 582 | - | 613 | - | - | - | - | 1,195 | 8,247 |
| Accounts receivable, net | 2,650,609 | 1,699,393 | 988,079 | - | - | - | - | 5,338,081 | 4,834,014 |
| Loans receivable | - | - | - | - | 700,553 | - | - | 700,553 | 749,944 |
| Interest receivable | 672,146 | 80,476 | - | 115,526 | - | - | - | 868,148 | 843,587 |
| Total current assets | <u>30,249,918</u> | <u>4,038,513</u> | <u>988,692</u> | <u>115,526</u> | <u>700,553</u> | <u>-</u> | <u>-</u> | <u>36,093,202</u> | <u>34,897,480</u> |
| Noncurrent Assets | | | | | | | | | |
| Restricted cash and cash equivalents | - | - | 3,518,940 | 16,224,940 | 417,442 | 1,003,833 | 43,299 | 21,208,454 | 13,021,412 |
| Restricted investments | - | - | - | 4,206,018 | - | - | - | 4,206,018 | 3,966,213 |
| Assets held by MSU Foundation | - | - | - | - | - | 7,193,121 | - | 7,193,121 | 6,095,441 |
| Loans receivable | - | - | - | 329,300 | 3,969,799 | - | - | 4,299,099 | 3,946,078 |
| Property, plant, and equipment | - | - | - | 219,525,539 | - | - | - | 219,525,539 | 207,689,007 |
| Accumulated depreciation | - | - | - | (111,605,942) | - | - | - | (111,605,942) | (105,793,019) |
| Bond discount | - | - | - | 119,039 | - | - | - | 119,039 | 131,264 |
| Total noncurrent assets | <u>-</u> | <u>-</u> | <u>3,518,940</u> | <u>128,798,894</u> | <u>4,387,241</u> | <u>8,196,954</u> | <u>43,299</u> | <u>144,945,328</u> | <u>129,056,396</u> |
| Total assets | <u>30,249,918</u> | <u>4,038,513</u> | <u>4,507,632</u> | <u>128,914,420</u> | <u>5,087,794</u> | <u>8,196,954</u> | <u>43,299</u> | <u>181,038,530</u> | <u>163,953,876</u> |
| LIABILITIES AND NET ASSETS | | | | | | | | | |
| Current Liabilities | | | | | | | | | |
| Accounts payable | 880,636 | - | 486 | (452) | 86,519 | - | - | 967,189 | 1,698,348 |
| Self insured health liability | 1,111,730 | - | - | - | - | - | - | 1,111,730 | 1,231,257 |
| Accrued payroll | 1,723,570 | 106,234 | - | - | - | - | - | 1,829,804 | 1,480,036 |
| Interest payable | - | - | - | - | - | - | - | - | - |
| Deposits | 5,887 | 287,998 | - | - | - | - | 43,299 | 337,184 | 303,192 |
| Deferred revenue | - | - | - | 6,901,651 | - | - | - | 6,901,651 | 3,928 |
| Current maturities of long term liabilities | - | - | - | 2,935,857 | - | - | - | 2,935,857 | 2,877,879 |
| Total current liabilities | <u>3,721,823</u> | <u>394,232</u> | <u>486</u> | <u>9,837,056</u> | <u>86,519</u> | <u>-</u> | <u>43,299</u> | <u>14,083,415</u> | <u>7,594,640</u> |

**MURRAY STATE UNIVERSITY
BALANCE SHEET BY FUND (UNAUDITED)**

September 30, 2002

With Comparative Unaudited Figures as of September 30, 2001

| | Current Funds | | | Plant Funds | Loan Funds | Endowment Funds | Agency Funds | Totals | |
|--|----------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|------------------|-----------------------|-----------------------|
| | E&G | Auxiliary | Restricted | | | | | 2003 | 2002 |
| Noncurrent Liabilities | | | | | | | | | |
| Deposits | \$ - | 159,211 | \$ - | \$ - | \$ - | \$ - | \$ - | 159,211 | \$ 153,635 |
| Deferred revenue | - | - | - | 4,997,748 | - | - | - | 4,997,748 | - |
| Bonds payable | - | - | - | 16,559,453 | - | - | - | 16,559,453 | 18,805,019 |
| Capital leases | - | - | - | 1,866,132 | - | - | - | 1,866,132 | 2,024,588 |
| Masterlease payable | - | - | - | 931,577 | - | - | - | 931,577 | 1,067,578 |
| Notes payable | - | - | - | 11,368 | - | - | - | 11,368 | 27,285 |
| MSU Foundation payable | - | - | - | 86,464 | - | - | - | 86,464 | 122,767 |
| Total noncurrent liabilities | - | 159,211 | - | 24,452,742 | - | - | - | 24,611,953 | 22,200,872 |
| Total liabilities | 3,721,823 | 553,443 | 486 | 34,289,798 | 86,519 | - | 43,299 | 38,695,368 | 29,795,512 |
| Net Assets | | | | | | | | | |
| Invested in capital assets, net of related debt | - | - | - | 86,131,281 | - | - | - | 86,131,281 | 78,954,490 |
| Restricted for: | | | | | | | | | |
| Nonexpendable: | | | | | | | | | |
| University endowments | - | - | - | - | - | 8,196,954 | - | 8,196,954 | 7,014,201 |
| Expendable: | | | | | | | | | |
| Scholarships, research, instruction and other | - | - | 4,422,020 | - | - | - | - | 4,422,020 | 2,283,624 |
| Loans | - | - | - | - | 5,001,275 | - | - | 5,001,275 | 4,874,101 |
| Capital | - | - | - | 3,854,963 | - | - | - | 3,854,963 | 9,494,862 |
| Debt service | - | - | - | 3,487,185 | - | - | - | 3,487,185 | 3,229,241 |
| Unrestricted: | | | | | | | | | |
| Allocated for: | | | | | | | | | |
| Prior year carryovers: | | | | | | | | | |
| Renovation and maintenance | 1,116,259 | - | - | - | - | - | - | 1,116,259 | 1,294,214 |
| Departmental operations | 5,768,057 | 450,410 | - | - | - | - | - | 6,218,467 | 5,276,072 |
| Encumbrances | 730,483 | 105,384 | - | - | - | - | - | 835,867 | 660,421 |
| Reserve for general contingency | 19,249,615 | 2,929,276 | - | - | - | - | - | 22,178,891 | 20,177,138 |
| Reserve for self insurance | 900,000 | - | - | - | - | - | - | 900,000 | 900,000 |
| Total unrestricted net assets | 27,764,414 | 3,485,070 | 4,422,020 | 93,473,429 | 5,001,275 | 8,196,954 | - | 142,343,162 | 134,158,364 |
| Interaccount eliminations | (1,236,319) | - | 85,126 | 1,151,193 | - | - | - | - | - |
| Total net assets | 26,528,095 | 3,485,070 | 4,507,146 | 94,624,622 | 5,001,275 | 8,196,954 | - | 142,343,162 | 134,158,364 |
| Total liabilities and net assets | \$ 30,249,918 | \$ 4,038,513 | \$ 4,507,632 | \$ 128,914,420 | \$ 5,087,794 | \$ 8,196,954 | \$ 43,299 | \$ 181,038,530 | \$ 163,953,876 |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (UNAUDITED)
For the year ended September 30, 2002
With Comparative Unaudited Figures as of September 30, 2001

| | Current Funds | | | Plant Funds | Loan Funds | Endowment Funds | Totals | |
|--|---------------|-----------|-------------|----------------|---------------|--------------------|---------------|---------------|
| | E&G | Auxiliary | Restricted | | | | 2003 | 2002 |
| REVENUES | | | | | | | | |
| Operating revenues: | | | | | | | | |
| Student tuition and fees | \$ 19,311,792 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 19,311,792 | \$ 17,358,628 |
| Less: discounts and allowances | (4,566,711) | - | (2,235,686) | - | - | - | (6,802,397) | (6,019,714) |
| Net tuition and fees | 14,745,081 | - | (2,235,686) | - | - | - | 12,509,395 | 11,338,914 |
| Federal grants and contracts | 35,555 | - | 3,589,763 | - | - | - | 3,625,318 | 3,245,053 |
| State grants and contracts | - | - | 2,061,719 | - | - | - | 2,061,719 | 1,230,567 |
| Local and private grants and contracts | - | - | 45,001 | - | - | - | 45,001 | 47,067 |
| Subtotal - Grants and contracts | 35,555 | - | 5,696,483 | - | - | - | 5,732,038 | 4,522,687 |
| Sales and services | 1,013,621 | - | - | - | - | - | 1,013,621 | 778,185 |
| Other operating revenues | 573,455 | - | - | - | - | - | 573,455 | 510,340 |
| Auxiliary revenues | - | 7,956,538 | - | - | - | - | 7,956,538 | 7,266,285 |
| Less: discounts and allowances | - | (454,807) | - | - | - | - | (454,807) | (494,717) |
| Net auxiliary revenue | - | 7,501,731 | - | - | - | - | 7,501,731 | 6,771,568 |
| Total operating revenues | 16,367,712 | 7,501,731 | 3,460,797 | - | - | - | 27,330,240 | 23,921,694 |
| EXPENSES | | | | | | | | |
| Operating expenses: | | | | | | | | |
| Instruction | 8,049,345 | - | 1,045,299 | - | - | - | 9,094,644 | 8,575,990 |
| Research | 239,661 | - | 351,272 | - | - | - | 590,933 | 550,363 |
| Public service | 1,006,508 | - | 223,708 | - | - | - | 1,230,216 | 1,261,467 |
| Libraries | 285,566 | - | 2,880 | - | - | - | 288,446 | 326,172 |
| Academic support | 1,440,212 | - | 52,008 | - | - | - | 1,492,220 | 1,343,635 |
| Student services | 1,767,496 | - | 141,151 | - | 27,757 | - | 1,936,404 | 1,991,946 |
| Institutional support | 2,180,714 | - | 7,212 | - | - | - | 2,187,926 | 1,862,988 |
| O&M | 2,534,058 | - | 139 | - | - | - | 2,534,197 | 2,237,166 |
| Student aid | 165,117 | - | 1,963,232 | - | - | - | 2,128,349 | 3,115,539 |
| Depreciation | - | - | - | 1,227,716 | - | - | 1,227,716 | 1,536,161 |
| Auxiliary expenditures | - | 3,804,067 | 2,664 | - | - | - | 3,806,731 | 3,388,432 |
| Total operating expenses | 17,668,677 | 3,804,067 | 3,789,565 | 1,227,716 | 27,757 | - | 26,517,782 | 26,189,859 |
| Operating income (loss) | (1,300,965) | 3,697,664 | (328,768) | (1,227,716) | (27,757) | - | 812,458 | (2,268,165) |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (UNAUDITED)
For the year ended September 30, 2002
With Comparative Unaudited Figures as of September 30, 2001

| | Current Funds | | | Plant Funds | Loan Funds | Endowment Funds | Totals | |
|---|---------------|-----------|--------------|----------------|---------------|--------------------|---------------|---------------|
| | E&G | Auxiliary | Restricted | | | | 2003 | 2002 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | | |
| State appropriations | \$ 14,413,978 | \$ - | \$ 1,070,522 | \$ - | \$ - | \$ - | \$ 15,484,500 | \$ 15,847,700 |
| State endowment match | - | - | - | - | - | - | - | - |
| Federal grants and contracts | - | - | 204,180 | - | - | - | 204,180 | 286,239 |
| State grants and contracts | - | - | 1,118,062 | - | - | - | 1,118,062 | 667,332 |
| Local and private grants and contracts | - | - | 413,216 | - | - | - | 413,216 | 432,189 |
| Subtotal - Grants and contracts | - | - | 1,735,458 | - | - | - | 1,735,458 | 1,385,760 |
| Investment income: | | | | | | | | |
| Interest income: | | | | | | | | |
| Operating fund interest | 41,257 | - | - | 55,207 | 26,111 | - | 122,575 | 164,329 |
| Consolidated educational revenue interest | 395,050 | 38,805 | - | 10,327 | - | - | 444,182 | 353,820 |
| Realized income - assets held by University | - | - | 1,051 | (3,850) | - | 231 | (2,568) | 5,973 |
| Unrealized income - assets held by University | - | - | - | 1,844 | - | - | 1,844 | - |
| Total investment income | 436,307 | 38,805 | 1,051 | 63,528 | 26,111 | 231 | 566,033 | 524,122 |
| Interest on capital asset-related debt | - | - | - | (9,044) | - | - | (9,044) | 6,474 |
| Loss on deletion and disposal of capital assets | - | - | - | (58,280) | - | - | (58,280) | (47,770) |
| Bond amortization | - | - | - | - | - | - | - | - |
| Net nonoperating revenues | 14,850,285 | 38,805 | 2,807,031 | (3,796) | 26,111 | 231 | 17,718,667 | 17,716,286 |
| Income before other revenues, expenses, gains, or losses | 13,549,320 | 3,736,469 | 2,478,263 | (1,231,512) | (1,646) | 231 | 18,531,125 | 15,448,121 |
| State capital appropriations | - | - | - | - | - | - | - | - |
| Capital gifts | - | - | - | 25,040 | - | - | 25,040 | 20,350 |
| Insurance proceeds on capital loss | - | - | - | - | - | - | - | - |
| Increase (decrease) in assets | 13,549,320 | 3,736,469 | 2,478,263 | (1,206,472) | (1,646) | 231 | 18,556,165 | 15,468,471 |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (UNAUDITED)

For the year ended September 30, 2002

With Comparative Unaudited Figures as of September 30, 2001

| | Current Funds | | | Plant Funds | Loan Funds | Endowment Funds | Totals | |
|---|---------------|--------------|--------------|----------------|---------------|--------------------|----------------|----------------|
| | E&G | Auxiliary | Restricted | | | | 2003 | 2002 |
| Transfers: | | | | | | | | |
| Mandatory | - | (641,289) | - | 641,289 | - | - | - | - |
| Nonmandatory | (469,633) | (53,544) | (7,288) | 530,464 | - | - | - | - |
| Subtotal - transfers | (469,633) | (694,833) | (7,288) | 1,171,753 | - | - | - | - |
| | | | | | | | | |
| Increase (decrease) in assets after transfers | 13,079,687 | 3,041,636 | 2,470,975 | (34,719) | (1,646) | 231 | 18,556,165 | 15,468,471 |
| | | | | | | | | |
| Net Assets - beginning of year | 13,302,146 | 443,434 | 3,801,343 | 93,040,431 | 5,002,921 | 8,196,723 | 123,786,998 | 246,965,103 |
| Interaccount eliminations | 146,262 | - | (1,765,172) | 1,618,910 | - | - | - | - |
| Cumulative effect in change in accounting principle | - | - | - | - | - | - | - | (128,275,210) |
| Net Assets - beginning of year, as restated | 13,448,408 | 443,434 | 2,036,171 | 94,659,341 | 5,002,921 | 8,196,723 | 123,786,998 | 118,689,893 |
| | | | | | | | | |
| Net Assets - end of year | \$ 26,528,095 | \$ 3,485,070 | \$ 4,507,146 | \$ 94,624,622 | \$ 5,001,275 | \$ 8,196,954 | \$ 142,343,162 | \$ 134,158,364 |

MURRAY STATE UNIVERSITY
CURRENT UNRESTRICTED FUNDS
SCHEDULE OF BUDGET ADJUSTMENTS (UNAUDITED)
For the Period July 1, 2002 through September 30, 2002
With Comparative Figures for the Period Ended September 30, 2001

| | 2002-03 | | 2001-02 | |
|--|----------------------|---------------------------|---------------------------------|-----------------------|
| | Original Budget | Adjustments/ Revisions | Current Budget Per Report | Budget Per Report |
| Revenues | | | | |
| Educational and General | \$ 83,655,636 | | | |
| Prior year carryovers | | \$ 2,742,968 | | |
| Prior year encumbrances | | 699,314 | | |
| Budget increases and adjustments | | 188,530 | | |
| Total Educational and General | \$ 83,655,636 | \$ 3,630,812 | \$ 87,286,448 | \$ 85,413,304 |
| Auxiliary Enterprises | \$ 15,296,809 | | | |
| Prior year carryovers | | \$ 434,680 | | |
| Prior year encumbrances | | 90,505 | | |
| Budget increases and adjustments | | - | | |
| Budget revision for accounting rule change | | - | | |
| Total Auxiliary Enterprises | \$ 15,296,809 | \$ 525,185 | \$ 15,821,994 | \$ 15,058,597 |
| Total Revenues | \$ 98,952,445 | \$ 4,155,997 | \$ 103,108,442 | \$ 100,471,901 |
| Expenditures | | | | |
| Educational and General | \$ 83,655,636 | | | |
| Prior year carryovers | | \$ 2,742,968 | | |
| Prior year encumbrances | | 699,314 | | |
| Budget increases | | 188,530 | | |
| Total Educational and General | \$ 83,655,636 | \$ 3,630,812 | \$ 87,286,448 | \$ 85,413,304 |
| Auxiliary Enterprises | \$ 15,296,809 | | | |
| Prior year carryovers | | \$ 434,680 | | |
| Prior year encumbrances | | 90,505 | | |
| Budget increases | | - | | |
| Budget revision for accounting rule change | | - | | |
| Total Auxiliary Enterprises | \$ 15,296,809 | \$ 525,185 | \$ 15,821,994 | \$ 15,058,597 |
| Total Expenditures | \$ 98,952,445 | \$ 4,155,997 | \$ 103,108,442 | \$ 100,471,901 |

MURRAY STATE UNIVERSITY
CURRENT UNRESTRICTED FUNDS - EDUCATIONAL AND GENERAL
SCHEDULE OF REVENUES BY SOURCE, EXPENDITURES BY FUNCTION, AND OTHER CHANGES (UNAUDITED)

For the Period July 1, 2002 through September 30, 2002
 With Comparative Figures for the Period July 1, 2001 through September 30, 2001

| | 2002-03 | | | 2001-02 | |
|---|----------------|--------------------|-----------------|--------------------|-----------------|
| | Current Budget | Fiscal Year Actual | Actual % Budget | Fiscal Year Actual | Actual % Budget |
| OPERATING REVENUES | | | | | |
| Tuition and mandatory student fees | \$ 37,587,574 | \$ 19,311,792 | 51% | \$ 17,358,628 | 54% |
| Less: discounts | (10,885,187) | (4,566,711) | 42% | (4,091,851) | 56% |
| Total tuition and fees, net of discounts | 26,702,387 | 14,745,081 | 55% | 13,266,777 | 53% |
| Indirect cost reimbursement | - | 35,555 | 0% | (6,147) | -6% |
| Sales and services of | | | | | |
| educational departments | 2,770,515 | 1,013,621 | 37% | 778,185 | 37% |
| Other sources | 2,924,016 | 573,455 | 20% | 510,340 | 18% |
| Prior year carryovers and encumbrances | 3,630,812 | - | N/A | - | N/A |
| Total operating revenues | 36,027,730 | 16,367,712 | 45% | 14,549,155 | 44% |
| NONOPERATING REVENUES | | | | | |
| State appropriation | 50,558,718 | 14,413,978 | 29% | 14,756,100 | 29% |
| Interest income: | | | | | |
| Operating fund interest | 100,000 | 41,257 | 41% | 86,295 | 86% |
| Consolidated educational revenue interest | 600,000 | 395,050 | 66% | 267,387 | 27% |
| Total nonoperating revenues | 51,258,718 | 14,850,285 | 29% | 15,109,782 | 29% |
| Total revenues | 87,286,448 | 31,217,997 | 36% | 29,658,937 | 34% |
| EXPENSES | | | | | |
| Instruction | 40,814,083 | 8,049,345 | 20% | 7,309,402 | 19% |
| Research | 898,148 | 239,661 | 27% | 176,966 | 18% |
| Public service | 4,235,254 | 1,006,508 | 24% | 925,943 | 22% |
| Library | 2,634,559 | 285,566 | 11% | 326,172 | 13% |
| Academic support | 4,703,172 | 1,440,212 | 31% | 1,329,204 | 35% |
| Student services | 7,908,925 | 1,767,496 | 22% | 1,845,431 | 23% |
| Institutional support | 11,256,446 | 2,180,714 | 19% | 1,855,024 | 14% |
| Operation and maintenance of plant | 10,824,461 | 2,534,058 | 23% | 2,237,166 | 20% |
| Student aid | 415,193 | 165,117 | 40% | 240,684 | 56% |
| Total expenses | 83,690,241 | 17,668,677 | 21% | 16,245,992 | 20% |
| TRANSFERS IN (OUT) AND OTHER CHANGES | | | | | |
| Mandatory transfers | | | | | |
| Consolidated educational bond sinking fund | (1,880,700) | - | N/A | - | N/A |
| Loan fund match | (4,819) | - | N/A | - | N/A |
| Non-mandatory transfers | | | | | |
| Transfers to CERR | (600,000) | - | N/A | (292,417) | N/A |
| Transfers from CERR | 75,000 | 219,845 | N/A | 495,004 | N/A |
| Transfers from unexpended plant fund | 16,382 | - | N/A | - | N/A |
| Transfers to unexpended plant fund | (790,000) | (615,410) | N/A | (112,365) | N/A |
| Transfers to auxiliaries | (5,040) | (30,000) | N/A | (1,800) | N/A |
| Transfers from auxiliaries | 77,320 | 77,320 | N/A | 365,249 | N/A |
| Transfers from restricted fund | - | 7,288 | N/A | 33,700 | N/A |
| Transfers to retirement of indebtedness fund | (484,350) | (128,676) | N/A | (131,524) | N/A |
| Total transfers | (3,596,207) | (469,633) | N/A | 355,847 | N/A |
| Total expenses and transfers | \$ 87,286,448 | \$ 18,138,310 | 21% | \$ 15,890,145 | 19% |
| Increase (decrease) in assets after transfers | | \$ 13,079,687 | | \$ 13,768,792 | |

MURRAY STATE UNIVERSITY
CURRENT UNRESTRICTED FUNDS - AUXILIARIES
SCHEDULE OF REVENUES BY SOURCE, EXPENDITURES BY FUNCTION, AND OTHER CHANGES (UNAUDITED)

For the Period July 1, 2002 through September 30, 2002

With Comparative Figures for the Period July 1, 2001 through September 30, 2001

| | 2002-03 | | | 2001-02 | |
|--|----------------------|-----------------------|--------------------|-----------------------|--------------------|
| | Current Budget | Fiscal Year Actual | Actual % Budget | Fiscal Year Actual | Actual % Budget |
| OPERATING REVENUES | | | | | |
| Food services | \$ 4,763,240 | \$ 2,454,867 | 52% | \$ 2,371,372 | 48% |
| Less: discounts | - | (16,141) | 0% | (35,182) | 0% |
| Housing services | 6,975,077 | 3,555,717 | 51% | 3,159,261 | 48% |
| Less: discounts | (832,000) | (438,666) | 53% | (459,535) | 52% |
| Bookstore | 3,738,338 | 1,900,460 | 51% | 1,689,420 | 44% |
| Currus Center | 450,986 | 5,133 | 1% | 1,762 | 4% |
| Racer card administration | - | 35,269 | 0% | 36,064 | 45% |
| Vending and manual commissions | 103,000 | 5,092 | 5% | 8,407 | 8% |
| Prior year carryovers and encumbrances | 525,185 | - | N/A | - | N/A |
| Total operating revenues | <u>15,723,826</u> | <u>7,501,731</u> | <u>48%</u> | <u>6,771,569</u> | <u>45%</u> |
| NONOPERATING REVENUES | | | | | |
| Interest income: | | | | | |
| Food services | - | 21,136 | 0% | 25,717 | 0% |
| Housing services | 17,243 | 1,746 | 10% | 1,253 | 0% |
| Bookstore | 8,097 | 15,072 | 186% | 15,152 | 0% |
| Currus Center | - | 91 | 0% | 265 | 0% |
| Racer card administration | 72,828 | 760 | 1% | 650 | 0% |
| Total nonoperating revenues | <u>98,168</u> | <u>38,805</u> | <u>40%</u> | <u>43,037</u> | <u>0%</u> |
| Total revenues | <u>15,821,994</u> | <u>7,540,536</u> | <u>48%</u> | <u>6,814,606</u> | <u>45%</u> |
| EXPENSES | | | | | |
| Food services | 4,721,160 | 815,498 | 17% | 682,940 | 15% |
| Housing services | 5,269,849 | 1,232,635 | 23% | 1,139,674 | 23% |
| Bookstore | 3,669,115 | 1,600,382 | 44% | 1,408,992 | 40% |
| Currus Center | 464,218 | 99,229 | 21% | 107,772 | 23% |
| Other | - | - | 0% | 3,346 | 0% |
| Racer card administration | 72,828 | 27,777 | 38% | 24,239 | 30% |
| Vending and manual commissions | 326,162 | 28,546 | 9% | 21,469 | 7% |
| Total expenses | <u>14,523,332</u> | <u>3,804,067</u> | <u>26%</u> | <u>3,388,432</u> | <u>25%</u> |
| TRANSFERS IN (OUT) AND OTHER CHANGES | | | | | |
| Mandatory transfers | | | | | |
| Housing and dining bond sinking fund | (1,272,290) | (641,289) | N/A | (487,385) | N/A |
| Non-mandatory transfers | | | | | |
| To unexpended plant fund | - | - | N/A | - | N/A |
| From unexpended plant fund | - | - | N/A | - | N/A |
| From renewal and replacement fund | 9,100 | - | N/A | - | N/A |
| From educational and general fund | 41,848 | 30,000 | N/A | 1,800 | N/A |
| To educational and general fund | (77,320) | (77,320) | N/A | (365,249) | N/A |
| To retirement of indebtedness fund | - | (6,224) | N/A | (12,141) | N/A |
| Total transfers and other changes | <u>(1,298,662)</u> | <u>(694,833)</u> | <u>N/A</u> | <u>(862,975)</u> | <u>N/A</u> |
| Total expenses, transfers and other changes | <u>\$ 15,821,994</u> | <u>\$ 4,498,900</u> | <u>28%</u> | <u>\$ 4,251,407</u> | <u>28%</u> |
| Increase (decrease) in assets after transfers | | <u>\$ 3,041,636</u> | | <u>\$ 2,563,199</u> | |

MURRAY STATE UNIVERSITY
CURRENT UNRESTRICTED FUNDS - AUXILIARIES
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES BY UNIT (UNAUDITED)
For the Period July 1, 2002 through September 30, 2002
With Comparative Figures for the Period July 1, 2001 through September 30, 2001

| | Food Services | Housing Services | Bookstore | Curris Center | Racer Card Administration | Vending and Manual Commissions | Other | Prior Year Carryovers & Encumbrances | Total |
|--|------------------|---------------------|--------------|------------------|------------------------------|--------------------------------------|--------------|--|---------------|
| 2002-03 | | | | | | | | | |
| REVENUES | | | | | | | | | |
| Current Budget | \$ 4,763,240 | \$ 6,160,320 | \$ 3,746,435 | \$ 450,986 | \$ 72,828 | \$ 103,000 | \$ - | \$ 525,185 | \$ 15,821,994 |
| Fiscal Year Actual | 2,459,862 | 3,118,797 | 1,915,532 | 5,224 | 36,029 | 5,092 | - | - | 7,540,536 |
| Actual % Budget | 52% | 51% | 51% | 1% | 49% | 5% | 0% | N/A | 48% |
| DISBURSEMENTS | | | | | | | | | |
| Current Budget | \$ 4,721,160 | \$ 5,269,849 | \$ 3,669,115 | \$ 464,218 | \$ 72,828 | \$ 326,162 | \$ - | \$ - | \$ 14,523,332 |
| Fiscal Year Actual | 815,498 | 1,232,635 | 1,600,382 | 99,229 | 27,777 | 28,546 | - | - | 3,804,067 |
| Actual % Budget | 17% | 23% | 44% | 21% | 38% | 9% | 0% | N/A | 26% |
| TRANSFERS IN (OUT) AND OTHER CHANGES | | | | | | | | | |
| | \$ (32,978) | \$ (578,311) | \$ (77,320) | \$ (6,224) | \$ - | \$ - | \$ - | \$ - | \$ (694,833) |
| NET CHANGE IN FUND BALANCE | | | | | | | | | |
| | \$ 1,611,386 | \$ 1,307,851 | \$ 237,830 | \$ (100,229) | \$ 8,252 | \$ (23,454) | \$ - | \$ - | \$ 3,041,636 |
| 2001-02 | | | | | | | | | |
| REVENUES | | | | | | | | | |
| Current Budget | \$ 4,896,332 | \$ 5,655,132 | \$ 3,808,097 | \$ 45,780 | \$ 80,723 | \$ 103,000 | \$ - | \$ 469,533 | \$ 15,058,597 |
| Fiscal Year Actual | 2,361,907 | 2,700,979 | 1,704,572 | 2,027 | 36,714 | 8,407 | - | - | 6,814,606 |
| Actual % Budget | 48% | 48% | 45% | 4% | 45% | 8% | 0% | 0% | 45% |
| DISBURSEMENTS | | | | | | | | | |
| Current Budget | \$ 4,472,635 | \$ 4,897,201 | \$ 3,493,616 | \$ 478,416 | \$ 80,723 | \$ 311,316 | \$ 23,192 | \$ - | \$ 13,757,099 |
| Fiscal Year Actual | 682,940 | 1,139,674 | 1,408,992 | 107,772 | 24,239 | 21,469 | 3,346 | - | 3,388,432 |
| Actual % Budget | 15% | 23% | 40% | 23% | 30% | 7% | 14% | 0% | 25% |
| TRANSFERS IN (OUT) AND OTHER CHANGES | | | | | | | | | |
| | \$ (53,255) | \$ (440,048) | \$ (77,320) | \$ (4,422) | \$ - | \$ - | \$ (287,930) | \$ - | \$ (862,975) |
| NET CHANGE IN FUND BALANCE | | | | | | | | | |
| | \$ 1,625,712 | \$ 1,121,257 | \$ 218,260 | \$ (110,167) | \$ 12,475 | \$ (13,062) | \$ (291,276) | \$ - | \$ 2,563,199 |
| 2002-03 INCREASE (DECREASE) IN FUND BALANCE | | | | | | | | | |
| | \$ (14,326) | \$ 186,594 | \$ 19,570 | \$ 9,938 | \$ (4,223) | \$ (10,392) | \$ 291,276 | \$ - | \$ 478,437 |

MURRAY STATE UNIVERSITY
CURRENT RESTRICTED FUNDS
SCHEDULE OF REVENUES BY SOURCE, EXPENDITURES BY FUNCTION,
AND OTHER CHANGES (UNAUDITED)

For the Period July 1, 2002 through September 30, 2002
 With Comparative Figures for the Period July 1, 2001 through September 30, 2001

| | 2002-03 | | | 2001-02 | |
|--|----------------------|-----------------------|--------------------|-----------------------|--------------------|
| | Current Budget | Fiscal Year Actual | Actual % Budget | Fiscal Year Actual | Actual % Budget |
| Revenues by Source | | | | | |
| Federal funds | | | | | |
| Pell | \$ 3,039,740 | \$ 2,863,577 | 94% | \$ 2,817,550 | 104% |
| Less: Discounts | - | (1,847,669) | 0% | (1,392,390) | 0% |
| SEOG | 320,522 | 159,545 | 50% | 161,140 | 36% |
| Less: Discounts | - | (3,676) | 0% | (34,704) | 0% |
| Workstudy | 470,124 | - | 0% | 8,918 | 2% |
| Grants and contracts | 3,517,977 | 770,821 | 22% | 543,684 | 17% |
| Less: Discounts | - | (150,230) | 0% | (64,077) | 0% |
| Total federal funds | 7,348,363 | 1,792,368 | 24% | 2,040,121 | 30% |
| State appropriations | 1,070,522 | 1,070,522 | 100% | 1,091,600 | 100% |
| State grants and contracts | 5,456,117 | 3,179,781 | 58% | 1,897,901 | 138% |
| Less: Discounts | - | (219,559) | 0% | (413,294) | 0% |
| Other grants and contracts | 642,917 | 458,217 | 71% | 479,256 | 44% |
| Less: Discounts | - | (14,552) | 0% | (23,399) | 0% |
| Investment income | - | 1,051 | 0% | 5,983 | 0% |
| Total revenues | 14,517,919 | 6,267,828 | 43% | 5,078,168 | 49% |
| Expenditures by Function | | | | | |
| Instruction | 4,101,620 | 1,045,299 | 25% | 1,266,588 | 28% |
| Research | 1,414,219 | 351,272 | 25% | 373,397 | 56% |
| Public service | 1,427,975 | 223,708 | 16% | 335,524 | 33% |
| Library | - | 2,880 | 0% | - | 0% |
| Academic support | 102,781 | 52,008 | 51% | 14,431 | 35% |
| Student services | 426,775 | 141,151 | 33% | 121,876 | 34% |
| Institutional support | - | 7,212 | 0% | 7,964 | 11% |
| Operation and maintenance of plant | 2,371,000 | 139 | 0% | - | 0% |
| Scholarship and financial aid | 4,673,549 | 1,963,232 | 42% | 2,874,855 | 80% |
| Total educational and general | 14,517,919 | 3,786,901 | 26% | 4,994,635 | 48% |
| Auxiliary enterprises | - | 2,664 | 0% | - | 0% |
| Total expenditures by function | 14,517,919 | 3,789,565 | 26% | 4,994,635 | 48% |
| Transfers In(Out) and Other Changes | | | | | |
| Non-mandatory transfers | | | | | |
| To unexpended plant fund | - | - | N/A | - | N/A |
| From unexpended plant fund | - | - | N/A | - | N/A |
| From renewal and replacement fund | - | - | N/A | - | N/A |
| To endowment fund | - | - | N/A | - | N/A |
| To current unrestricted fund | - | (7,288) | N/A | (33,700) | N/A |
| Total transfers and other changes | - | (7,288) | N/A | (33,700) | N/A |
| Total expenditures, transfers and other changes | \$ 14,517,919 | 3,796,853 | 26% | 5,028,335 | 49% |
| Excess revenues over expenditures | | \$ 2,470,975 | | \$ 49,833 | |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)
For the Period July 1, 2002 through September 30, 2002
With Comparative Unaudited Figures as of September 30, 2001

| | 2002-03 | | | 2001-02 | |
|---|------------------------------------|------------------|--------------------------------|----------------------|----------------------|
| | <u>Educational and General</u> | <u>Auxiliary</u> | <u>Restricted and Loan</u> | <u>Total</u> | <u>Total</u> |
| OPERATING REVENUES | | | | | |
| Tuition and fees: | | | | | |
| Fall tuition | \$ 16,066,275 | \$ - | \$ - | \$ 16,066,275 | 14,806,829 |
| Spring tuition | (4,158) | - | - | (4,158) | (2,462) |
| Summer II tuition | 1,099,683 | - | - | 1,099,683 | 768,703 |
| Summer I tuition | 3,860 | - | - | 3,860 | 15,377 |
| Tuition discounts | (4,395,549) | - | (2,235,686) | (6,631,235) | (5,868,415) |
| Mandatory student fees | 2,146,131 | - | - | 2,146,131 | 1,770,181 |
| Mandatory student fees discounts | (171,161) | - | - | (171,161) | (151,299) |
| Net tuition and mandatory fees, net of discounts | <u>\$ 14,745,081</u> | <u>\$ -</u> | <u>\$ (2,235,686)</u> | <u>\$ 12,509,395</u> | <u>\$ 11,338,914</u> |
| Grants and contracts: | | | | | |
| Federal work study | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal Pell | - | - | 2,863,577 | 2,863,577 | 2,702,893 |
| Federal SEOG | - | - | 159,545 | 159,545 | 161,140 |
| Grants and contracts - federal | 35,555 | - | 566,641 | 602,196 | 381,020 |
| Grants and contracts - state | - | - | 2,061,719 | 2,061,719 | 1,230,567 |
| Grants and contracts - other | - | - | 45,001 | 45,001 | 47,067 |
| Total grants and contracts | <u>\$ 35,555</u> | <u>\$ -</u> | <u>\$ 5,696,483</u> | <u>\$ 5,732,038</u> | <u>\$ 4,522,687</u> |
| Sales and services of educational departments: | | | | | |
| American Humanities | \$ - | \$ - | \$ - | \$ - | \$ 1,420 |
| Agriculture | - | - | - | 1,679 | 1,284 |
| Applied Science computer lab | 1,679 | - | - | - | - |
| Art auction | - | - | - | 1,017 | 3,612 |
| Art cash sales | 1,017 | - | - | 918 | 2,466 |
| Hancock biological station | 918 | - | - | 41,005 | 33,191 |
| Breathitt veterinary center | 41,005 | - | - | 327 | - |
| BPA computer lab | 327 | - | - | 53 | - |
| Chemical services | 53 | - | - | - | - |
| Child development center | - | - | - | 70 | - |
| Computer science workshop | 70 | - | - | 23,235 | - |
| Development and release of tobacco cultivars | 23,235 | - | - | - | 722 |
| Economics & Finance | - | - | - | - | - |
| Environmental education workshop | - | - | - | - | 580 |
| Fall business education conference | - | - | - | - | - |
| Hong Kong MBA | - | - | - | 323,070 | 258,964 |
| Institute for International Studies | 323,070 | - | - | - | 90 |
| Journalism and Mass Communication | - | - | - | 18 | - |
| Journalism workshop | 18 | - | - | 551,253 | 420,210 |
| Kentucky Institute for International Studies (KIIS) | 551,253 | - | - | 100 | - |
| Keyboard recruiting | 100 | - | - | - | - |
| MARC service center | - | - | - | (1,036) | (14,869) |
| MSU News | (1,036) | - | - | - | - |
| Nursing Continuing Education | - | - | - | - | - |
| Office systems and business ed copy account | - | - | - | - | - |
| Public relations book marketing | - | - | - | 806 | 25 |
| Psychology center | 806 | - | - | 192 | (21) |
| Recording studio | 192 | - | - | 3,052 | (1,124) |
| Regional Special Events Center | 3,052 | - | - | 33,155 | 32,672 |
| Shield yearbook | 33,155 | - | - | 1,805 | 2,037 |
| Special education clinic | 1,805 | - | - | - | - |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)
For the Period July 1, 2002 through September 30, 2002
With Comparative Unaudited Figures as of September 30, 2001

| | 2002-03 | | | 2001-02 | |
|--|------------------------------------|------------------|--------------------------------|---------------------|-------------------|
| | <u>Educational and General</u> | <u>Auxiliary</u> | <u>Restricted and Loan</u> | <u>Total</u> | <u>Total</u> |
| Sales and services of educational departments: (cont'd) | | | | | |
| University Press of Kentucky | - | - | - | - | - |
| University theater | 2,846 | - | - | 2,846 | 1,959 |
| University farms | 28,356 | - | - | 28,356 | 33,992 |
| Waterfield Center | - | - | - | - | - |
| Well water testing | 1,700 | - | - | 1,700 | 975 |
| Total sales and services of educational departments | \$ 1,013,621 | \$ - | \$ - | \$ 1,013,621 | \$ 778,185 |
| Other Sources: | | | | | |
| Athena festival | \$ - | \$ - | \$ - | \$ - | \$ - |
| Athletics | 48,106 | - | - | 48,106 | 35,485 |
| Athletics - concessions | 620 | - | - | 620 | - |
| Athletics - guarantees | - | - | - | - | - |
| Athletic camps - | | | | | |
| Athletic trainer | - | - | - | - | - |
| Baseball | 20 | - | - | 20 | - |
| Football | 300 | - | - | 300 | 760 |
| Distance runners | - | - | - | - | - |
| Golf | - | - | - | - | - |
| Mens' basketball | 430 | - | - | 430 | 2,330 |
| Women's basketball | (105) | - | - | (105) | 270 |
| Tennis camps | 105 | - | - | 105 | 650 |
| Soccer camp | 12,715 | - | - | 12,715 | 21,878 |
| Volleyball | 13,943 | - | - | 13,943 | 3,905 |
| Athletics - NCAA revenue | 6,104 | - | - | 6,104 | (19,231) |
| Regional high school tournaments | - | - | - | - | - |
| Bad debt expense recovery | 21,042 | - | - | 21,042 | 93,456 |
| Campus lights | - | - | - | - | - |
| Campus recreation | 1,540 | - | - | 1,540 | 1,657 |
| Celebrate women | - | - | - | - | - |
| Center for economic education | - | - | - | - | - |
| Center for gifted study | 400 | - | - | 400 | - |
| Choir International Tours | 90 | - | - | 90 | - |
| Ctr for Teaching and Technology Learning | 62 | - | - | 62 | 33 |
| Central stores | 112 | - | - | 112 | 362 |
| Chemistry breakage fees | 63 | - | - | 63 | 1,730 |
| Commonwealth Honors Academy | 402 | - | - | 402 | 94 |
| Continuing educations programs - | | | | | |
| Art workshops | - | - | - | - | - |
| Community education | - | - | - | - | - |
| Computer camp | - | - | - | - | 480 |
| Conferences and workshops | 19,865 | - | - | 19,865 | 56,507 |
| Music workshops | - | - | - | - | - |
| Paducah creativity | - | - | - | - | - |
| Robotics camp | 125 | - | - | 125 | 250 |
| Super Saturdays | 4,299 | - | - | 4,299 | 4,980 |
| Trumpet workshop | - | - | - | - | 150 |
| Young authors camp | - | - | - | - | - |
| Fixed price contract residuals | - | - | - | - | - |
| Career services | 3,830 | - | - | 3,830 | 6,260 |
| Counseling and testing center | 6,004 | - | - | 6,004 | 4,639 |
| Delinquent account collection fees | 43,358 | - | - | 43,358 | 43,027 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)
For the Period July 1, 2002 through September 30, 2002
With Comparative Unaudited Figures as of September 30, 2001

| | 2002-03 | | | 2001-02 | |
|--|------------------------------------|------------------|--------------------------------|--------------|--------------|
| | <u>Educational and General</u> | <u>Auxiliary</u> | <u>Restricted and Loan</u> | <u>Total</u> | <u>Total</u> |
| Other Sources: (cont'd) | | | | | |
| Early Childhood Elementary Education | 1,115 | - | - | 1,115 | - |
| Engineering institute | - | - | - | - | - |
| Environmental consortium of mid-america | 3,804 | - | - | 3,804 | 1,039 |
| Facilities Management | - | - | - | - | - |
| Festival of champions | 36,456 | - | - | 36,456 | 790 |
| Forensics team | - | - | - | - | - |
| Graphic arts technology | 1,735 | - | - | 1,735 | 1,176 |
| Hazardous materials training | 24,066 | - | - | 24,066 | 28,277 |
| Health services | 23 | - | - | 23 | - |
| Intramural sports | - | - | - | - | - |
| KLEFPT supplemental salary reimbursement | 10,394 | - | - | 10,394 | 5,342 |
| Library - copy service | 6,043 | - | - | 6,043 | 6,431 |
| Library - fines and damages | (91) | - | - | (91) | - |
| Library - inter library loan | (406) | - | - | (406) | 53 |
| Library - other | 306 | - | - | 306 | 310 |
| Madrigal dinner | - | - | - | - | - |
| Meal management luncheons | - | - | - | - | - |
| Music recital | - | - | - | - | - |
| National student exchange | 100 | - | - | 100 | 200 |
| Networking and microcomputer services | - | - | - | - | 242 |
| Nursing continuing education | - | - | - | - | 1,080 |
| Organic Pasteurization | 1,447 | - | - | 1,447 | 1,075 |
| Other fees | 286,522 | - | - | 286,522 | 183,248 |
| Other fees discounts | (501,838) | - | - | (501,838) | (544,354) |
| Other revenue | (26,592) | - | - | (26,592) | 81,753 |
| Parking | 370,715 | - | - | 370,715 | 312,060 |
| Perkins loan recovery | - | - | - | - | - |
| Post office | 5,495 | - | - | 5,495 | 7,883 |
| Printing | 11,029 | - | - | 11,029 | 12,373 |
| Quad state band festival | 39 | - | - | 39 | 67 |
| Recycling program | 160 | - | - | 160 | 346 |
| Regensburg exchange | 34,940 | - | - | 34,940 | 71,826 |
| Facility rentals | 11,360 | - | - | 11,360 | 12,028 |
| Rodeo | 10,130 | - | - | 10,130 | 10,200 |
| Sale of surplus property | 547 | - | - | 547 | 7,861 |
| Senior breakfast | - | - | - | - | - |
| Shakespeare Festival | - | - | - | - | - |
| String prep program | 2,328 | - | - | 2,328 | 3,044 |
| Student government association | 1,757 | - | - | 1,757 | 45,990 |
| Student support for learning disabilities | 40,720 | - | - | 40,720 | 840 |
| Summer challenge | 455 | - | - | 455 | 2,525 |
| Summer orientation | 13,165 | - | - | 13,165 | 200 |
| Technology center | - | - | - | - | - |
| Telecommunications commission | 1,287 | - | - | 1,287 | 3,784 |
| Transportation | 749 | - | - | 749 | 1,584 |
| Welcome back program | - | - | - | - | - |
| West Kentucky environmental education consortium | - | - | - | - | - |
| West Kentucky livestock and exposition center | 1,373 | - | - | 1,373 | 7,405 |
| Wickliffe Mounds gift shop | 3,001 | - | - | 3,001 | 2,131 |
| Wickliffe Mounds research center | 6,069 | - | - | 6,069 | 4,581 |
| WKMS radio station | (1,195) | - | - | (1,195) | (22,527) |
| WQTV television station | 32,817 | - | - | 32,817 | (195) |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)
For the Period July 1, 2002 through September 30, 2002
With Comparative Unaudited Figures as of September 30, 2001

| | 2002-03 | | | 2001-02 | |
|------------------------------------|----------------------------|---------------------|------------------------|----------------------|----------------------|
| | Educational and General | Auxiliary | Restricted and Loan | Total | Total |
| Other Sources: (cont'd) | | | | | |
| Loan fund operating revenue | - | - | - | - | - |
| Total other sources | <u>\$ 573,455</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 573,455</u> | <u>\$ 510,340</u> |
| AUXILIARY REVENUES | | | | | |
| Food services | \$ - | \$ 2,454,867 | \$ - | \$ 2,454,867 | \$ 2,371,371 |
| Less: discount | - | (16,141) | - | (16,141) | (35,182) |
| Housing services | - | 3,555,717 | - | 3,555,717 | 3,159,261 |
| Less: discount | - | (438,666) | - | (438,666) | (459,535) |
| Bookstore | - | 1,900,460 | - | 1,900,460 | 1,689,420 |
| Curris center | - | 5,133 | - | 5,133 | 1,762 |
| Racer card administration | - | 35,269 | - | 35,269 | 36,064 |
| Vending and manual commissions | - | 5,092 | - | 5,092 | 8,407 |
| Federal workstudy | - | - | - | - | - |
| Total auxiliary operating revenues | <u>\$ -</u> | <u>\$ 7,501,731</u> | <u>\$ -</u> | <u>\$ 7,501,731</u> | <u>\$ 6,771,568</u> |
| Total operating revenues | <u>\$ 16,367,712</u> | <u>\$ 7,501,731</u> | <u>\$ 3,460,797</u> | <u>\$ 27,330,240</u> | <u>\$ 23,921,694</u> |

MURRAY STATE UNIVERSITY
SCHEDULE OF TRANSFERS BY FUND (UNAUDITED)
For the Period July 1, 2002 through September 30, 2002

| | <u>E&G</u> | <u>Auxiliary</u> | <u>Restricted</u> | <u>Plant Funds</u> | <u>Loan Funds</u> | <u>Endowment Fund</u> | <u>Agency</u> | <u>Total</u> |
|---|---------------------|---------------------|-------------------|------------------------|-----------------------|---------------------------|---------------|--------------|
| TRANSFERS IN (OUT) | | | | | | | | |
| Mandatory transfers | | | | | | | | |
| Consolidated educational bonds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Housing and Dining bonds | - | (641,289) | - | 641,289 | - | - | - | - |
| Loan fund match | - | - | - | - | - | - | - | - |
| Nonmandatory transfers | | | | | | | | |
| Transfer (to) from E&G and Auxiliary | | | | | | | | |
| University Bookstore | 77,320 | (77,320) | - | - | - | - | - | - |
| Housing - White College repair | (30,000) | 30,000 | - | - | - | - | - | - |
| Transfer to (from) Restricted Fund | 7,288 | - | (7,288) | - | - | - | - | - |
| Transfer to Unexpended Plant Fund | | | | | | | | |
| 00-02 Deferred Maintenance | (574,939) | - | - | 574,939 | - | - | - | - |
| Entrance at 15th and Olive Blvd. | (30,000) | - | - | 30,000 | - | - | - | - |
| 1602/1604 Olive property purchase | (10,471) | - | - | 10,471 | - | - | - | - |
| Transfers from CERR | | | | | | | | |
| 6/30/02 CERR balances in renovation accounts | 144,845 | - | - | (144,845) | - | - | - | - |
| I&T Building - replace elevator controllers | 50,000 | - | - | (50,000) | - | - | - | - |
| Duncan House - replace roof | 25,000 | - | - | (25,000) | - | - | - | - |
| Transfers to Retirement of Indebtedness | (128,676) | (6,224) | - | 134,899 | - | - | - | - |
| Total transfers | \$ (469,633) | \$ (694,833) | \$ (7,288) | \$ 1,171,753 | \$ - | \$ - | \$ - | \$ - |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

Note 1. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* followed this in November 1999. Effective for the fiscal year ended June 30, 2002, the financial statement presentation required by GASB No. 34 and GASB No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

Significant accounting changes made during the 2002 fiscal year in order to comply with the new requirements include (1) adoption of depreciation on capital assets; and (2) reporting summer school revenues and expenses between fiscal years rather than in one fiscal year.

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the University considers all highly liquid investments that are immediately available to the University to be cash equivalents. Funds held by the Commonwealth of Kentucky are considered cash equivalents.

The University currently uses commercial banks and the Commonwealth of Kentucky as depositories. Deposits with commercial banks are covered by Federal depository insurance or collateral held by the banks in the University's name. At the Commonwealth level, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth pooled deposits are substantially covered by Federal depository insurance or by collateral held by the bank in the Commonwealth's name.

Inventories

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

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

Assets Held by Murray State University Foundation

Assets held by the Murray State University Foundation, Inc. (Foundation) represent resources neither in the possession nor the control of the University, but are held and administered by the Foundation. An independent board governs the Foundation. The University recognizes gifts and donations made to the Foundation for the exclusive use and benefit of the University as assets and revenues of the University. The net appreciation and income of donor restricted endowments are available to the University for expenditure to the extent permitted by Kentucky law and Foundation spending policy. The University recognizes the assets held by the Foundation at the estimated fair value of the assets or the present value of the future cash flows when the University is notified of the existence of the gift or the endowment. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the University does not record pledged endowments as assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges, other operational activities, and auxiliary enterprise services. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, for non-exchange type agreements defined in accordance with GASB No. 33 or in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

All capital assets, as defined by University policy, are recorded at cost at the date of acquisition, or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to functional expense categories. Outlays for construction in progress are capitalized as incurred. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

The following estimated useful lives are being used by the University:

| <u>Asset</u> | <u>Estimated Life</u> |
|--------------------------|-----------------------|
| Buildings | 40 years |
| Equipment | 5-15 years |
| Livestock | 12 years |
| Library holdings | 10 years |
| Nonbuilding improvements | 10-20 years |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

The University owns historical collections housed throughout the campus that it does not capitalize, including artifacts in Wrather Museum. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at time of purchase rather than capitalized.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are included at year-end with accrued payroll, and as a component of compensation and benefit expense. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

Restricted Cash and Investments

Cash and investments that are externally restricted are classified as restricted assets. These assets are used to make debt service payments, maintain sinking or reserve funds, purchase or construct capital or other noncurrent assets, or for other restricted purposes.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; and (2) other liabilities that are expected to be paid later than the end of the next fiscal year.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt:

This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable:

Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable:

Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

Unrestricted net assets:

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments, auxiliary enterprises, and other sources. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses or for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Release of Restricted Net Assets

When an expense is incurred for which both restricted and unrestricted net assets are available, the University's policy is to allow each departmental unit the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

Revenue

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of discounts and allowances, (2) sales and services of auxiliary enterprises, net of discounts and allowances, (3) Federal, state and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Recognition of Revenue

The University considers receivables collectible if due at the end of the fiscal year and recognizes them as revenues of the current year.

Tuition Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of discounts and allowances. Discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is payable by students. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a discount and allowance.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions. The accompanying financial statements include estimates for items such as allowances for doubtful accounts and loans receivable, self-insurance liabilities and other accrued liabilities. Actual results could differ from those estimates.

Recent Accounting Pronouncements

The Governmental Accounting Standards Board recently issued its Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement 14*. The new statement provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units in the University's financial statements based on the nature and significance of their relationship with the University. It generally requires reporting, as component units, organizations that raise and hold economic resources for the direct benefit of the University. The University expects to first apply the new statement during the year of June 30, 2004. The impact of applying the new statement has not yet been determined.

Note 2. **Investments**

Investments in U.S. government securities and the collateral for repurchase agreements are registered in the name of Murray State University or held in the University's name by its agents and trustees.

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in equity securities.

Note 4. **Assets Held by MSU Foundation**

Assets held by the Murray State University Foundation, Inc. (Foundation) are invested primarily in an investment pool managed by the Foundation and are carried at fair value. The assets in the pool are invested as follows: securities of the U.S. government and its agencies, 2%; mutual funds invested in equity securities, 45%; mutual funds invested in fixed income securities, 47%; certificates of deposit, 2% and other 4%.

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 2001-02.

**MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002**

Note 6. Current Year Encumbrances

In addition to expenses, outstanding encumbrances as of September 30, 2002 consist of the following:

| | |
|-------------------------|--------------------------------|
| <u>Fund Group</u> | |
| Educational and General | \$ 1,316,465 |
| Auxiliary Enterprises | 10,322 |
| Grants and Contracts | 831,115 |
| Capital Construction | <u>4,948,518</u> |
| Total | <u><u>\$ 7,106,420</u></u> |

Note 7. Change in Accounting Principle

As discussed in Note 1, the University adopted GASB Nos. 34 and 35 during the 2002 fiscal year. The cumulative effect of adoption has been recorded as an adjustment of previously reported net assets as of July 1, 2001.

Recognition of accumulated depreciation on capital assets:

| | |
|--------------------------|--------------------|
| Buildings | \$ 74,687,280 |
| Library holdings | 16,063,662 |
| Equipment | 10,353,059 |
| Nonbuilding improvements | <u>3,152,857</u> |
| Total | <u>104,256,858</u> |

Deletion of previously recognized capital assets due to revised capitalization threshold:

| | |
|---------------------------|-------------------|
| Buildings | 167,013 |
| Non-building improvements | 5,092,232 |
| Equipment | <u>18,336,554</u> |
| Total | <u>23,595,799</u> |

Adjustment to remove pledge receivable:

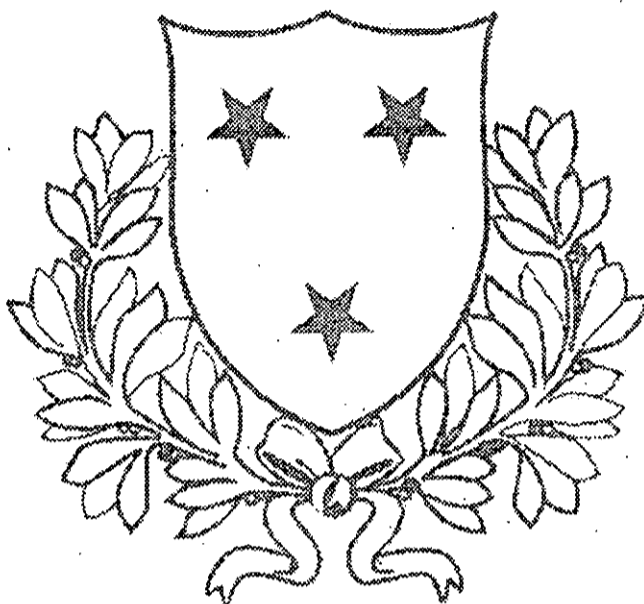
| | |
|------------------------------------|----------------|
| Pledge receivable at June 30, 2001 | <u>422,553</u> |
|------------------------------------|----------------|

Cumulative effect of change in accounting principle \$ 128,275,210

In addition to the change described above, there was a significant change to the overall form and content of the University's financial statement.

Murray State University

INVESTMENT REPORT



FOR THE PERIOD
July 1, 2002 - September 30, 2002

Submitted to:
The President
&
Board of Regents



Murray

MURRAY STATE UNIVERSITY
Accounting and Financial Services
200 Sparks Hall, Murray, KY 42071-3312
Phone (270) 762-4126 Fax (270) 762-3014

November 25, 2002

President F. King Alexander
Members of the Board of Regents
Murray, KY 42071

Attached is the Investment Report of Murray State University for the period July 1, 2002 through September 30, 2002.

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| Summary of Investment Earnings by Fund and Fund Accounts..... | 2 |
| Schedules of Investment Activities..... | 3-5 |
| Notes to Investment Report..... | 6-10 |

Thomas W. Denton
Vice President for Finance and
Administrative Services

ahs

MURRAY STATE UNIVERSITY
SUMMARY OF INVESTMENT EARNINGS BY FUND
For the Period July 1, 2002 through September 30, 2002

| | <u>Current Funds</u> | <u>Endowment Funds</u> | <u>Plant Funds</u> | <u>Total</u> |
|-------------------------------------|--------------------------|----------------------------|------------------------|----------------|
| Investment Earnings to Date | <u>\$ 41,257</u> | <u>\$ (66,503)</u> | <u>\$ 63,528</u> | <u>38,282</u> |
| University Composite Interest Rates | <u>6.81%</u> | <u>1.88%</u> | <u>8.09%</u> | <u>5.59%</u> |
| Foundation Composite Interest Rates | <u>N/A</u> | <u>-19.71%</u> | <u>N/A</u> | <u>-19.71%</u> |

Note:

The Composite Interest Rate for the Endowment Funds for assets held by MSU Foundation includes an effective yield (loss) from the MSU Foundation Investment Pool of (19.71)%. This yield is based on the total market value of this pool during the first quarter of the fiscal year. This yield is calculated as the net of the realized loss of (3.90)% and the unrealized (loss) of (15.81)%. Only quarterly yields are reported for MSU Foundation investments.

MURRAY STATE UNIVERSITY
SUMMARY OF INVESTMENT EARNINGS
BY FUND AND FUND ACCOUNTS
For the Period July 1, 2002 through September 30, 2002
With Comparative Figures for Period Ended June 30, 2001

| | Earnings To Date 2002-03 | Earnings To Date 2001-02 |
|---|--------------------------------|--------------------------------|
| CURRENT FUNDS | | |
| Local bank accounts | \$ 41,257 | \$ 86,295 |
| Consolidated educational revenue fund | 395,050 | 267,387 |
| Housing and dining revenue fund | 38,805 | 45,636 |
| Total current funds | \$ 475,112 | \$ 399,318 |
| ENDOWMENT FUNDS | | |
| | \$ (66,503) | \$ 64,105 |
| PLANT FUNDS | | |
| Unexpended plant fund | \$ 12,835 | \$ 26,282 |
| Consolidated educational renewal and replacement fund | 9,429 | 9,960 |
| Retirement of indebtedness fund | 39,420 | 53,197 |
| Unrealized gains on investments | 1,844 | - |
| Total plant funds | \$ 63,528 | \$ 89,439 |

MURRAY STATE UNIVERSITY
CURRENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITIES
For the Period July 1, 2002 through September 30, 2002

| Type of Investment | Maturity | Term | Fiscal YTD Annualized Yield | Fiscal YTD Average Balance | 2002-03 | | | | Total | |
|---|----------|------------|-----------------------------|----------------------------|-------------------------|-----------------|--------------------------------|-------|-----------|------------|
| | | | | | Local Interest Earnings | State Bond Pool | MSU Foundation Investment Pool | Other | | |
| EDUCATIONAL AND GENERAL | | | | | | | | | | |
| US Bank | 365 days | continuous | 1.880% | \$ 12,305,828 | \$ 41,257 | \$ - | \$ - | \$ - | \$ 41,257 | |
| State Bond Pool | 365 days | continuous | 9.000% | \$ 19,922,346 | | 395,050 | - | - | 395,050 | |
| Total educational and general interest earnings to date | | | | | | 41,257 | 395,050 | - | - | 436,307 |
| AUXILIARY ENTERPRISES | | | | | | | | | | |
| State Bond Pool | 365 days | continuous | 8.460% | \$ 3,281,679 | - | 38,805 | - | - | 38,805 | |
| Total auxiliary enterprises interest earnings to date | | | | | | - | 38,805 | - | - | 38,805 |
| Total current fund interest earnings to date | | | | | | \$ 41,257 | \$ 433,855 | \$ - | \$ - | \$ 475,112 |

MURRAY STATE UNIVERSITY
ENDOWMENT FUNDS
SCHEDULE OF INVESTMENT ACTIVITIES
For the Period July 1, 2002 through September 30, 2002

| Type of Investment | Maturity | Term | Fiscal YTD Annualized Yield | Balance 09/30/02 | 2002-03 | | | | | Total |
|---|----------|------------|-----------------------------|---------------------|-------------------------|-----------------|--------------------------------|-------------|-------------|--------------------|
| | | | | | Local Interest Earnings | State Bond Pool | MSU Foundation Investment Pool | Other | | |
| Endowed Chair for Ecosystems Studies | 365 days | continuous | 1.880% | \$ 821,995 | \$ 1,051 | \$ - | \$ - | \$ - | \$ - | \$ 1,051 |
| Regional University Endowment Trust | 365 days | continuous | -3.900% | 5,389,862 | - | - | (51,615) | - | - | (51,615) |
| Smith Scholarship Endowment | 365 days | continuous | -3.900% | 907,804 | - | - | (9,036) | - | - | (9,036) |
| Other endowment funds - University | 365 days | continuous | 1.880% | 181,838 | 231 | - | - | - | - | 231 |
| Other endowment funds - Foundation | 365 days | continuous | -3.900% | 816,957 | - | - | (7,134) | - | - | (7,134) |
| Total endowment investment earnings (losses) | | | | \$ 8,118,456 | \$ 1,282 | \$ - | \$ (67,785) | \$ - | \$ - | \$ (66,503) |

**MURRAY STATE UNIVERSITY
NOTES TO INVESTMENT REPORT
SEPTEMBER 30, 2002**

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 regulations, 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 assets 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.

**MURRAY STATE UNIVERSITY
NOTES TO INVESTMENT REPORT
SEPTEMBER 30, 2002**

Note 2. INVESTMENT POLICIES AND PROCEDURES (cont'd)

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 \$25,000 without specific resolution from the Board of Regents.

Reporting: The Treasurer and the Vice President for 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 the 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:

| | 09/30/2002 Carrying Amount | 09/30/2001 Carrying Amount |
|-------------------------------------|----------------------------------|----------------------------------|
| U. S. Government Securities | \$ 4,206,018 | \$ 3,956,962 |
| Investment in State Investment Pool | 27,166,316 | 23,370,672 |
| MSU Foundation Pool | 7,014,623 | 5,656,752 |
| Total Investments | <u>\$ 38,386,957</u> | <u>\$ 32,984,386</u> |

Note 4. CURRENT FUNDS - LOCAL BANK ACCOUNT

Effective June 1, 2001, the University entered into a banking contract with Firststar Bank, NA of Bowling Green, Kentucky, currently US Bank. This contract stipulates that interest earnings will be based on the Federal Funds target rate less .25%.

Interest earnings may be expended in Current Fund.

**MURRAY STATE UNIVERSITY
NOTES TO INVESTMENT REPORT
SEPTEMBER 30, 2002**

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 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.

The Commonwealth of Kentucky Office of Financial Management 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 the 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

REGIONAL UNIVERSITY ENDOWMENT TRUST

As of June 30, 2002, the University has been awarded a total of \$5,231,787 by the Commonwealth of Kentucky for endowed faculty positions and scholarships. These funds were awarded based on the University meeting the matching requirement with private funds. The proceeds were deposited with the Murray State University Foundation for investment purposes. Earnings are transferred to the University's Restricted Fund 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.

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 University's Restricted Fund (Endowed Chair Grant) for program expenditures.

**MURRAY STATE UNIVERSITY
NOTES TO INVESTMENT REPORT
SEPTEMBER 30, 2002**

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.

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. 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 \$2,003,615.

Note 11. 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 \$1,272,191.

**MURRAY STATE UNIVERSITY
NOTES TO INVESTMENT REPORT
SEPTEMBER 30, 2002**

Note 12. HOUSING AND DINING REPAIR AND MAINTENANCE RESERVE FUND

This fund was created, as a result of the establishment of the trust indenture in Note 6, 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. Current bond requirements mandate a minimum reserve of \$990,250.

Note 13. UNEXPENDED PLANT FUNDS - SERIES N HOUSING AND DINING REVENUE BOND

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

The University issued \$6,370,000 in Series N revenue bonds dated April 1, 1999. The proceeds are to be used to pay costs of certain fire safety and maintenance improvements to buildings on the campus of Murray State University that are and shall be a part of the Housing and Dining System. This system was established and created by the Board of Regents on September 1, 1965.

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

Interest earnings on Series N can be spent on fire safety improvements and maintenance of certain housing facilities as approved by the Board and State.

Note 14. UNEXPENDED PLANT FUNDS - SERIES O HOUSING AND DINING REVENUE BOND

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

The University issued \$1,610,000 in Series O revenue bonds dated June 1, 2001. The proceeds are to be used to pay costs of replacement of water supply lines, replacement of a heating boiler, and installation of electrical tap connections for fire pumps for certain buildings on the campus of Murray State University that are and shall be a part of the Housing and Dining System. This system was established and created by the Board of Regents on September 1, 1965.

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

Interest earnings on Series O can be spent on improvements and maintenance of certain housing facilities as approved by the Board and State.

Undergraduate Degrees Conferred

December 13, 2002

Associate of Arts

Total: 7

Andrea Nicole McGowan
 Donald Thomas Smith
 Mary Jo Snyder
 Jennifer L. Speciale
 Rebecca Ann Speciale
 Matthew Lyn Weyrick
 Rita Faye White

Rebecca Ann Riley
 Patti Lynn Slankard
 Annie Marie Stewart
 Rachel N. Walker
 Amanda D. Weitlauf
 Adam Stephens Wells
 Juniaty Wijaya
 Crystal Dawn Williford

Associate of Science

Total: 2

Jamie Lynn Scheller
 Audiene M. Stoneham

Bachelor of Fine Arts

Total: 2

Timothy Jacob Heustis
 Lauren Michelle O'Neal

Associate of Applied Science

Total: 1

Steven Ray Sanders

Bachelor of Music Education

Total: 3

Kristi Marie Green
 Michelle Lee Murilla Perkinson
 Christina M. Shepherd

Bachelor of Arts

Total: 35

Carol D. Arnold
 Severo R. Avila
 Kristee Barnes-Smith
 Crystal S. Bowman
 Jennifer Carol Burt Bryant
 Malinda J. Duncan
 Kelly Fraust
 Andrew B. French
 Amy Elizabeth Galloway
 Jennifer Lauren Haney
 Jamie A. Hettenbach
 Nathan V. Howton
 Patrick Joseph Kaufman
 Jamie Lynn Klotz
 Yoko Kubo
 Wendy Jo Lane
 Lucas F. Launius
 Tera Danielle Lewis
 Kathryn Grace Matheny
 Hiroki Matsuyama
 Carolyn Tillman Moody
 Marilee Renee Morgan
 Ashley Anne Paxton
 Annie-Laurie Pettit
 Jared S. Plummer
 Byron R. Powell Jr.
 Craig Lee Retzlaff Jr.

Bachelor of Science

Total: 235

Maria L. Alonte
 Jerry Babbage
 Andrew Todd Bailey
 Jeong-Hye Bang
 Seok-June Bang
 Martha Barks
 Nichole Lynn Barnes
 Laneisha Marie Baylis
 Michelle L. Beck
 Benjamin Jonathon Bell
 Jillian E. Bernard
 Heath A. Bittel
 Emily Dawn Black
 Eric Michael Black
 Phillip A. Blondin
 Kimberly Boram
 Kelly Boyd Bowles
 Thomas Nathan Bowles
 Wilfred A. Bradley
 Jessica D. Bremer
 Teresa L. Briggs
 Barret M. Brown
 Zachary Brown
 Kelly Suzanne Butler
 Stacy M. Campbell
 Nicholas E. Cansler

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Murray State University Board Report
Undergraduate Degrees Conferred
December 13, 2002

Rhonda Stewart Carlton
Mitzi G. Carpenter
Amy Lynn Castleberry
Amanda Nicole Cates
Douglas J. Cecil
Thomas William Cecil
Ashley Nicole Chambers
Jessica Ann Chandler
I-Chun Chen
Craig Alyn Clayton
Timothy Phillip Clements
James Hunter Coursey
Holly Kay Cox
James Basil Cox
Galadriel Lea Cumbee
Robert Cunningham
George Miles Darnell
Sandra Jean David
Dustin Ray Davis
Xavier Jerome Davis
Hilary Marie Dew
Thomas E. Dexter
Krista Kay Doron
Christina L. Douglas
Ryan Lee Drane
Jennifer Louise Walston Dunnaway
Amy Elizabeth Dyke
Dawn Michelle Eagleson
Donna Ellen Edleman
Tara Rae Falin
Jacqueline Renee Farrow
John Joseph Flynn
Natalie Cheri Ford
Matthew Thomas Forrest
Trina Elaine Fowler
Dennis R. Frymire
Adam Brent Futrell
Terica Tyshell Gaines
Carrie Elizabeth Garland
Stacie Leigh Gary
Jayme Carol Gibson
Deborah Kinnis Gonzalez
Jeremy J. Goodman
Jason Thomas Goodyke
Sara Jeanne Gourley
Joshua Graham
Kaytay Tyrone Graham

Eddie Eugene Gray II
Scott Richard Greene
Samuel Britton Gregg
Michael Shane Gregory
Sheridan Merritt Griffin
Aaron L. Griggs
Brenda D. Grugett
Andrew Joseph Gupton
Angela Renea Guyton
Michelle D. Hainsworth
Jennifer J. Haley
Joseph H. Hall
Ann Katherine Harper
Angela Lane Hasty
Tiffany Hayes
Daniel Mark Heady
Stacey Marie Hedrick
Kalen Helfrich
Kenita Y. Henderson
Katherine Ann Hendricks
Alana Brooke Henley
Aymee McConnell Herndon
Anthony Keith Hertenstein
Kristi Ann Hettenhausen
Leah Hilliard
Suzanne Hines
Eric David Hobbs
Michael C. Holland
Haley V. Hudson
Paul Barkley Hughes
Timothy Allen Ingram
Yvette Dionne Jackson
Katrina Marie James
Sejun Jeon
Max Johnson
Roger Lynn Johnson
Edward E. Johnson Jr.
Lori Benefiel Joiner
Robert William Jones
Timothy Aaron Keag
Andrea Lee Keen
Monica S. Kelley
Lenna Shay Kennedy
Jedadiah Ray Killough
Justin Brent Kimbro
Tara Renee Kitchens
Katrina Koch

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Murray State University Board Report

Undergraduate Degrees Conferred

December 13, 2002

John Robert Laffoon
Jared Holland Lamm
Jessica Marie Lampe
Jody Lynn Lankford
Sondra Michele Lawton
Trishia Suzanne Lee
Dawn Michelle MacDowell
Jamie Elizabeth Martin
Emi Matsui
Jason Robert May
Anita Ray McAlpin
Ernest Luke McClees Jr.
Alisha Gail McClure
Brittney C Henson McCord
Shane Thomas McCoy
John Austin McDaniel
Justin Michael McGill
Fred William McGrew
Suzy Loraine McGrew
Jeremiah L. McGuire
Joshua Allen McKeel
Jennifer Anne McKenzie
Kristy Marie McNutt
Joshua Adam Metzger
Joshua Lane Miller
Joshua L. Mitchell
Tashia Raye Mitchell
Andrea Lee Moore
Candace R. Moore
Jennifer Marie Moore
Emily C. F. Morrison
Stephen Lee Moskal, Jr.
Jacob Blake Moss
Tonya Kaye Moss
JoAnna Rudd Mounger
Meagan Renee' Musselman
Scott Michael Naeger
Shae Lynn Newsome
Shasta Poole Norman
Pavel Ohnoutka
Ryan L. Orr
Terrence Jerel Orr
Bridgette L. Owen
Joshua Matthew Owen
Andrea Jo Owens
Mary Maudine Pearce
David James Perlow

Jon Thomas Perry
Keile Rae Phillips
Valerie Dawn Phillips
LeeAnn Schwerdtfeger Plant
Tiffany Lynn Pound
Julia Lee Powers Smith
Sarah Allison Price
Jo Tara Pritchard
Tobi Kaye Winn Pruett
Jessica L. Purdy
Brian Michael Ramsey
Joshua M. Ray
Murry Douglas Rhodes
Matthew Alan Roberts
Joseph L. Robertson
James Chadwick Roby
Jaselle Rodrigues
Brett E. Rudolph
Harold Todd Rushing
Melissa Lynn Scott
Angelia D. Sexton
Nancy Kay Shelton
Ji-Young Shin
Edward E. Skaggs
Rebecca J. Skaggs
James Leon Smith
Karl Gregory Smith
Marty Dewayne Smith
Melinda D. Smith
Robert Andrew Smith
Shane Wesley Smith
Suzanne Nicole Smith
John David Son
Richie Spann
Penny Carol Stallons
Charles T. Stark
Katherine Renee Starr
Jemekka Clareese Stray
William Gabriel Sveda
Chanda Fawn Swift
Trisha Lynn Swift
Gary Michael Templeman
James Lynn Tempus
Emily Kate Thomas
Joey Thomas Tidwell
Judy Lynne Tipton
Jay Nelson Todd

Murray State University Board Report
Undergraduate Degrees Conferred
December 13, 2002

Peggie L. Taylor Tooke
James Nelson Trout
Kevin Michael Underwood
Michelle Lee Vaughn
Ashlee Marie Vinson
Heather LeAnn Waddell
Benjamin Erin Walden
Stephanie Anne Watson
Mary Ruth Webster
Mark Stanley Wentworth
Clarissa A. Fields White
Peter B. Widmer
Debbie Ann Wildharber
Kelley CoShan Williams
Woody M. Winchester
Jewell A. Wint
Kristie Dawn Wood
Jeffrey Hollis Wortham
Amber Michelle Wray
Haron Saied Yahya
Carolyn Young

Bachelor of Science in Agriculture

Total: 34

Heather Elise Armour
Adam Sutton Bell
Michael Wayne Biggs
Elizabeth Brown
Rebecca Erin Bryant
Stephanie Lisette Daniel
Michael Wayne Denney
Kristine Lee Eizenga
Charles Justin Ferrell
Kenneth Michael Hall
Shaun M. Hayden
Lee David Herring
Jerrol Wayne Howard Jr.
Anne Logan Jewell
Kenshi Kakuta
Daniel Scott Kelly
Rebecca Leigh Labare
Hillary Holland Lee
Jeri Suzette Mains
Justin Grant Partridge
Brandi Renee' Pearson
Mary Ann Rapp
Jennifer Michelle Richardville

Jason Scott Stallons
Sherry Lynn Stivers
Elizabeth Faith Terry
Trina Lea Todd
Sarah Lynn Turner
Carl Thomas Veazey
Travis A. West
Aaron Westrich
Alison Paige Whitten
Shannon T Wilber
Nicole Marie Young

Bachelor of Science in Business

Total: 58

Toba Alanda
Laura A. Blake
David R. Bowersox
Heather L. Burns
Christie Carlisle
Jessica R. Cates
Xu Chen
Travis C. Clark
Jeremy Lee Craft
Nikki Lynne Crouch
Jeremy Ray Dixon
Allison Blythe Duke
Angela Marie Followell
Stacy L. Fuller
Gregory Scott Gates
Kumaran Gopalan
James P. Gordon
Lenora Lee Gusler
Jeffery Brian Hampton
Andrew Hasty
Heather Marie Henson
Craig M. Hoffinan
Terri Holloway
William James Howell
Pamela Jo Hutson
Phyllis J. Jones
Valerie Lyn Kerns
Elizabeth Brooke Knight
Travis Ryan Konemann
Chad Pryor Lamb
Christopher Vail Lawrence
Bethany Shae Patrice Lyles
Joan Marek Marks

Murray State University Board Report
Undergraduate Degrees Conferred
December 13, 2002

Jennifer Paige Miles
Steven Lynn O'Brien
Amanda Odom
Lisa Ann Ordmandy
Grant A. Orr
Toni M. Reynolds
Jeanne Lynn Brown Rogers
Rudy Rosabai
Deanna Bradford Ross
Yajaira E. Santiago Colon
Jason B. Seay
Adam Wilson Seiber
Damian Simpson
Janna Beth Smith
Ashley P. Stallons
Jennifer Lauren Troutman
Nathan L. Wallace
Kevin Lee Warren
Louis Anthony Welle III
Tosha D. Whitt
Casey Brian Willoughby
William Sean Wilson
Lyle Houston Wyatt
Jonathan Montrell Zellner
Alex Joseph Ziegler

Bachelor of Science in Nursing

Total: 22

Chelsea Reagan Anderson
Linda Dunaway Cavitt
Sarah Brianne Cox
Dawna B. Fields
Jill Suzanne Fletcher
Linda Darlene Gabler
Jennifer Ann Green
Stephanie Leigh Green
Robin M. Hosfield
Cynthia Rudd Landon
Theresa Kaye Matthews
Jamie Victoria Morrow
Kathy O'Brien
Ashley Elizabeth Olson
Bradley Neill Paxton
Audrey Norvell Poston
Benchawan Ramunvong
Jessica Marie Redden
Julie Ann Stewart

Sandy Robertson Stringer
Andrea Lynn Tanner
Staci Rebecca Walker

Bachelor of Independent Studies

Total: 8

Brandi R. Alexander
Christine Paula Burkeen
Ricky Dale Calhoun
Chris D. Cooper
Ryan Bradley Edwards
Donald Allen O'Dell
Melissa Beth Oldham
Jason Kenneth Wilson

Bachelor of Arts in Business

Total: 6

David A. Barrow
Renan Antonio Castillo
Christina Ellen Clouse
Nicholas F. Distefano
Jonathan Wayne Guess
Catina Lynn Rice

Bachelor of Social Work

Total: 21

Lisa Jo Bass
Jessica Jo Birdsong
Devlin Courtney Clendenin
Emily Rebecca Clutts
Holly Hudson Dixon
Kami Gwen Dunkin
Sarah Elizabeth Elliott
Patricia Lynn Estes
Jennifer Wilson Fralicx
Emily Rae Hall
Dana M. Harrawood
Jackie Dean Henshaw II
Angela Deniece Higginson
Betty Nell O'Neill
Rebeca Resto-Mercado
Wendy Robinson
Lauren Beth Shelton
Anne Miller Taylor
Sharon Ann Taylor
Serenity Sue Wallick
Kimberly Renee Webb

**Murray State University Board Report
Undergraduate Degrees Conferred
December 13, 2002**

Total Number of Degrees Conferred : 434

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Murray State University Board Report
Graduate Degrees Conferred
December 13, 2002

Master of Arts in Education

Total: 36

Casey L. Allen
Becky Ann Bailey
Rhiannon Lynn Beasley
Catherine A. Bright
Troy M. Brock
Kevin Scott Estes
Stacy Lynn Green
Amanda Lee Groves
Carly Shannon Hayes
Casey Andrew Henderson
Melissa Nalini Hoare
Chantay Renaue Inglis
Alicia K. Lancaster
Stephanie Carol Lee
Cathy Ann McAlister
Lora Ivie Miller
Melissa Shea Mohon
Tina F. Mullins
Charles Courtney Neel
Bethany Smith Nesler
Rachel Michelle Oglesby
Gretchen Elizabeth Ohstrom
Melissa Yvonne Parham
Jessica Lynne Pearson
Laura Easley Phillips
Lori Jarrett Phillips
Angela L. Poat
Cheryl Lynn Ramage
Deborah Kay Ryker
Tammy Ann Scouten
Joseph Scott Sivills
Brooke Lindsey Brigham Smith
Tomi E. Warren
Sarah Katherine Wright
Stacy R. Yeates
Kristine Rene Zirbel

Master of Business Administration

Total: 21

Panita Bhumithavara
Amanda Michelle Bridges
Jesus Antonio Cervantes
Nataliya D. Chastukhina
Noah N. Farnham

David Anthony Grief
Kenneth Bernard Hurt Sr.
Wasutida Kansuwan
Manabu Kawai
Robert Lee Kick
Brooke M. Kruse
Nekesha Miller McLeod
Suppachok Meesubwattana
Woo Chul Park
Marnix M. Perez
Robert Joseph Pfannerstill
Daiju Shinohara
Angela D. Veazey
Varin Vongspradit
Benjamin A. Wenzel
Marta Sue Yager

Master of Science

Total: 101

Kara D. Adams
William Andrew Adams
Sylvia Paulette Ader
Rubaba Akanda
Waseem Akram
Alfred Wendell Alexander
Thammarat Athitharnsakul
Keri Lynn Bazzell
Robin June Bell
Leslie Susan Pace Bodell
Lauren Emily Bone
Ricardo Baytonia Booker Jr.
Amanda Beth Brasher
Cholrax Bunsang
Chawin Chaitaimwong
Wijitra Cheenasiri
Junhee Cho
Navara Chomsaengchun
Pitchayada Chongyingcharoenyot
Stephen B. Collins
Lyle David Cope
Kimberley S. Cottingham
Shari Lynn Cox
Tilman Drury II
Luella Frost
Willa Denise Garrett
Sherry Goggins-Bolden

Murray State University Board Report
Graduate Degrees Conferred
December 13, 2002

Crystal Dawn Griffith
LeiAndra Vaughn Haggard
Ameed B. Hamdan
Tippawan Han-a-nupong
Robert A. Hobbs
William Brian Hoover
Petchnapar Insuwan
Jason R. Joyce
Chotika Kanakarat
Shin-jae Kang
Jack Edward Kelley
Benchamas Kertwithee
Phaninnutch Klaewthanong
Nattakit Kongwibulwut
Travis M. Kruse
Young-Seo Lee
Surachat Leerattanapet
Kewalin Limthai
Barbara B. Lindeman
Willie Mae Lindsey
Mara L. Lindsley
Maria E. Locklear
Kimberly Michelle Marsh
Marian J. McAlpin
Clestine McNeal
Christy Starr Meredith
Thomas Loyd Miller
Pinsuda Mimaphunt
Deirdre-Ophelia Mims
Jordan Scott Monroe
Robert Landrew Moore, Jr.
Parin Mruetusatorn
Freda Michele Osler
Jaime L. Oxford
Chad S. Patterson
Laura Cope Pea
Robert Anthony Peden
Kao Phongayukul
Achiraya Pratchayakul
Kristin Haviland-Baker Quigley
Maria Elena Renteria
Marlo Lee Kimbel Rhodes
Natapit Roongsavasdisup
Annette Safford
Natsinee Sangsunt
Siwattra Satho

Selena Diane Schmidt
Quiana Nicole Siler
Joy Pendley Somero
Debra Jones Spaduzzi
Jenny Kara Stacks
Nattapong Susantitaphong
Rung Tangtatarakul
Joel Andrew Tatum
Apinan Techaprasan
Nunthawan Thanongsak
Caroline Browning Trawick
Tara Jo Troutman
Punipuaio Naiuli Tuatoo
Chakrit Unenanond
Panittha Varuttamasinthop
Peerapol Visuthakul
Robert David Walker
Bruce Richard Watkins
Jeffery Lewis Watts
Danielle Lynn Moore White
Tonya Marie White
Amy A. Wild
Amy Lynn Williams
Michelle Marie Williams
Linda Cary Woods
Chawut Wootisiri
Rhea Ann Wright
John Michael Wyatt

Master of Arts

Emmanuel Ike Agomuoh
Larry Timothy Carter
Nanthawan Chalitapanukul
Terry H. Garvin
Elizabeth A. Harper
Hui He
Denis C. Hodge
Sun-I Jung
Jee Young Kim
Panitnat Phirommueang
Steven C. Quertermous
Preyakarn Switachata
Robyn L. Warren

Total: 13

Murray State University Board Report

Graduate Degrees Conferred

December 13, 2002

Master of Public Administration

Total: 2

Jack Rice Ballow

Michael E Beals

Master of Science in Nursing

Total: 8

Rebecca Kay Brewster

Robert Carroll Drish

K. Amy Fennel

Christy O'Bryan Hart

Martha June Kloss

Holly Amber McCormick

Julie Lovett Royster

Deborah Kay Whitaker

Master of Professional Accountancy

Total: 2

Jeremy Ray Dixon

Travis Ryan Konemann

Specialist in Education

Total: 1

Sharon Rose Inman

Total Number of Degrees Conferred : 184

1.5 University Governance System

1.5.1 Introduction (Adopted by the Murray State University Board of Regents October 24, 1981, revised November 15, 1986, and November 14, 1992.)

The Board of Regents of Murray State University endorses the concept of shared authority and responsibility in the governance of the institution. A university is comprised of many persons with knowledge and skills in diverse fields. Each member of the university community can make a special contribution to the vigor and progress of Murray State. Shared authority and shared responsibility tap these resources for the good of the university. Pursuant to the concept of shared authority and responsibility, the Board of Regents of Murray State University by this document recognizes and sets forth the role of the Faculty Senate, the Academic Council, the Staff Congress, the Student Government Association, and the University Standing Committees.

All powers conferred by this document, whether characterized as the power to propose, formulate, review, determine, or as otherwise stated, shall be considered as advisory in nature to the president of the university. The component parts of the governance structure addressed herein (Faculty Senate, Academic Council, Staff Congress, Student Government Association, and University Standing Committees) may make recommendations to the president of the university on those matters wherein they are empowered to act unless otherwise directed by the president. In those cases where a component part of the governance structure is instructed herein to make recommendations to other individuals or groups, a copy of this recommendation shall be delivered to the president or to the appropriate vice president as the president may direct.

1.5.1.1 Purpose

This policy establishes and/or clarifies the role of the Faculty Senate, the Academic Council, the Staff Congress, the Student Government Association, and the University Standing Committees in the university governance system of Murray State University. This policy is designed to bring the special talents and expertise of the various elements of the university community to bear on policy matters of vital interest.

1.5.1.2 Authority

The legislature of the State Commonwealth of Kentucky has vested the primary responsibility for the governance of Murray State University in the Board of Regents. The Board of Regents has, in turn, delegated to the president of the university the responsibility of ensuring that the affairs of the university are handled in a manner which is consistent with the policies of the Board of Regents. This policy will serve the purpose of ensuring university-wide participation in the decision-making process on those matters which involve faculty, staff, and student responsibility and interest.

1.5.1.3 Ratification

This policy document was approved by the Board of Regents of Murray State University on October 24, 1981, revised November 15, 1986, and November 14, 1992.

1.5.1.4 Amendment and Review

Periodically, no less than every three years and no more than every year, the governance system, or any part thereof, shall be formally reviewed by the Faculty Senate, the Student Senate Government Association, the Staff Congress, the provost, and the vice president presidents. Following the review, amendments or corrections may be recommended to the president of the university. This provision shall not preclude the Board of Regents from making changes in the governance system at any time; nor does it preclude ad hoc recommendations to the president by any individual or group.

Murray State University

Accountants' Report and Financial Statements

June 30, 2002



Murray

MURRAY STATE UNIVERSITY

Contents

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| Balance Sheet | 2 |
| Statement of Revenues, Expenses and Changes in Net Assets | 4 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 8 |

Murray State University Management's Discussion and Analysis

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Murray State University (University) for the year ended June 30, 2002. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University is a comprehensive public institution of higher learning located in western Kentucky within 40 miles of Illinois, Missouri, and Tennessee. Murray State has study centers in four other cities where it offers a diverse range of degree programs from associate to master levels, through a framework of approximately 30 departmental units in 5 colleges and 1 school, and contributes to the region and state through related research and public service programs. Murray State University serves as a residential, regional university offering core programs in the liberal arts, humanities, sciences and selected high-quality professional programs for approximately 9,800 students.

The University currently has an annual budget of approximately \$100 million and employs approximately 1,300 individuals, including 375 faculty members. The 230-acre main campus consists of 75 buildings, which include a Regional Special Events Center and a new College of Education facility. Construction of a new science complex on the main campus will begin during the next school year.

Murray State University consistently ranks among the nation's best regional universities each year according to the U.S. News and World Report's America's Best Colleges rankings report. Factors considered in the rankings are reputation, retention rate, graduation rate, class size, student-faculty ratio and SAT/ACT scoring. The University is a charter member of the Ohio Valley Conference and a Division I member of the NCAA. The University's commitment to academic excellence is central to the University's mission and permeates throughout the institution.

Governmental Accounting Standards

The MD&A, financial statements, and accompanying notes are prepared in accordance with following Governmental Accounting Standards Board (GASB) pronouncements:

Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities

Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus

Statement No. 38, Certain Financial Statement Note Disclosures

The MD&A does not include comparative analysis with prior year information because this is the first year of implementation of the new standards. The MD&A will include such comparative analysis in future years.

Balance Sheet

The Balance Sheet presents a financial picture of the University's financial condition at the end of the fiscal year by reporting assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets less liabilities).

Assets

Total assets of the University at the end of the fiscal year were approximately \$195 million, of which capital assets, net of depreciation, represented the largest portion. This group of assets totaled approximately \$108 million or 55% of total assets and was primarily comprised of university owned land, buildings, equipment, and library holdings. Cash and cash equivalents were the second largest asset group, totaling approximately \$40 million or 21% of total assets. Approximately half of the cash and cash equivalents total was for unexpended capital construction funds provided by the Commonwealth of Kentucky and other designated sources. Endowment investments represented another major asset of the University, totaling approximately \$28 million or 14% of total assets. Of this amount, approximately \$27 million was held by the Murray State University Foundation for investment purposes. The remaining portion of the endowment investments was held by the University, classified as restricted cash equivalents.

Liabilities

Total liabilities of the University at the end of the fiscal year were approximately \$48 million, of which bonds payable represented the largest portion. Bonds payable obligations totaled approximately \$20 million or 42% of total liabilities and were for the construction and renovation of educational and housing and dining facilities. The other significant group of liabilities was amounts payable to vendors and for payroll related obligations, which totaled approximately \$9 million or 19% of total liabilities.

Condensed Balance Sheet

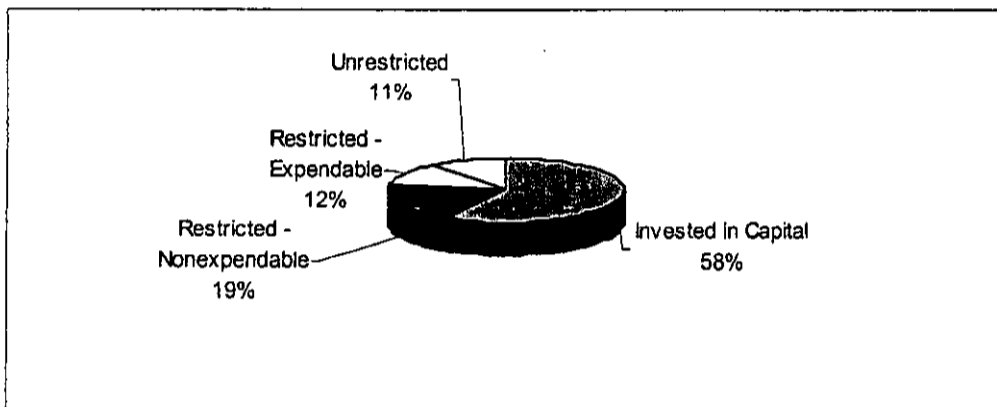
| | <u>2002</u> |
|--|---------------------------|
| Assets: | |
| Current assets | \$ 26,416,812 |
| Noncurrent assets | 60,623,068 |
| Capital assets | <u>107,904,063</u> |
| Total assets | <u><u>194,943,943</u></u> |
| Liabilities: | |
| Current liabilities | 22,665,907 |
| Noncurrent liabilities | <u>25,601,693</u> |
| Total liabilities | <u>48,267,600</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 85,180,207 |
| Restricted for: | |
| Nonexpendable | 27,603,716 |
| Expendable: | |
| Scholarships, research, and other | 5,433,399 |
| Loans | 5,002,921 |
| Capital | 3,895,800 |
| Debt service | 3,646,230 |
| Unrestricted | <u>15,914,070</u> |
| Total net assets | <u>146,676,343</u> |
| Total liabilities and net assets | <u>\$ 194,943,943</u> |

Net Assets

Net assets of the University were approximately \$147 million and were divided into three major categories, defined as follows:

- Invested in capital assets, net of related debt - This category represents the institution's equity in property, buildings, equipment, library holdings, and other plant assets owned by the University.
- Restricted - This category represents those assets restricted by an individual or entity external to the University and includes additional net assets classifications of nonexpendable and expendable. Restricted nonexpendable net assets represent the corpus of assets that are permanently restricted. Restricted expendable net assets represent the assets that may be expended by the University, but must be spent for purposes as defined by the donor or external entity.
- Unrestricted - This category represents the net assets held by the University that have no formal restrictions placed upon them.

The allocation of net assets between these three categories is provided in the following chart:



Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets, which is generally referred to as the activities statement, presents the total revenues (operating and nonoperating) received and earned by the institution and expenses (operating and nonoperating) paid and owed by the institution and income or loss from operations for the current fiscal year.

Revenues

Total operating revenues, which exclude state appropriations, of the University for the fiscal year were approximately \$57 million. The primary source of operating revenues was from

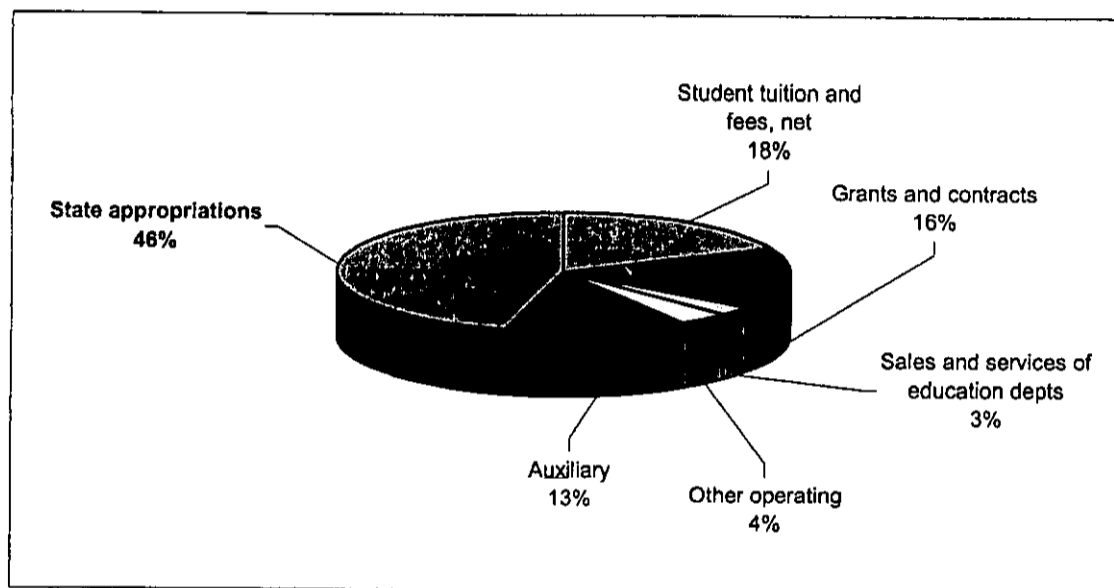
Murray State University
Management's Discussion and Analysis

student tuition and fees, net of related discounts and allowances, of approximately \$21 million.

Operating and nonoperating revenues from grants and contracts, including substantially all federal funds, were approximately \$19 million. Grant and contract revenues that were considered exchange in nature are classified as operating revenues. The remaining grant and contract revenues were related to nonexchange type agreements and are classified as nonoperating revenues. In a nonexchange agreement, the University receives dollars from another party without directly giving a service or product of equal value in exchange.

The University received \$52 million of state appropriations which are classified as nonoperating revenues. These funds were used to support University operating activities.

The sources of total operating revenues and nonoperating state appropriation revenues are reflected in the following chart:



Expenses

Total operating expenses of the University for the fiscal year were approximately \$114 million. Total educational and general expenses, excluding depreciation and auxiliary expenses, was approximately \$94 million or 82% of total operating expenses. Instructional program expenses represent the most significant portion of the educational and general operating expenses, totaling approximately \$44 million or 46% of the total educational and general portion. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the University. Depreciation expense totaled approximately \$6 million or 5% of total operating expenses.

Murray State University
Management's Discussion and Analysis

Condensed Statement of Revenues, Expenses and Changes in Net Assets

| | <u>2002</u> |
|---|-----------------------|
| Operating revenues: | |
| Student tuition and fees, net | \$ 20,782,031 |
| Grants and contracts | 14,074,336 |
| Other | 6,939,547 |
| Auxiliary | <u>14,769,856</u> |
| Total operating revenues | <u>56,565,770</u> |
| Operating expenses: | |
| Instruction | 43,431,417 |
| Research | 1,790,612 |
| Public service | 5,150,185 |
| Libraries | 1,438,441 |
| Academic support | 5,690,889 |
| Student services | 9,563,861 |
| Institutional support | 9,516,957 |
| Operation and maintenance of plant | 11,531,704 |
| Student financial aid | 5,711,997 |
| Depreciation | 6,144,645 |
| Auxiliary | <u>13,772,777</u> |
| Total operating expenses | <u>113,743,485</u> |
| Operating loss | <u>(57,177,715)</u> |
| Nonoperating revenues (expenses): | |
| State appropriations | 51,673,740 |
| Other nonoperating revenues (expenses) | <u>11,670,255</u> |
| Total nonoperating revenues (expenses) | <u>63,343,995</u> |
| Increase in net assets | <u>6,166,280</u> |
| Net assets - beginning of year, as originally reported | 268,785,273 |
| Cummulative effect of change in accounting principle | (128,275,210) |
| Net assets - beginning of year, as restated | <u>140,510,063</u> |
| Net assets - end of year | <u>\$ 146,676,343</u> |

Statement of Cash Flows

The Statement of Cash Flows provides a summary of the sources and uses of cash by defined categories. The primary purposes of the Statement of Cash Flows are to provide information about the University's cash receipts and payments during the year and to help assess the University's ability to generate future net cash flows and meet obligations as they become due, as well as its need for external financing.

The major sources of cash from operating activities were tuition and fees of approximately \$22 million and grant and contract and auxiliary enterprise receipts of approximately \$14 million and \$15 million, respectively. The most significant uses of cash for operating activities were payments to employees of about \$71 million and to vendors for about \$37 million.

The cash flows from noncapital financing activities include approximately \$52 million received as general appropriations from the Commonwealth of Kentucky, which is the largest source of cash for the fiscal year.

The cash flows from capital financing activities represent cash received and used for the acquisition, construction, and renovation of capital assets. The most significant source of cash presented in this category is from the Commonwealth of Kentucky for the construction of phase I of a science complex.

The cash flows from investing activities represent the cash activities of investments related to bond reserve funds and endowment assets.

Financial Position

Due to revenue shortfalls projected by the Commonwealth of Kentucky, public educational institutions experienced a reduction of state appropriation funding for the current fiscal year. The University's portion of this reduction was \$985,160.

Capital Assets and Debt Administration

The University had several significant capital additions of facilities during the fiscal year. The Carr Health Building and Business Building renovations were completed, and construction was completed on Alexander Hall, West Kentucky Regional Post Secondary Education Facility, and the Alumni Center.

Revisions to asset capitalization limits and useful lives were made to the University's capitalization policy during the fiscal year. These revisions resulted in a reduction in the recorded value of capital assets of approximately \$24 million. As required by GASB No. 34, the University began to record depreciation expense for assets for the fiscal year. Depreciation expense applicable to prior fiscal years or accumulated depreciation totaled approximately \$105 million. The effect of accumulated depreciation was presented as a decrease in the University's net assets at the beginning of the current fiscal year.

The University did not issue any bonds or acquire significant debt during the fiscal year.

Infrastructure Assets

Infrastructure assets are defined by GASB No. 34 as long-lived assets that are normally stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These types of assets will typically be permanent non-building additions that service the entire campus. The University has adopted the modified approach of accounting for its infrastructure assets. This approach requires that an asset management system be established and maintained. Such a system would assess and disclose that all eligible infrastructure assets are being preserved approximately at (or above) a condition level established. To date the University has not identified any assets that should be classified as infrastructure.



Independent Accountants' Report on Financial Statements and Supplementary Information

President F. King Alexander and
Board of Regents
Murray State University
Murray, Kentucky

We have audited the accompanying basic financial statements of Murray State University, a component unit of the state of Kentucky, as of and for the year ended June 30, 2002, as listed in the table of contents. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the financial statements referred to above present fairly, in all material respects, the financial position of Murray State University as of June 30, 2002, and its changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19, in 2002 the University changed its method of financial statement presentation and disclosure by retroactively restating prior years' financial statements.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Solutions
for
Success

BKD, LLP

September 19, 2002

MURRAY STATE UNIVERSITY
BALANCE SHEET
JUNE 30, 2002

ASSETS

Current assets:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 18,730,404 |
| Accounts receivable, net | 4,224,937 |
| Inventories | 1,607,532 |
| Prepaid expenses | 480,856 |
| Loans receivable, net | 686,620 |
| Interest receivable | 686,463 |
| Total current assets | <u>26,416,812</u> |

Noncurrent assets:

| | |
|--------------------------------------|--------------------|
| Restricted cash and cash equivalents | 21,491,017 |
| Restricted investments | 4,625,461 |
| Accounts receivable, net | 329,300 |
| Assets held by MSU Foundation | 30,288,539 |
| Loans receivable, net | 3,769,712 |
| Capital assets | 218,305,566 |
| Accumulated depreciation | (110,401,503) |
| Bond issuance costs | 119,039 |
| Total noncurrent assets | <u>168,527,131</u> |

Total assets \$ 194,943,943

LIABILITIES AND NET ASSETS

Current liabilities:

| | |
|---|-------------------|
| Accounts payable | \$ 5,887,132 |
| Self insured health liability | 1,135,878 |
| Accrued payroll | 3,094,089 |
| Interest payable | 229,551 |
| Deposits | 398,205 |
| Deferred revenue | 8,985,195 |
| Current maturities of long term liabilities | 2,935,857 |
| Total current liabilities | <u>22,665,907</u> |

Noncurrent liabilities:

| | |
|------------------------------|-------------------|
| Deposits | 159,212 |
| Deferred revenue | 4,997,748 |
| Bonds payable | 17,414,452 |
| Capital leases | 1,866,132 |
| Masterlease notes payable | 1,048,428 |
| Notes payable | 11,367 |
| MSU Foundation notes payable | 104,354 |
| Total noncurrent liabilities | <u>25,601,693</u> |

Total liabilities 48,267,600

**MURRAY STATE UNIVERSITY
BALANCE SHEET
JUNE 30, 2002**

NET ASSETS

| | |
|---|-----------------------------|
| Invested in capital assets, net of related debt | \$ 85,180,207 |
| Restricted for: | |
| Nonexpendable - permanent endowments | 27,603,716 |
| Expendable: | |
| Scholarships, research, instruction, and other | 5,433,399 |
| Loans | 5,002,921 |
| Capital assets | 3,895,800 |
| Debt service | 3,646,230 |
| Unrestricted | <u>15,914,070</u> |
| Total net assets | <u>146,676,343</u> |
| | |
| Total liabilities and net assets | <u><u>\$194,943,943</u></u> |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

REVENUES

Operating revenues:

| | |
|---|---------------------|
| Student tuition and fees | \$ 33,937,341 |
| Less discounts and allowances | <u>(13,155,310)</u> |
| Net tuition and fees | <u>20,782,031</u> |
| Federal grants and contracts | 10,430,411 |
| State grants and contracts | 3,553,022 |
| Local and private grants and contracts | 90,903 |
| Sales and services of educational departments | 2,874,654 |
| Other operating revenues | 4,064,893 |
| Auxiliary enterprises revenues | 15,692,622 |
| Less discounts and allowances | <u>(922,766)</u> |
| Net auxiliary revenue | <u>14,769,856</u> |
| Total operating revenues | <u>56,565,770</u> |

EXPENSES

Operating expenses:

| | |
|------------------------------------|---------------------|
| Instruction | 43,431,417 |
| Research | 1,790,612 |
| Public service | 5,150,185 |
| Libraries | 1,438,441 |
| Academic support | 5,690,889 |
| Student services | 9,563,861 |
| Institutional support | 9,516,957 |
| Operation and maintenance of plant | 11,531,704 |
| Student financial aid | 5,711,997 |
| Depreciation | 6,144,645 |
| Auxiliary enterprises | <u>13,772,777</u> |
| Total operating expenses | <u>113,743,485</u> |
| Operating income (loss) | <u>(57,177,715)</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|--|------------|
| State appropriations | 51,673,740 |
| State endowment match | 1,521,786 |
| Federal grants and contracts | 1,403,332 |
| State grants and contracts | 1,845,650 |
| Local and private grants and contracts | 1,238,341 |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

| | |
|---|-----------------------------|
| NONOPERATING REVENUES (EXPENSES) (cont'd) | |
| Endowment income | 783,722 |
| Gifts | 3,583,965 |
| Investment income | 453,930 |
| Interest on capital asset-related debt | (1,066,839) |
| Loss on deletion and disposal of capital assets | (851,904) |
| Bond amortization | <u>(39,442)</u> |
| Net nonoperating revenues | <u>60,546,281</u> |
| Income before other revenues, expenses, gains, or losses | 3,368,566 |
| State capital appropriations | 1,818,336 |
| Capital gifts | 679,378 |
| Insurance proceeds on capital asset loss | <u>300,000</u> |
| Increase in net assets | <u>6,166,280</u> |
| NET ASSETS | |
| Net assets - beginning of year, as originally reported | 268,785,273 |
| Cumulative effect of change in accounting principle | <u>(128,275,210)</u> |
| Net assets - beginning of year, as restated | <u>140,510,063</u> |
| Net assets - end of year | <u><u>\$146,676,343</u></u> |

**MURRAY STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Cash Flows from Operating Activities

| | |
|---|---------------------|
| Tuition and fees | \$ 21,742,445 |
| Grants and contracts | 13,917,177 |
| Payments to employees | (66,378,954) |
| Payments to suppliers | (27,863,099) |
| Loans issued to employees | (55,084) |
| Collection of loans to employees | 103,224 |
| Loans issued to students | (1,035,421) |
| Collection of loans to students | 777,981 |
| Sales and services | 2,892,727 |
| Other operating revenues | 4,065,319 |
| Auxiliary enterprises revenues: | |
| Food service | 4,891,118 |
| Housing | 5,316,049 |
| Bookstore | 4,326,644 |
| Other | 289,441 |
| Auxiliary enterprises payments: | |
| Payment to employees | (4,653,266) |
| Payment to suppliers | (9,111,195) |
| Net cash (used) by operating activities | <u>(50,774,894)</u> |

Cash Flows from Noncapital Financing Activities

| | |
|--|-------------------|
| State appropriations | 51,673,740 |
| State endowment match | 1,392,965 |
| Grants and contracts | 4,437,216 |
| Endowment income receipts from MSU Foundation | 201,405 |
| Gifts for other than capital purposes | 310,873 |
| Agency transactions | (12,822) |
| Net cash provided by noncapital financing activities | <u>58,003,377</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|---|--------------------|
| Proceeds from capital debt | 398,865 |
| Loan issued for capital project | (383,500) |
| Insurance proceeds | 300,000 |
| State capital appropriations | 13,717,734 |
| Purchases of capital assets | (11,265,393) |
| Principal paid on capital debt and leases | (2,926,568) |
| Interest paid on capital debt and leases | (1,251,169) |
| Net cash (used) by capital and related financing activities | <u>(1,410,031)</u> |

**MURRAY STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Cash Flows from Investing Activities

| | |
|---|----------------------|
| Proceeds from sales and maturities of investments | 3,258,774 |
| Purchase of investments | (3,385,611) |
| Investment administrative payments | (3,315) |
| Interest receipts on investments | 1,734,676 |
| Net cash provided by investing activities | <u>1,604,524</u> |
| Net increase in cash and cash equivalents | 7,422,976 |
| Cash and cash equivalents, beginning of year | <u>32,798,445</u> |
| Cash and cash equivalents, end of year | <u>\$ 40,221,421</u> |

Reconciliation of operating loss to net cash used by operating activities

| | |
|---|-----------------------|
| Operating income (loss) | \$(57,177,715) |
| Depreciation | 6,144,645 |
| Bad debt | 140,825 |
| Changes in assets and liabilities: | |
| Receivables, net | (607,587) |
| Inventories | 12,814 |
| Prepaid expenses | (124,288) |
| Accounts payable | (200,185) |
| Health insurance liability | (64,102) |
| Payroll withholding liability | 293,136 |
| Deposits | 9,819 |
| Deferred revenues | 797,744 |
| Net cash (used) by operating activities | <u>\$(50,774,894)</u> |

Supplemental cash flows information

| | |
|--|-------------------|
| Gift of capital assets | <u>\$ 679,378</u> |
| Accounts payable incurred for capital assets | <u>\$ 562,507</u> |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1. **Summary of Significant Accounting Policies**

Nature of Operations

Murray State University (the University) is a state supported institution of higher education located in Murray, Kentucky and is accredited by the Southern Association of Colleges and Schools. The University awards graduate and undergraduate degrees from five colleges and one school and serves a student population in excess of 9,800. The University is a component unit of the Commonwealth of Kentucky and is included in the general-purpose financial statements of the Commonwealth.

Basis of Accounting and Financial Statement Presentation

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* followed this in November 1999. Effective for the fiscal year ended June 30, 2002, the financial statement presentation required by GASB No. 34 and GASB No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

Significant accounting changes made during the 2002 fiscal year in order to comply with the new requirements include (1) adoption of depreciation on capital assets; and (2) reporting summer school revenues and expenses between fiscal years rather than in one fiscal year.

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the University considers all highly liquid investments that are immediately available to the University to be cash equivalents. Funds held by the Commonwealth of Kentucky are considered cash equivalents.

The University currently uses commercial banks and the Commonwealth of Kentucky as depositories. Deposits with commercial banks are covered by Federal depository insurance or collateral held by the banks in the University's name. At the Commonwealth level, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth pooled deposits are substantially covered by Federal depository insurance or by collateral held by the bank in the Commonwealth's name.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

Assets Held by Murray State University Foundation

Assets held by the Murray State University Foundation, Inc. (Foundation) represent resources neither in the possession nor the control of the University, but are held and administered by the Foundation. An independent board governs the Foundation. The University recognizes gifts and donations made to the Foundation for the exclusive use and benefit of the University as assets and revenues of the University. The net appreciation and income of donor restricted endowments are available to the University for expenditure to the extent permitted by Kentucky law and Foundation spending policy. The University recognizes the assets held by the Foundation at the estimated fair value of the assets or the present value of the future cash flows when the University is notified of the existence of the gift or the endowment. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the University does not record pledged endowments as assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges, other operational activities, and auxiliary enterprise services. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, for non-exchange type agreements defined in accordance with GASB No. 33 or in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.—

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

All capital assets, as defined by University policy, are recorded at cost at the date of acquisition, or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to functional expense categories. Outlays for construction in progress are capitalized as incurred. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

The following estimated useful lives are being used by the University:

| <u>Asset</u> | <u>Estimated Life</u> |
|--------------------------|-----------------------|
| Buildings | 40 years |
| Equipment | 5-15 years |
| Livestock | 12 years |
| Library holdings | 10 years |
| Nonbuilding improvements | 10-20 years |

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of borrowing. Total interest capitalized for the current fiscal year was \$180,491.

The University owns historical collections housed throughout the campus that it does not capitalize, including artifacts in Wrather Museum. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at time of purchase rather than capitalized.

Deferred Revenue

Deferred revenues include amounts for tuition and fees, international program fees, and certain auxiliary activities received prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from state capital appropriations and grant and contract sponsors for which eligibility requirements have not been fully satisfied or that have not yet been earned.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are included at year-end with accrued payroll, and as a component of compensation and benefit expense. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

Restricted Cash and Investments

Cash and investments that are externally restricted are classified as restricted assets. These assets are used to make debt service payments, maintain sinking or reserve funds, purchase or construct capital or other noncurrent assets, or for other restricted purposes.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; and (2) other liabilities that are expected to be paid later than the end of the next fiscal year.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt:

This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable:

Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable:

Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets:

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments, auxiliary enterprises, and other sources. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses or for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Release of Restricted Net Assets

When an expense is incurred for which both restricted and unrestricted net assets are available, the University's policy is to allow each departmental unit the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

Revenue

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of discounts and allowances, (2) sales and services of auxiliary enterprises, net of discounts and allowances, (3) Federal, state and local grants and contracts, and (4) interest on institutional student loans.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Recognition of Revenue

The University considers receivables collectible if due at the end of the fiscal year and recognizes them as revenues of the current year.

Tuition Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of discounts and allowances. Discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is payable by students. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a discount and allowance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions. The accompanying financial statements include estimates for items such as allowances for doubtful accounts and loans receivable, self-insurance liabilities and other accrued liabilities. Actual results could differ from those estimates.

Recent Accounting Pronouncements

The Governmental Accounting Standards Board recently issued its Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement 14*. The new statement provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units in the University's financial statements based on the nature and significance of their relationship with the University. It generally requires reporting, as component units, organizations that raise and hold economic resources for the direct benefit of the University. The University expects to first apply the new statement during the year of June 30, 2004. The impact of applying the new statement has not yet been determined.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 2. Investments

Investments consisted of:

| | June 30, 2002 | |
|----------------------------|------------------|------------------|
| | Fair Value | Cost Basis |
| Money market funds | \$ 2,389,840 | \$ 2,389,840 |
| U.S. government securities | 232,006 | 233,848 |
| Repurchase agreements | 2,003,615 | 2,003,615 |
| Total Investments | \$ 4,625,461 | \$ 4,627,303 |

Investments in U.S. government securities and the collateral for repurchase agreements are registered in the name of Murray State University or held in the University's name by its agents and trustees.

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in equity securities.

Note 3. Inventories

Inventories consisted of:

| | June 30, 2002 |
|-------------------------------------|------------------|
| Inventories: | |
| University bookstore - resale | \$ 1,146,430 |
| Physical plant - supplies | 317,774 |
| Food services - resale and supplies | 127,521 |
| Central stores - supplies | 15,807 |
| Total inventories | \$ 1,607,532 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 4. Deferred Revenue

Deferred revenue consisted of:

| | June 30, 2002 |
|---|---------------|
| Current deferred revenue: | |
| Prepaid tuition and fees | \$ 1,180,427 |
| International studies programs | 523,374 |
| Grants and contracts | 365,896 |
| Auxiliary enterprises | 13,847 |
| Capital state appropriation - science complex | 6,901,651 |
| Total current deferred revenue | 8,985,195 |
| Noncurrent deferred revenue: | |
| Capital state appropriation - science complex | 4,997,748 |
| Total deferred revenue | \$ 13,982,943 |

Note 5. Accounts Receivable

Accounts receivable consisted of:

| | June 30, 2002 |
|-----------------------------------|---------------|
| Current accounts receivable: | |
| Student tuition and fees | \$ 1,381,436 |
| Grants and contracts | 2,373,670 |
| Auxiliary fees | 285,937 |
| Employee | |
| Travel advances | 198 |
| Computer loans | 24,786 |
| Outside sales | 715,585 |
| State agencies | 67,201 |
| Vendor receivables | 40,793 |
| Capital construction receivable | 54,200 |
| Allowance for doubtful accounts | (718,869) |
| Total current accounts receivable | 4,224,937 |
| Noncurrent accounts receivable: | |
| Capital construction receivable | 329,300 |
| Total accounts receivable | \$ 4,554,237 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 6. Loans Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the loans receivable at June 30, 2002. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amount cancelled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2002, the allowance for uncollectible loans was \$240,932.

Loans receivable consisted of:

| | <u>June 30, 2002</u> |
|-----------------------------------|----------------------|
| Current loans receivable: | |
| University loan programs | \$ 39,403 |
| Federal Nursing program | 58,572 |
| Federal Perkins program | 588,645 |
| Total current loans receivable | 686,620 |
| Noncurrent loans receivable: | |
| Federal Nursing program | 305,406 |
| Federal Perkins program | 3,464,306 |
| Total noncurrent loans receivable | 3,769,712 |
| Total loans receivable | \$4,456,332 |

Note 7. Assets Held by MSU Foundation

Assets held by the Murray State University Foundation, Inc. (Foundation) are invested primarily in an investment pool managed by the Foundation and are carried at fair value. The assets in the pool are invested as follows: securities of the U.S. government and its agencies, 2%; mutual funds invested in equity securities, 45%; mutual funds invested in fixed income securities, 47%; certificates of deposit, 2% and other 4%.

**MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

Note 8. Regional University Excellence Trust Fund

The Kentucky General Assembly appropriated funds to the Regional University Excellence Trust Fund (RUETF) with the passage of the Postsecondary Education Improvement Act of 1997 (House Bill 1). The purpose of this fund is to encourage private investment in public higher educational activities within the Commonwealth of Kentucky. These funds were made available to the comprehensive institutions within the Commonwealth with a provision that they would be matched dollar-for-dollar from external sources. The Commonwealth's Council on Postsecondary Education (CPE) was designated to oversee the distribution and use of these funds.

Following is a summary of the funding for the RUETF as of June 30, 2002:

| <u>Funding Period</u> | <u>CPE Funding Available</u> | <u>CPE Funding Received</u> | <u>University External Match Received</u> | <u>University External Match Pledge</u> |
|---------------------------|----------------------------------|---------------------------------|---|---|
| 1998-2000 | \$ 1,710,000 | \$ 1,710,000 | \$ 1,662,500 | \$ 47,500 |
| 2000-2002 | <u>3,521,787</u> | <u>3,521,787</u> | <u>1,247,243</u> | <u>2,274,544</u> |
| Total | <u>\$ 5,231,787</u> | <u>\$ 5,231,787</u> | <u>\$ 2,909,743</u> | <u>\$ 2,322,044</u> |

The University's external match pledges have not been recorded for financial reporting purposes due to the contingency that pledges must be fulfilled within a 5 year period of time.

Note 9. Nonaffiliated Organizations

Murray State University Foundation, Inc.

Murray State University Foundation, Inc. (Foundation) is a Kentucky not-for-profit corporation formed to receive and invest funds for the enhancement and improvement of the University. The Foundation also operates the Francis E. Miller Golf Course as a separate enterprise, and manages certain endowments and investments on behalf of the University.

The Foundation has a Board of Trustees separate from that of the University; however, the President and certain other officers of the University are also officers of the Foundation.

The University provides office space and pays certain operating expenses of the Foundation in exchange for investment management services provided by the Foundation. The Foundation prepares and issues its own financial statements.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 9. Nonaffiliated Organizations (cont'd)

Murray State University Athletic Foundation, Inc.

Murray State University Athletic Foundation, Inc. (Racer Foundation) is a Kentucky non-for-profit corporation formed to enhance the academic and athletic experience of the Murray State University student-athlete. The Racer Foundation has a Board of Directors separate from that of the University and prepares and issues its own financial statements.

Note 10. Capital Assets

Capital assets activity for the year ended June 30, 2002 was:

| | Balance June 30, 2001 | Cumulative Effect of Change in Accounting Principle (Note 19) | Additions | Transfers | Deletions Retirements | Balance June 30, 2002 |
|---|--------------------------|---|---------------------|---------------------|--------------------------|--------------------------|
| Land | \$ 4,997,755 | \$ - | \$ - | \$ 548,227 | \$ - | \$ 5,545,982 |
| Construction in progress | 28,118,854 | - | 9,539,133 | (17,965,390) | - | 19,692,597 |
| Museum and collectibles | - | - | 92,864 | - | - | 92,864 |
| Total capital assets not being depreciated | 33,116,609 | - | 9,631,997 | (17,417,163) | - | 25,331,443 |
| Buildings | 128,456,170 | (167,013) | 474,635 | 17,417,163 | - | 146,180,955 |
| Nonbuilding improvements | 12,023,768 | (5,092,232) | 282,694 | - | - | 7,214,230 |
| Equipment | 34,342,290 | (18,329,954) | 882,831 | - | (257,789) | 16,637,378 |
| Library holdings | 21,743,175 | - | 1,190,871 | - | (36,736) | 22,897,310 |
| Livestock | 6,600 | (6,600) | 44,250 | - | - | 44,250 |
| Total other capital assets | 196,572,003 | (23,595,799) | 2,875,281 | 17,417,163 | (294,525) | 192,974,123 |
| Total capital assets before depreciation | 229,688,612 | (23,595,799) | 12,507,278 | - | (294,525) | 218,305,566 |
| Less accumulated depreciation: | | | | | | |
| Buildings | - | 74,687,280 | 3,656,283 | - | - | 78,343,563 |
| Improvements other other than buildings | - | 3,152,857 | 316,008 | - | - | 3,468,865 |
| Equipment | - | 10,353,059 | 1,209,429 | - | - | 11,562,488 |
| Library holdings | - | 16,063,662 | 958,646 | - | - | 17,022,308 |
| Livestock | - | - | 4,279 | - | - | 4,279 |
| Total accumulated depreciation | \$ - | \$ 104,256,858 | \$ 6,144,645 | \$ - | \$ - | \$ 110,401,503 |
| Capital assets - net | \$ 229,688,612 | | | | | \$ 107,904,063 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 11. Accounts Payable

Accounts payable consisted of:

| | <u>June 30, 2002</u> |
|--|----------------------|
| Current accounts payable: | |
| Vendors | \$ 4,311,057 |
| Employee payroll, benefits, and withholdings | 1,574,927 |
| Loans | 1,148 |
| Total accounts payable | <u>\$ 5,887,132</u> |

Note 12. Employee Benefits

A. Kentucky Teachers Retirement System:

All employees required to hold a degree and occupying full-time positions, defined as seven-tenths (7/10) of normal full-time service on a daily or weekly basis are required by state law to participate in the Kentucky Teachers Retirement System (KTRS) or an optional retirement plan, as allowed by KRS161.567. KTRS, a cost sharing, multiple-employer, public employee retirement system, provides retirement benefits based on an employee's final average salary and number of years service. Benefits are subject to certain reductions if the employee retires before reaching age sixty or has less than twenty-seven years of participation in the plan. The plan also provides for disability, death and survivor benefits and medical insurance.

The Kentucky Teachers Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800 or by calling (502) 573-3266.

Funding for the plan is provided from eligible employees who contribute 6.16% of their salary through payroll deductions and the University, which also contributes 13.84% of current eligible employees' salaries to the KTRS. Kentucky Revised Statutes and the KTRS Board of Trustees establish contribution requirements of the plan members and the University. The University's contributions to KTRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$3,514,432, \$3,476,325, and \$3,449,158, respectively, and were equal to the required contributions.

B. Kentucky Employee Retirement System:

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 12. Employee Benefits (cont'd)

Substantially all other full-time University employees are required by law to participate in the Kentucky Employee Retirement System (KERS), a cost sharing multiple-employer, public employee retirement system. KERS provides retirement benefits based on an employee's final average salary and number of years of service. Benefits are subject to certain reductions if the employee retires before reaching age sixty-five or has less than twenty-seven years of service. The plan also provides for disability, death and survivor benefits and medical insurance.

The Kentucky Employee Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report is obtainable by writing to Kentucky Employees Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601 or by calling (502) 564-4646.

Funding of the plan is from eligible employees who contribute 5.00% of their salary through payroll deductions and the University, which also contributes 5.89% of current eligible employees' salaries to the non-hazardous KERS. Employees covered by hazardous KERS contribute 8.00% of gross salary and the University contributes 18.84 % of gross salaries. The Kentucky Revised Statutes and the Board of Trustees of the Kentucky Retirement Systems determine contribution rates each biennium. The University's contributions to KERS for the years ended June 30, 2002, 2001, and 2000 were \$712,433, \$732,688, and \$904,416, respectively, and were equal to the required contributions.

C. University Health Self-Insurance Program:

The University maintains a self-insurance program for employees' health insurance. The University pays approximately 72% of the expenses of the plan for permanent full-time employees and their families. Expenses incurred to cover claims paid by the University under the plan for years ended June 30, 2002 and 2001 totaled \$4,114,886 and \$3,525,859, respectively, excluding administrative and stop-loss fees. Stop-loss and administrative fees incurred for the years ended June 30, 2002 and 2001 were \$508,198 and \$424,927, respectively.

Changes in the liability for self insurance are follows:

| | <u>June 30, 2002</u> | <u>June 30, 2001</u> |
|--|----------------------|----------------------|
| Liability - beginning of year | \$1,152,471 | \$1,151,776 |
| Accruals for current year claims and changes in estimate | 5,285,294 | 4,478,855 |
| Other costs | (508,198) | (484,451) |
| Claims paid | <u>(4,793,689)</u> | <u>(3,993,709)</u> |
| Liability - end of year | <u>\$1,135,878</u> | <u>\$1,152,471</u> |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 13. Revenue Bonds, Notes Payable, and Capital Leases

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2002:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|--|------------------------------|-------------------|----------------------|---------------------------|----------------------------|
| Bonds payable | \$ 22,137,000 | \$ - | \$(2,205,000) | \$ 19,932,000 | \$ 2,285,000 |
| Less bond discounts | (286,980) | - | 27,216 | (259,764) | (27,216) |
| Bonds payable, net of discounts | 21,850,020 | - | (2,177,784) | 19,672,236 | 2,257,784 |
| Capital leases | 2,190,899 | - | (166,310) | 2,024,589 | 158,457 |
| Masterlease notes payable | 1,521,136 | 395,000 | (391,789) | 1,524,347 | 475,919 |
| Notes payable | 136,237 | - | (108,953) | 27,284 | 15,917 |
| MSU Foundation notes payable | 182,786 | 3,865 | (54,517) | 132,134 | 27,780 |
| Total bonds, notes, and capital leases | <u>\$ 25,881,078</u> | <u>\$ 398,865</u> | <u>\$(2,899,353)</u> | <u>\$ 23,380,590</u> | <u>\$ 2,935,857</u> |

Maturity Information:

A schedule of the mandatory principal and interest payments is presented below:

| Year Ending June 30 | Bonds | Notes | Total Principal | Interest | Total Payments |
|------------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| 2003 — | \$ 2,285,000 | \$ 519,616 | \$ 2,804,616 | \$ 1,030,390 | \$ 3,835,006 |
| 2004 | 2,110,000 | 430,945 | 2,540,945 | 896,603 | 3,437,548 |
| 2005 | 2,202,000 | 225,945 | 2,427,945 | 774,729 | 3,202,674 |
| 2006 | 2,210,000 | 238,081 | 2,448,081 | 650,069 | 3,098,150 |
| 2007 | 2,335,000 | 230,425 | 2,565,425 | 519,473 | 3,084,898 |
| 2008 - 2012 | 4,190,000 | 38,753 | 4,228,753 | 1,591,285 | 5,820,038 |
| 2013 - 2017 | 2,615,000 | - | 2,615,000 | 728,412 | 3,343,412 |
| 2018 - 2022 | 1,985,000 | - | 1,985,000 | 138,658 | 2,123,658 |
| Total | <u>\$ 19,932,000</u> | <u>\$ 1,683,765</u> | <u>\$ 21,615,765</u> | <u>\$ 6,329,619</u> | <u>\$ 27,945,384</u> |

The required minimum reserves are \$2,003,615 and \$1,272,192 for the Consolidated Educational Sinking Fund and the Housing and Dining Sinking Fund, respectively.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 13. Revenue Bonds, Notes Payable, and Capital Leases (cont'd)

Long term liability activity for the year ended June 30, 2002 was as follows:

| | Original Issue | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 |
|--|----------------------|------------------------------|--|------------------------------------|
| <u>Housing and Dining System Revenue Bonds Payable</u> | | | | |
| Series H bonds dated 9/1/65 with an interest rate of 3 3/8%. Final principal payment date 9/1/03. Elizabeth Hall and Springer Hall. | 1,845,000 | 140,000 | 5,228 | 90,000 |
| Series I bonds dated 9/1/65 with an interest rate of 3 5/8%. Final principal payment date 9/1/04. Hart Hall. | 2,250,000 | 267,000 | 10,189 | 95,000 |
| Series J bonds dated 9/1/65 with an interest rate of 3 3/4%. Final principal payment date 9/1/04. College Court III. | 510,000 | 60,000 | 2,374 | 20,000 |
| Series K bonds dated 9/1/65 with an interest rate of 3%. Final principal payment date 9/1/02. Hester Hall and White Hall. | 3,280,000 | 235,000 | 8,768 | 235,000 |
| Series L bonds dated 9/1/68 with an interest rate of 3%. Final principal payment date 9/1/08. Regents Hall. | 2,000,000 | 1,200,000 | 35,572 | 155,000 |
| Series M bonds dated 6/26/97 with an interest rate from 4% to 5.4%. Final principal payment date 9/1/17. Winslow Cafeteria. | 825,000 | 715,000 | 36,165 | 30,000 |
| Series N bonds dated 5/12/99 with an interest rate from 4.35% to 4.9%. Final principal payment date 9/1/18. Fire safety for residence halls. | 6,370,000 | 5,950,000 | 263,193 | 225,000 |
| Series O bonds dated 6/1/2001 with an interest rate from 4.00% to 5.00%. Final principal payment date 9/1/21. Hart Hall. | 1,610,000 | 1,610,000 | 75,120 | 5,000 |
| Total Housing and Dining System Revenue Bonds Payable | \$ 18,690,000 | \$ 10,177,000 | \$ 436,609 | \$ 855,000 |

**MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

Note 13. Revenue Bonds, Notes Payable, and Capital Leases (cont'd)

| | Original Issue | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 |
|---|----------------------|------------------------------|--|------------------------------------|
| <u>Consolidated Educational Buildings Revenue Bonds Payable</u> | | | | |
| Series G(2nd Series) dated 3/1/93 with interest rates of 3.10% to 5.60%. Final principal payment due on 5/1/07. Various Buildings | 11,660,000 | 6,770,000 | 428,540 | 1,210,000 |
| Series H bonds dated 03/01/92 with interest rates from 3 1/2% to 6.20%. Final principal payment due 5/1/12. Various Buildings | 4,625,000 | 2,985,000 | 191,265 | 220,000 |
| Total Consolidated Educational Buildings Revenue Bonds | \$ 16,285,000 | \$ 9,755,000 | \$ 619,805 | \$ 1,430,000 |
| Bonds payable before discount | \$ 34,975,000 | \$ 19,932,000 | \$ 1,056,414 | \$ 2,285,000 |
| Less bonds discount | - | (259,763) | - | (27,216) |
| Total Bonds Payable | \$ 34,975,000 | \$ 19,672,237 | \$ 1,056,414 | \$ 2,257,784 |
| <u>Masterlease Payable</u> | | | | |
| Residential Networking - Master Lease dated 8/18/00 with interest of 5.20% to 5.59%. Final principal payment due 8/18/07. | \$ 800,000 | \$ 637,797 | \$ 37,685 | \$ 109,936 |
| Maintenance - Master Lease dated 5/10/02 with interest of 4.79%. Final principal payment due 5/10/07. | 395,000 | 389,200 | 1,629 | 71,829 |
| Campus Backbone Networking - Master Lease dated 1/25/98 with interest of 4.23% to 4.35%. Final principal payment due 2/25/04. | 1,500,000 | 497,350 | 27,889 | 294,154 |
| Total Masterlease Payable | \$ 2,695,000 | \$ 1,524,347 | \$ 67,203 | \$ 475,919 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 13. Revenue Bonds, Notes Payable, and Capital Leases (cont'd)

| | Original Issue | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 |
|---|----------------------|------------------------------|--|------------------------------------|
| Notes Payable | | | | |
| Ohio Valley Conference Dated 9/8/99 with interest rate of 6.0%. Final principal payment due 9/3/03. | \$ 56,625 | \$ 22,064 | \$ 1,986 | \$ 10,696 |
| GE Capital Public Finance, Inc. Date 6/22/00 with interest rate of 5.86%. Final principal payment due 8/1/02. | 15,603 | 5,220 | 595 | 5,221 |
| Total Notes Payable | \$ 72,228 | \$ 27,284 | \$ 2,581 | \$ 15,917 |
| MSU Foundation Payable | | | | |
| Other liabilities - MSU Foundation Various notes for purchase of academic equipment. Final principal due 4/02/08. | 256,513 | 132,134 | 13,299 | 27,780 |
| Total MSU Foundation Payable | \$ 256,513 | \$ 132,134 | \$ 13,299 | \$ 27,780 |
| Capital Leases | \$ 2,915,285 | \$ 2,024,588 | \$ 103,156 | \$ 158,457 |
| Total all bond issues, notes payable, and capital leases | \$ 40,914,026 | \$ 23,380,590 | \$ 1,242,653 | \$ 2,935,857 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 13. Revenue Bonds, Notes Payable, and Capital Leases (cont'd)

Capital Leases:

The University leases certain equipment and facilities, under capital lease agreements. The recorded cost of these assets and accumulated depreciation thereon as of June 30, 2002 are \$2,912,285 and \$1,798,126, respectively. Remaining minimum annual lease payments pursuant to these leases are as follows:

| Year Ending June 30 | Equipment | Buildings | Total |
|--|-------------------|---------------------|---------------------|
| 2003 | \$ 82,051 | \$ 179,585 | \$ 261,636 |
| 2004 | 78,622 | 179,629 | 258,251 |
| 2005 | 52,503 | 179,428 | 231,931 |
| 2006 | - | 178,974 | 178,974 |
| 2007 | - | 179,259 | 179,259 |
| 2008 - 2012 | - | 896,781 | 896,781 |
| 2013 - 2017 | - | 896,423 | 896,423 |
| | <u>213,176</u> | <u>2,690,079</u> | <u>2,903,255</u> |
| Less amount representing interest | (14,587) | (864,079) | (878,666) |
| Present value of capital lease obligations | <u>\$ 198,589</u> | <u>\$ 1,826,000</u> | <u>\$ 2,024,589</u> |

Note 14. **Unrestricted Net Assets**

The University's designations of unrestricted net assets consisted of:

| | <u>June 30, 2002</u> |
|-----------------------------------|-------------------------|
| Unrestricted net assets: | |
| Allocated for: | |
| Prior year carryovers: | |
| Renovation and maintenance | \$1,116,259 |
| Departmental operations | 6,218,467 |
| Encumbrances | 835,867 |
| General contingency | 6,843,477 |
| Self insurance | <u>900,000</u> |
| Total unrestricted net assets | <u>\$15,914,070</u> |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 15. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, natural disasters, and employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The state of Kentucky self-insures workers' compensation benefits for all state employees, including University employees. Claims are administered by Risk Management Services Corporation.

Note 16. Contingencies and Commitments

The University is a defendant in various lawsuits. It is the opinion of management and its legal counsel, based in part on the doctrine of sovereign immunity and other statutory provisions, that the ultimate outcome of litigation will not have a material effect on the future operations or financial position of the University.

The University has outstanding commitments under construction contracts of approximately \$4,600,000 as of June 30, 2002.

Note 17. Natural Expense Classifications with Functional Classifications

The University's operating expenses by functional classification were as follows:

| Fund Classification | Year ended June 30, 2002 | | | | | | |
|-------------------------------|---------------------------------|----------------------|---------------------|--------------------------------|---------------------|---------------------|-----------------------|
| | Natural Classification | | | | | | Total |
| | Compen- sation & Benefits | Operations | Utilities | Non Capitalized Property | Scholarships | Depreciation | |
| Instruction | \$ 37,071,237 | \$ 5,653,463 | \$ - | \$ 664,659 | \$ 42,058 | \$ - | \$ 43,431,417 |
| Research | 1,131,339 | 578,199 | - | 80,775 | 300 | - | 1,790,613 |
| Public Service | 3,844,178 | 1,115,564 | - | 190,443 | - | - | 5,150,185 |
| Academic Support | 3,342,451 | 1,707,120 | - | 640,767 | 550 | - | 5,690,888 |
| Libraries | 1,410,791 | 6,504 | - | 21,147 | - | - | 1,438,442 |
| Student Services | 6,136,446 | 3,377,169 | - | 47,313 | 2,941 | - | 9,563,869 |
| Institutional Support | 8,767,086 | 486,903 | - | 262,968 | - | - | 9,516,957 |
| Operations and Maintenance | 4,877,175 | 2,171,095 | 4,396,413 | 87,012 | - | - | 11,531,695 |
| Financial Aid | 35,205 | 48,945 | - | 855 | 5,626,992 | - | 5,711,997 |
| Auxiliary | 4,693,852 | 8,954,210 | - | 62,813 | 61,902 | - | 13,772,777 |
| Depreciation | - | - | - | - | - | 6,144,645 | 6,144,645 |
| Total Expenses | \$ 71,309,760 | \$ 24,099,172 | \$ 4,396,413 | \$ 2,058,752 | \$ 5,734,743 | \$ 6,144,645 | \$ 113,743,485 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 18. Segment Information

The University's Housing and Dining System was established by the 1965 Trust Indenture. The Housing and Dining System, as defined by this trust indenture, includes all the student housing, dining, and student center facilities, and related enterprises facilities that now exist at the main campus in Murray, Kentucky. The University issues revenue bonds for this system to finance certain of its housing and dining auxiliary enterprise activities. These bonds will be payable from and will constitute a charge upon the gross revenue to be derived by the University from the operation of its Housing and Dining System. The revenues of the system consist of the gross amount of rentals received by the University for the use and occupancy of the facilities of the housing system and the net income from dining operations. These revenues do not include those generated by the University bookstore.

Condensed financial information of the University's Housing and Dining segment is as follows:

| | <u>June 30, 2002</u> |
|---|-----------------------------|
| CONDENSED BALANCE SHEET | |
| Assets: | |
| Current assets | \$ 2,878,314 |
| Noncurrent assets | 2,859,330 |
| Capital assets, net of accumulated depreciation | <u>4,839,634</u> |
| Total assets | <u><u>\$ 10,577,278</u></u> |
| Liabilities: | |
| Current liabilities | \$ 5,975,382 |
| Noncurrent liabilities | <u>10,313,400</u> |
| Total liabilities | <u><u>16,288,782</u></u> |
| Net Assets: | |
| Invested in capital assets, net of related debt | (5,137,199) |
| Restricted for: | |
| Expendable: | |
| Capital | 931,634 |
| Debt service | 1,591,128 |
| Unrestricted | <u>(3,097,067)</u> |
| Total net assets | <u><u>(5,711,504)</u></u> |
| Total liabilities and net assets | <u><u>\$ 10,577,278</u></u> |

**MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

Note 18. Segment Information (cont'd)

For the year
ended
June 30, 2002

**CONDENSED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS**

| | |
|--|---------------------------------|
| Operating revenues | \$10,230,555 |
| Operating expenses | 9,722,930 |
| Depreciation expense | 575,828 |
| | <hr/> |
| Operating loss | (68,203) |
| Nonoperating revenues(expenses) | (1,592,081) |
| | <hr/> |
| Change in Net Assets | (1,660,284) |
| Net Assets - beginning of year, as originally reported | 14,058,309 |
| Cumulative effect of change in accounting principle | (18,109,529) |
| Net Assets - beginning of year, as restated | <u>(4,051,220)</u> |
| Net Assets - end of year | <u><u>\$(5,711,504)</u></u> |

CONDENSED STATEMENT OF CASH FLOWS

| | |
|--|--------------------------------|
| Net cash flows provided (used) by: | |
| Operating activities | \$ 1,479,981 |
| Noncapital financing activities | 79,298 |
| Capital and related financing activities | (1,300,676) |
| Investing activities | 3,278 |
| | <hr/> |
| Net increase in cash | 261,881 |
| Cash - beginning of year | <u>2,328,034</u> |
| Cash - end of year | <u><u>\$ 2,589,915</u></u> |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 19. Change in Accounting Principle

As discussed in Note 1, the University adopted GASB Nos. 34 and 35 during the 2002 fiscal year. The cumulative effect of adoption has been recorded as an adjustment of previously reported net assets as of July 1, 2001.

Prior to the adoption of GASB Nos. 34 and 35, the University did not record depreciation on capital assets. To comply with the requirements of these statements, the University prepared detail cost records for all capital assets and the related accumulated depreciation on those capital assets as of July 1, 2001. As part of this process, the University raised the threshold above which capital assets are recognized and deleted previously recorded capital assets with a cost below the revised threshold.

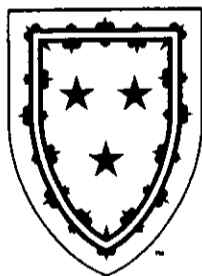
Per GASB No. 33, the timing of recognition of pledges receivable for endowment and the related revenue was affected. The University previously recognized pledges receivable and the related revenue when the pledge was received. Upon adoption of the new statements, pledges receivable and the related revenue are not recognized until the new resources are actually received (the pledges are collected).

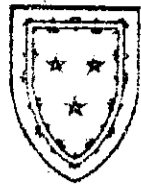
The cumulative effect of the change in accounting principle are as follows:

| | |
|---|------------------------------|
| Recognition of accumulated depreciation on capital assets: | |
| Buildings | \$ 74,687,280 |
| Library holdings | 16,063,662 |
| Equipment | 10,353,059 |
| Nonbuilding improvements | 3,152,857 |
| Total | <u>104,256,858</u> |
| Deletion of previously recognized capital assets due to revised capitalization threshold: — | |
| Buildings | 167,013 |
| Non-building improvements | 5,092,232 |
| Equipment | 18,336,554 |
| Total | <u>23,595,799</u> |
| Adjustment to remove pledge receivable: | |
| Pledge receivable at June 30, 2001 | <u>422,553</u> |
| Cumulative effect of change in accounting principle | <u><u>\$ 128,275,210</u></u> |

In addition to the change described above, there was a significant change to the overall form and content of the University's financial statements.

MURRAY STATE UNIVERSITY
UNAUDITED SUPPLEMENTAL
FINANCIAL SCHEDULES
AS OF
AND FOR THE YEAR ENDED
JUNE 30, 2002





Murray

MURRAY STATE UNIVERSITY

Contents

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MURRAY STATE UNIVERSITY
BALANCE SHEET BY FUND (UNAUDITED)
JUNE 30, 2002

With Comparative Unaudited Figures as of June 30, 2001

| | Current Funds | | | Plant Funds | Loan Funds | Endowment Funds | Agency Funds | Totals | |
|---|----------------------|---------------------|---------------------|-----------------------|---------------------|----------------------|------------------|-----------------------|-----------------------|
| | E&G | Auxiliary | Restricted | | | | | 2002 | 2001 |
| ASSETS | | | | | | | | | |
| Current assets: | | | | | | | | | |
| Cash and cash equivalents | \$ 19,223,297 | \$ (492,893) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 18,730,404 | \$ 16,670,095 |
| Accounts receivable, net | 1,478,828 | 277,446 | 2,373,670 | 94,993 | - | - | - | 4,224,937 | 3,867,573 |
| Inventories | 333,580 | 1,273,952 | - | - | - | - | - | 1,607,532 | 1,620,346 |
| Prepaid expenses | 438,246 | - | 42,610 | - | - | - | - | 480,856 | 356,568 |
| Loans receivable, net | - | - | - | - | 686,620 | - | - | 686,620 | 648,234 |
| Interest receivable | 530,547 | 70,620 | - | 85,296 | - | - | - | 686,463 | 837,326 |
| Total current assets | \$ 22,004,498 | \$ 1,129,125 | \$ 2,416,280 | \$ 180,289 | \$ 686,620 | \$ - | \$ - | \$ 26,416,812 | \$ 24,000,142 |
| Noncurrent assets: | | | | | | | | | |
| Restricted cash and cash equivalents | \$ - | \$ - | \$ 1,806,457 | \$ 17,903,457 | \$ 547,737 | \$ 1,192,389 | \$ 40,977 | \$ 21,491,017 | \$ 16,128,350 |
| Restricted investments | - | - | - | 4,625,461 | - | - | - | 4,625,461 | 4,498,624 |
| Accounts receivable, net | - | - | - | 329,300 | - | - | - | 329,300 | - |
| Assets held by MSU Foundation | - | - | 3,688,425 | - | - | 26,600,114 | - | 30,288,539 | 28,714,753 |
| Loans receivable, net | - | - | - | - | 3,769,712 | - | - | 3,769,712 | 3,659,643 |
| Capital assets | - | - | - | 218,305,566 | - | - | - | 218,305,566 | 229,688,612 |
| Accumulated depreciation | - | - | - | (110,401,503) | - | - | - | (110,401,503) | - |
| Bond issuance costs | - | - | - | 119,039 | - | - | - | 119,039 | 131,264 |
| Total noncurrent assets | - | - | 5,494,882 | 130,881,320 | 4,317,449 | 27,792,503 | 40,977 | 168,527,131 | 282,821,246 |
| Total assets | \$ 22,004,498 | \$ 1,129,125 | \$ 7,911,162 | \$ 131,061,609 | \$ 5,004,069 | \$ 27,792,503 | \$ 40,977 | \$ 194,943,943 | \$ 306,821,388 |
| LIABILITIES AND NET ASSETS | | | | | | | | | |
| Current liabilities: | | | | | | | | | |
| Accounts payable | \$ 3,038,177 | \$ 156,629 | \$ 179,540 | \$ 2,511,638 | \$ 1,148 | \$ - | \$ - | \$ 5,887,132 | \$ 6,276,103 |
| Self insured health liability | 1,135,878 | - | - | - | - | - | - | 1,135,878 | 1,199,980 |
| Accrued payroll | 2,820,977 | 191,081 | 82,031 | - | - | - | - | 3,094,089 | 2,800,953 |
| Interest payable | - | - | - | 229,551 | - | - | - | 229,551 | 233,390 |
| Deposits | 3,519 | 164,922 | - | - | - | 188,787 | 40,977 | 398,205 | 261,068 |
| Deferred revenue | 1,703,801 | 13,847 | 365,896 | 6,901,651 | - | - | - | 8,985,195 | 1,154,131 |
| Current maturities of long term liabilities | - | - | - | 2,935,857 | - | - | - | 2,935,857 | 2,877,879 |
| Total current liabilities | \$ 8,702,352 | \$ 526,479 | \$ 627,467 | \$ 12,578,697 | \$ 1,148 | \$ 188,787 | \$ 40,977 | \$ 22,665,907 | \$ 14,803,504 |

**MURRAY STATE UNIVERSITY
BALANCE SHEET BY FUND (UNAUDITED)
JUNE 30, 2002**

With Comparative Unaudited Figures as of June 30, 2001

| | Current Funds | | | Plant Funds | Loan Funds | Endowment Funds | Agency Funds | Totals | |
|--|----------------------|---------------------|---------------------|-----------------------|---------------------|----------------------|------------------|-----------------------|-----------------------|
| | E&G | Auxiliary | Restricted | | | | | 2002 | 2001 |
| Noncurrent liabilities: | | | | | | | | | |
| Deposits | \$ - | \$ 159,212 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 159,212 | \$ 97,742 |
| Deferred revenue | - | - | - | 4,997,748 | - | - | - | 4,997,748 | 131,669 |
| Bonds payable | - | - | - | 17,414,452 | - | - | - | 17,414,452 | 19,672,236 |
| Capital leases | - | - | - | 1,866,132 | - | - | - | 1,866,132 | 2,024,588 |
| Masterlease notes payable | - | - | - | 1,048,428 | - | - | - | 1,048,428 | 1,135,148 |
| Notes payable | - | - | - | 11,367 | - | - | - | 11,367 | 27,285 |
| MSU Foundation notes payable | - | - | - | 104,354 | - | - | - | 104,354 | 143,943 |
| Total noncurrent liabilities | \$ - | \$ 159,212 | \$ - | \$ 25,442,481 | \$ - | \$ - | \$ - | \$ 25,601,693 | \$ 23,232,611 |
| Total liabilities | \$ 8,702,352 | \$ 685,691 | \$ 627,467 | \$ 38,021,178 | \$ 1,148 | \$ 188,787 | \$ 40,977 | \$ 48,267,600 | \$ 38,036,115 |
| Net Assets | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ - | \$ 85,180,207 | \$ - | \$ - | \$ - | \$ 85,180,207 | \$ 206,383,432 |
| Restricted for: | | | | | | | | | |
| Nonexpendable - permanent endowments | - | - | - | - | - | 27,603,716 | - | 27,603,716 | 25,067,950 |
| Expendable: | | | | | | | | | |
| Scholarships, research, instruction and other | - | - | 5,433,399 | - | - | - | - | 5,433,399 | 5,825,562 |
| Loans | - | - | - | - | 5,002,921 | - | - | 5,002,921 | 4,865,546 |
| Capital assets | - | - | - | 3,895,800 | - | - | - | 3,895,800 | 10,317,719 |
| Debt service | - | - | - | 3,646,230 | - | - | - | 3,646,230 | 3,505,980 |
| Unrestricted: | | | | | | | | | |
| Allocated for: | | | | | | | | | |
| Prior year carryovers: | | | | | | | | | |
| Renovation and maintenance | 1,116,259 | - | - | - | - | - | - | 1,116,259 | 1,294,214 |
| Departmental operations | 5,768,057 | 450,410 | - | - | - | - | - | 6,218,467 | 5,276,072 |
| Encumbrances | 730,483 | 105,384 | - | - | - | - | - | 835,867 | 660,421 |
| Reserve for general contingency | 6,955,837 | (112,360) | - | - | - | - | - | 6,843,477 | 4,688,377 |
| Reserve for self insurance | 900,000 | - | - | - | - | - | - | 900,000 | 900,000 |
| Total unrestricted net assets | 15,470,636 | 443,434 | 5,433,399 | 92,722,237 | 5,002,921 | 27,603,716 | - | 146,676,343 | 268,785,273 |
| Interaccount eliminations | (2,168,490) | - | 1,850,296 | 318,194 | - | - | - | - | - |
| Total net assets | \$ 13,302,146 | \$ 443,434 | \$ 7,283,695 | \$ 93,040,431 | \$ 5,002,921 | \$ 27,603,716 | \$ - | \$ 146,676,343 | \$ 268,785,273 |
| Total liabilities and net assets | \$ 22,004,498 | \$ 1,129,125 | \$ 7,911,162 | \$ 131,061,609 | \$ 5,004,069 | \$ 27,792,503 | \$ 40,977 | \$ 194,943,943 | \$ 306,821,388 |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (UNAUDITED)
For the year ended June 30, 2002
With Comparative Unaudited Figures as of June 30, 2001

| | Current Funds | | | Plant Funds | Loan Funds | Endowment Funds | Totals | |
|--|---------------|------------|-------------|----------------|---------------|--------------------|---------------|---------------|
| | E&G | Auxiliary | Restricted | | | | 2002 | 2001 |
| REVENUES | | | | | | | | |
| Operating revenues: | | | | | | | | |
| Student tuition and fees | \$ 33,937,341 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 33,937,341 | \$ 29,763,190 |
| Less: discounts and allowances | (7,717,265) | - | (5,438,045) | - | - | - | (13,155,310) | (10,908,551) |
| Net tuition and fees | 26,220,076 | - | (5,438,045) | - | - | - | 20,782,031 | 18,854,639 |
| Federal grants and contracts | 12,095 | - | 10,375,158 | - | 43,158 | - | 10,430,411 | 8,846,203 |
| State grants and contracts | - | - | 3,553,022 | - | - | - | 3,553,022 | 2,379,616 |
| Local and private grants and contracts | - | - | 90,903 | - | - | - | 90,903 | 2,554,730 |
| Subtotal - Grants and contracts | 12,095 | - | 14,019,083 | - | 43,158 | - | 14,074,336 | 13,780,549 |
| Sales and services | 2,874,654 | - | - | - | - | - | 2,874,654 | 2,884,394 |
| Other operating revenues | 3,954,261 | - | - | - | 110,632 | - | 4,064,893 | 3,473,978 |
| Auxiliary revenues | - | 15,652,036 | 40,586 | - | - | - | 15,692,622 | 15,043,083 |
| Less: discounts and allowances | - | (922,766) | - | - | - | - | (922,766) | (888,971) |
| Net auxiliary revenues | - | 14,729,270 | 40,586 | - | - | - | 14,769,856 | 14,154,112 |
| Total operating revenues | 33,061,086 | 14,729,270 | 8,621,624 | - | 153,790 | - | 56,565,770 | 53,147,672 |
| EXPENSES | | | | | | | | |
| Operating expenses: | | | | | | | | |
| Instruction | 37,364,752 | - | 6,066,665 | - | - | - | 43,431,417 | 41,899,770 |
| Research | 648,103 | - | 1,142,509 | - | - | - | 1,790,612 | 1,669,600 |
| Public service | 3,705,175 | - | 1,445,010 | - | - | - | 5,150,185 | 4,699,691 |
| Libraries | 1,396,212 | - | 42,229 | - | - | - | 1,438,441 | 1,504,589 |
| Academic support | 5,247,458 | - | 443,431 | - | - | - | 5,690,889 | 4,525,364 |
| Student services | 8,480,708 | - | 966,574 | - | 116,579 | - | 9,563,861 | 9,090,573 |
| Institutional support | 9,400,459 | - | 116,498 | - | - | - | 9,516,957 | 10,300,009 |
| O&M | 9,198,404 | - | 212,860 | 2,120,440 | - | - | 11,531,704 | 10,616,469 |
| Student financial aid | 486,632 | - | 5,225,365 | - | - | - | 5,711,997 | 3,808,453 |
| Depreciation | - | - | - | 6,144,645 | - | - | 6,144,645 | - |
| Auxiliary expenses | - | 13,732,190 | 40,587 | - | - | - | 13,772,777 | 13,189,494 |
| Total operating expenses | 75,927,903 | 13,732,190 | 15,701,728 | 8,265,085 | 116,579 | - | 113,743,485 | 101,304,012 |
| Operating income (loss) | (42,866,817) | 997,080 | (7,080,104) | (8,265,085) | 37,211 | - | (57,177,715) | (48,156,340) |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (UNAUDITED)
For the year ended June 30, 2002
With Comparative Unaudited Figures as of June 30, 2001

| | Current Funds | | | Plant Funds | Loan Funds | Endowment Funds | Totals | |
|--|---------------|-----------|--------------|-------------|------------|-----------------|---------------|---------------|
| | E&G | Auxiliary | Restricted | | | | 2002 | 2001 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | | |
| State appropriations | \$ 50,582,140 | \$ - | \$ 1,091,600 | \$ - | \$ - | \$ - | \$ 51,673,740 | \$ 47,914,400 |
| State endowment match | - | - | - | - | - | 1,521,786 | 1,521,786 | 2,935,751 |
| Federal grants and contracts | - | - | 1,403,332 | - | - | - | 1,403,332 | 1,014,607 |
| State grants and contracts | - | - | 1,845,650 | - | - | - | 1,845,650 | 1,946,085 |
| Local and private grants and contracts | - | - | 1,238,341 | - | - | - | 1,238,341 | 1,300,278 |
| Subtotal - Grants and contracts | - | - | 4,487,323 | - | - | - | 4,487,323 | 4,260,970 |
| Endowment income | - | - | 762,542 | - | - | 21,180 | 783,722 | 614,461 |
| Gifts | - | - | 1,188,521 | 9,193 | - | 2,386,251 | 3,583,965 | 4,210,597 |
| Investment income: | | | | | | | | |
| Interest income: | | | | | | | | |
| Operating fund interest | 184,321 | 132,657 | 36,281 | 294,085 | 100,164 | 9,162 | 756,670 | 1,138,602 |
| Consolidated educational revenue interest | 848,457 | - | - | - | - | - | 848,457 | 1,649,583 |
| Realized gains/losses on investments | - | - | 273,196 | (7,632) | - | 3,294 | 268,858 | 470,761 |
| Unrealized gains/losses on investments | - | - | (4,899) | (3,526) | - | (1,411,630) | (1,420,055) | (116,587) |
| Total investment income | 1,032,778 | 132,657 | 304,578 | 282,927 | 100,164 | (1,399,174) | 453,930 | 3,142,359 |
| Interest on capital asset-related debt | - | - | - | (1,066,839) | - | - | (1,066,839) | (1,024,333) |
| Loss on deletion and disposal of capital assets | - | - | - | (851,904) | - | - | (851,904) | (1,680,011) |
| Bond amortization | - | - | - | (39,442) | - | - | (39,442) | (36,752) |
| Net nonoperating revenues | 51,614,918 | 132,657 | 7,834,564 | (1,666,065) | 100,164 | 2,530,043 | 60,546,281 | 60,337,442 |
| Income before other revenues, expenses, gains, or losses | 8,748,101 | 1,129,737 | 754,460 | (9,931,150) | 137,375 | 2,530,043 | 3,368,566 | 12,181,102 |
| State capital appropriations | - | - | - | 1,818,336 | - | - | 1,818,336 | 19,539,186 |
| Capital gifts | - | - | - | 679,378 | - | - | 679,378 | 746,817 |
| Insurance proceeds on capital asset loss | - | - | - | 300,000 | - | - | 300,000 | - |
| Increase (decrease) in assets | 8,748,101 | 1,129,737 | 754,460 | (7,133,436) | 137,375 | 2,530,043 | 6,166,280 | 32,467,105 |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (UNAUDITED)
For the year ended June 30, 2002
With Comparative Unaudited Figures as of June 30, 2001

| | Current Funds | | | Plant Funds | Loan Funds | Endowment Funds | Totals | |
|--|----------------------|--------------------|---------------------|----------------------|---------------------|----------------------|-----------------------|-----------------------|
| | E&G | Auxiliary | Restricted | | | | 2002 | 2001 |
| Transfers: | | | | | | | | |
| Mandatory | (1,894,188) | (1,349,883) | - | 3,244,071 | - | - | - | - |
| Nonmandatory | (1,527,402) | (280,595) | (580,261) | 1,959,981 | - | 428,277 | - | - |
| Subtotal - transfers | <u>(3,421,590)</u> | <u>(1,630,478)</u> | <u>(580,261)</u> | <u>5,204,052</u> | <u>-</u> | <u>428,277</u> | <u>-</u> | <u>-</u> |
| Increase (decrease) in assets after transfers | 5,326,511 | (500,741) | 174,199 | (1,929,384) | 137,375 | 2,958,320 | 6,166,280 | 32,467,105 |
| Net assets - beginning of year, as originally reported | 11,867,362 | 951,724 | 5,825,561 | 220,207,130 | 4,865,546 | 25,067,950 | 268,785,273 | 236,318,168 |
| Interaccount eliminations | (3,891,727) | (7,549) | 1,283,935 | 2,615,341 | - | - | - | - |
| Adoption of depreciation for capital assets | - | - | - | (127,852,656) | - | - | (127,852,656) | - |
| Application of GASB 33 for pledged assets | - | - | - | - | - | (422,554) | (422,554) | - |
| Net assets - beginning of year, as restated | <u>7,975,635</u> | <u>944,175</u> | <u>7,109,496</u> | <u>94,969,815</u> | <u>4,865,546</u> | <u>24,645,396</u> | <u>140,510,063</u> | <u>236,318,168</u> |
| Net assets - end of year | <u>\$ 13,302,146</u> | <u>\$ 443,434</u> | <u>\$ 7,283,695</u> | <u>\$ 93,040,431</u> | <u>\$ 5,002,921</u> | <u>\$ 27,603,716</u> | <u>\$ 146,676,343</u> | <u>\$ 268,785,273</u> |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)
For the Period July 1, 2001 through June 30, 2002
With Comparative Unaudited Figures as of June 30, 2001

| | 2001-02 | | | | 2000-01 |
|---|------------------------------------|------------------|--------------------------------|----------------------|----------------------|
| | <u>Educational and General</u> | <u>Auxiliary</u> | <u>Restricted and Loan</u> | <u>Total</u> | <u>Total</u> |
| OPERATING REVENUES | | | | | |
| Tuition and fees: | | | | | |
| Fall tuition | \$ 14,499,508 | \$ - | \$ - | \$ 14,499,508 | \$ 12,436,214 |
| Spring tuition | 13,286,817 | - | - | 13,286,817 | 11,820,988 |
| Summer II tuition | 768,133 | - | - | 768,133 | 790,680 |
| Summer I tuition | 1,841,465 | - | - | 1,841,465 | 1,665,954 |
| Miscellaneous tuition | - | - | - | - | 2,438 |
| Tuition discounts | (7,422,003) | - | (5,438,045) | (12,860,048) | (10,684,708) |
| Mandatory student fees | 3,541,418 | - | - | 3,541,418 | 3,046,916 |
| Mandatory student fees discounts | (295,262) | - | - | (295,262) | (223,843) |
| Net tuition and mandatory fees, net of discounts | <u>\$ 26,220,076</u> | <u>\$ -</u> | <u>\$ (5,438,045)</u> | <u>\$ 20,782,031</u> | <u>\$ 18,854,639</u> |
| Grants and contracts: | | | | | |
| Federal work study | \$ - | \$ - | \$ 425,792 | \$ 425,792 | \$ 355,682 |
| Federal Pell | - | - | 5,797,050 | 5,797,050 | 4,714,382 |
| Federal SEOG | - | - | 275,550 | 275,550 | 360,150 |
| Grants and contracts - federal | 12,095 | - | 3,919,924 | 3,932,019 | 3,415,989 |
| Grants and contracts - state | - | - | 3,553,022 | 3,553,022 | 2,379,616 |
| Grants and contracts - other | - | - | 90,903 | 90,903 | 2,554,730 |
| Total grants and contracts | <u>\$ 12,095</u> | <u>\$ -</u> | <u>\$ 14,062,241</u> | <u>\$ 14,074,336</u> | <u>\$ 13,780,549</u> |
| Sales and services of educational departments: | | | | | |
| Administrative Services copy account | \$ - | \$ - | \$ - | \$ - | \$ 685 |
| American Humanics | 452 | - | - | 452 | - |
| Agriculture | 2,498 | - | - | 2,498 | - |
| Applied Science computer lab | 11,926 | - | - | 11,926 | - |
| Art auction | 6,925 | - | - | 6,925 | 5,785 |
| Art cash sales | 45,572 | - | - | 45,572 | 40,641 |
| Hancock biological station | 10,310 | - | - | 10,310 | 12,667 |
| Breathitt veterinary center | 311,080 | - | - | 311,080 | 301,818 |
| BPA computer lab | 1,488 | - | - | 1,488 | - |
| Chemical services | 203 | - | - | 203 | 190 |
| Child development center | - | - | - | - | 3,144 |
| Computer science workshop | 1,530 | - | - | 1,530 | 480 |
| Economics and Finance | 74 | - | - | 74 | - |
| Environmental education workshop | - | - | - | - | 2,760 |
| Fall business education conference | 580 | - | - | 580 | 960 |
| Hong Kong MBA | 1,835 | - | - | 1,835 | 61,000 |
| Institute for International Studies | 611,653 | - | - | 611,653 | 698,452 |
| Journalism and Mass Communication | 106 | - | - | 106 | - |
| Journalism workshop | 1,202 | - | - | 1,202 | 964 |
| Kentucky Institute for International Studies (KIIS) | 1,491,206 | - | - | 1,491,206 | 1,301,688 |
| Keyboard recruiting | 535 | - | - | 535 | 852 |
| MARC service center | 1,582 | - | - | 1,582 | 3,540 |
| MSU News | 62,879 | - | - | 62,879 | 110,703 |
| Nursing Continuing Education | 1,080 | - | - | 1,080 | - |
| Office systems and business education copy account | - | - | - | - | 641 |
| Public relations book marketing | 459 | - | - | 459 | 202 |
| Psychology center | 1,541 | - | - | 1,541 | 1,241 |
| Recording studio | 2,438 | - | - | 2,438 | 635 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)
For the Period July 1, 2001 through June 30, 2002
With Comparative Unaudited Figures as of June 30, 2001

| | 2001-02 | | | | 2000-01 |
|--|----------------------------|-------------|------------------------|---------------------|---------------------|
| | Educational and General | Auxiliary | Restricted and Loan | Total | Total |
| Sales and services of educational departments: (cont'd) | | | | | |
| Regional Special Events Center | \$ 62,335 | \$ - | \$ - | \$ 62,335 | \$ 89,556 |
| Shield yearbook | 38,411 | - | - | 38,411 | 47,337 |
| Special education clinic | 23,030 | - | - | 23,030 | 26,712 |
| University Press of Kentucky | - | - | - | - | 3,288 |
| University theater | 20,033 | - | - | 20,033 | 19,025 |
| University farms | 157,893 | - | - | 157,893 | 145,413 |
| Waterfield Center | 150 | - | - | 150 | - |
| Well water testing | 3,648 | - | - | 3,648 | 4,015 |
| Total sales and services of educational departments | \$ 2,874,654 | \$ - | \$ - | \$ 2,874,654 | \$ 2,884,394 |
| Other sources: | | | | | |
| African American recruiting | \$ 820 | \$ - | \$ - | \$ 820 | \$ - |
| Athena festival | - | - | - | - | 7,192 |
| Athletics | 750,145 | - | - | 750,145 | 705,748 |
| Athletics - concessions | 32,363 | - | - | 32,363 | 41,000 |
| Athletics - guarantees | 532,300 | - | - | 532,300 | 190,000 |
| Athletic camps - | | | | | |
| Athletic trainer | 1,545 | - | - | 1,545 | - |
| Baseball | 12,505 | - | - | 12,505 | 8,350 |
| Football | 3,506 | - | - | 3,506 | 3,850 |
| Distance runners | 5,757 | - | - | 5,757 | 7,283 |
| Golf | 6,675 | - | - | 6,675 | 6,800 |
| Mens' basketball | 28,030 | - | - | 28,030 | 25,595 |
| Women's basketball | 9,158 | - | - | 9,158 | 7,205 |
| Tennis camps | 20,845 | - | - | 20,845 | 26,940 |
| Soccer camp | 34,103 | - | - | 34,103 | 21,210 |
| Volleyball | 7,381 | - | - | 7,381 | 2,370 |
| Athletics - NCAA revenue | 240,500 | - | - | 240,500 | 339,452 |
| Athletics - OVC tournament | - | - | - | - | 1,791 |
| Regional high school tournaments | 25,616 | - | - | 25,616 | 25,095 |
| Bad debt expense recovery | 9,142 | - | - | 9,142 | 4,797 |
| Campus lights | 4,976 | - | - | 4,976 | 9,126 |
| Campus recreation | 6,994 | - | - | 6,994 | 440 |
| Celebrate women | 659 | - | - | 659 | 530 |
| Center for economic education | - | - | - | - | 6,550 |
| Center for gifted study | 1,970 | - | - | 1,970 | - |
| Choir International Tours | 2,431 | - | - | 2,431 | - |
| Ctr for Teaching and Technology Learning | 530 | - | - | 530 | 1,061 |
| Central stores | 1,113 | - | - | 1,113 | 1,105 |
| Chemistry breakage fees | 5,620 | - | - | 5,620 | 5,233 |
| Commonwealth Honors Academy | 94 | - | - | 94 | - |
| Continuing educations programs - | | | | | |
| Art workshops | 11,613 | - | - | 11,613 | 12,990 |
| Community education | - | - | - | - | 1,400 |
| Computer camp | - | - | - | - | 1,125 |
| Conferences and workshops | 108,503 | - | - | 108,503 | 92,705 |
| Music workshops | - | - | - | - | 8,975 |
| Paducah creativity | - | - | - | - | 780 |
| Robotics camp | 5,250 | - | - | 5,250 | 5,125 |
| Super Saturdays | 10,005 | - | - | 10,005 | 10,350 |
| Trumpet workshop | 8,170 | - | - | 8,170 | - |
| Young authors camp | 5,321 | - | - | 5,321 | 5,070 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)
For the Period July 1, 2001 through June 30, 2002
With Comparative Unaudited Figures as of June 30, 2001

| | 2001-02 | | | | 2000-01 |
|--|----------------------------|-----------|------------------------|-----------|-----------|
| | Educational and General | Auxiliary | Restricted and Loan | Total | Total |
| Other sources: (cont'd) | | | | | |
| Fixed price contract residuals | \$ - | \$ - | \$ - | \$ - | \$ 22,938 |
| Career services | 17,721 | - | - | 17,721 | 19,395 |
| Counseling and testing center | 17,814 | - | - | 17,814 | 19,457 |
| Delinquent account collection fees | 135,080 | - | - | 135,080 | 64,733 |
| Early Childhood Elementary Education | 7,617 | - | - | 7,617 | - |
| Engineering institute | 208,403 | - | - | 208,403 | 135,344 |
| Environmental consortium of mid-america | 16,100 | - | - | 16,100 | - |
| Facilities Management | 3,923 | - | - | 3,923 | - |
| Festival of champions | 29,177 | - | - | 29,177 | 16,690 |
| Forensics team | 1,857 | - | - | 1,857 | 2,422 |
| Graphic arts technology | 5,091 | - | - | 5,091 | 5,163 |
| Hazardous materials training | 54,422 | - | - | 54,422 | 56,514 |
| Health services | 451 | - | - | 451 | - |
| Intramural sports | - | - | - | - | 7,150 |
| KLEFPT supplemental salary reimbursement | 35,366 | - | - | 35,366 | 32,067 |
| Library - copy service | 32,820 | - | - | 32,820 | 33,048 |
| Library - fines and damages | 8,722 | - | - | 8,722 | (120) |
| Library - inter library loan | 939 | - | - | 939 | 361 |
| Library - other | 1,458 | - | - | 1,458 | 13,279 |
| Madrigal dinner | 7,748 | - | - | 7,748 | 6,411 |
| Meal management luncheons | 1,206 | - | - | 1,206 | 1,158 |
| Music recital | 383 | - | - | 383 | 5,630 |
| National student exchange | 1,800 | - | - | 1,800 | 2,100 |
| Networking and microcomputer services | 1,891 | - | - | 1,891 | - |
| Organic Pasteurization | 3,342 | - | - | 3,342 | - |
| Other fees | 572,046 | - | - | 572,046 | 587,993 |
| Other fees discounts | (961,563) | - | - | (961,563) | (804,765) |
| Other revenue | 194,091 | - | - | 194,091 | 102,218 |
| Parking | 620,903 | - | - | 620,903 | 558,572 |
| Perkins loan recovery | 7,848 | - | - | 7,848 | 7,977 |
| Post office | 28,069 | - | - | 28,069 | 12,866 |
| Printing | 50,949 | - | - | 50,949 | 32,475 |
| Quad state band festival | 27,363 | - | - | 27,363 | 22,771 |
| Recycling program | 3,341 | - | - | 3,341 | 5,757 |
| Regensburg exchange | 88,686 | - | - | 88,686 | 88,880 |
| Facility rentals | 50,810 | - | - | 50,810 | 53,754 |
| Rodeo | 38,280 | - | - | 38,280 | 8,811 |
| Sale of surplus property | 13,324 | - | - | 13,324 | 11,448 |
| Senior breakfast | 676 | - | - | 676 | 773 |
| Shakespeare Festival | 11,387 | - | - | 11,387 | - |
| String prep program | 8,865 | - | - | 8,865 | 10,508 |
| Student government association | 288,746 | - | - | 288,746 | 131,957 |
| Student support for learning disabilities | 48,796 | - | - | 48,796 | 39,261 |
| Summer challenge | 23,395 | - | - | 23,395 | 9,945 |
| Summer orientation | 88,310 | - | - | 88,310 | 98,799 |
| Technology center | - | - | - | - | 4,717 |
| Telecommunications commission | 11,648 | - | - | 11,648 | 69,752 |
| Transportation | 9,453 | - | - | 9,453 | - |
| Welcome back program | - | - | - | - | 2,003 |
| West Kentucky environmental education consortium | - | - | - | - | 19,059 |
| West Kentucky livestock and exposition center | 82,098 | - | - | 82,098 | 94,780 |
| Wickliffe Mounds gift shop | 8,406 | - | - | 8,406 | 7,098 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)
For the Period July 1, 2001 through June 30, 2002
With Comparative Unaudited Figures as of June 30, 2001

| | 2001-02 | | | | 2000-01 |
|----------------------------------|----------------------------|----------------------|------------------------|----------------------|----------------------|
| | Educational and General | Auxiliary | Restricted and Loan | Total | Total |
| Other sources: (cont'd) | | | | | |
| Wickliffe Mounds research center | \$ 20,701 | \$ - | \$ - | \$ 20,701 | \$ 18,965 |
| WKMS radio station | 57,636 | - | - | 57,636 | 102,196 |
| WQTV television station | 73,026 | - | - | 73,026 | 45,076 |
| Loan fund operating revenue | - | - | 110,632 | 110,632 | 99,349 |
| Total other sources | <u>\$ 3,954,261</u> | <u>\$ -</u> | <u>\$ 110,632</u> | <u>\$ 4,064,893</u> | <u>\$ 3,473,978</u> |
| Auxiliary enterprises revenues: | | | | | |
| Food services | \$ - | \$ 4,944,741 | \$ - | \$ 4,944,741 | \$ 4,775,344 |
| Less: discount | - | (53,624) | - | (53,624) | (83,044) |
| Housing services | - | 6,181,923 | - | 6,181,923 | 6,154,587 |
| Less: discount | - | (863,546) | - | (863,546) | (805,927) |
| Bookstore | - | 4,317,109 | - | 4,317,109 | 3,855,790 |
| Curris center | - | 20,660 | - | 20,660 | 29,066 |
| Racer card administration | - | 54,420 | - | 54,420 | 53,788 |
| Vending and manual commissions | - | 127,587 | - | 127,587 | 133,179 |
| Federal workstudy | - | - | 40,586 | 40,586 | 41,329 |
| Net auxiliary revenue | <u>\$ -</u> | <u>\$ 14,729,270</u> | <u>\$ 40,586</u> | <u>\$ 14,769,856</u> | <u>\$ 14,154,112</u> |
| Total operating revenues | <u>\$ 33,061,086</u> | <u>\$ 14,729,270</u> | <u>\$ 8,775,414</u> | <u>\$ 56,565,770</u> | <u>\$ 53,147,672</u> |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | 2001 | |
|--|----------------------------|--------------------------|--------------------------------|------------------|------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | Total |
| <i>Instruction:</i> | | | | | |
| <i>College of Business and Public Affairs:</i> | | | | | |
| Accounting | \$ 918,170 | \$ - | - | \$ 918,170 | \$ 975,311 |
| Computer studies | 597,729 | - | - | 597,729 | 678,001 |
| Economics and finance | 902,514 | - | - | 902,514 | 961,322 |
| Management and marketing | 1,151,242 | - | - | 1,151,242 | 1,117,282 |
| BPA computer lab | 58,811 | - | - | 58,811 | 56,456 |
| Organizational communication | 651,975 | - | - | 651,975 | 657,695 |
| Political science and legal studies | 620,743 | - | - | 620,743 | 654,805 |
| Journalism and mass communication | 849,008 | - | - | 849,008 | 902,947 |
| MBA program | 2,408 | - | - | 2,408 | 5,702 |
| Owensboro MBA | 12,370 | - | - | 12,370 | 11,975 |
| Access workshops | - | - | - | - | 100 |
| Bank management seminars | - | - | - | - | 1,181 |
| Fall Business Education Conference | 686 | - | - | 686 | - |
| Hong Kong MBA | 2,955 | - | - | 2,955 | 80,021 |
| Summer computer science workshop | (73) | - | - | (73) | 1,839 |
| BPA-other instruction | 52,894 | - | - | 52,894 | 4,436 |
| <i>Total College of Business and Public Affairs</i> | <u>5,821,432</u> | <u>-</u> | <u>-</u> | <u>5,821,432</u> | <u>6,109,073</u> |
| <i>College of Education:</i> | | | | | |
| Education studies leadership and counseling | 1,012,544 | - | - | 1,012,544 | 953,233 |
| Early childhood and elementary education | 594,077 | - | - | 594,077 | 614,737 |
| Adolescent, career, and special education | 942,180 | - | - | 942,180 | 1,042,698 |
| Teacher education services | 375,524 | - | - | 375,524 | 348,975 |
| American humanics | 99,531 | - | - | 99,531 | 89,750 |
| Center for education, finance, and law | 36,248 | - | - | 36,248 | 39,341 |
| Center for gifted study | 2,098 | - | - | 2,098 | 3,395 |
| Environmental education center | 6,603 | - | - | 6,603 | 11,806 |
| Special education tech center | 21,067 | - | - | 21,067 | 15,166 |
| West KY Environmental education consortium | 24,460 | - | - | 24,460 | 11,990 |
| Environmental education preservice | 1 | - | - | 1 | - |
| KATE appropriation | 341,331 | - | - | 341,331 | 181,216 |
| Education-other instruction | 17,264 | - | - | 17,264 | 7,167 |
| <i>Total College of Education</i> | <u>3,472,928</u> | <u>-</u> | <u>-</u> | <u>3,472,928</u> | <u>3,319,474</u> |
| <i>College of Health Sciences and Human Services:</i> | | | | | |
| Nursing | 981,108 | - | - | 981,108 | 919,017 |
| Rural allied health | 90,266 | - | - | 90,266 | 99,924 |
| Nursing continuing education | 3,330 | - | - | 3,330 | 831 |
| Occupational safety and health | 714,872 | - | - | 714,872 | 602,503 |
| Wellness and therapeutic sciences | 951,059 | - | - | 951,059 | 827,695 |
| Social work, criminal justice, and gerontology | 673,821 | - | - | 673,821 | 577,074 |
| Meal management luncheons | 1,539 | - | - | 1,539 | 1,681 |
| Trover clinic | 25,000 | - | - | 25,000 | 25,000 |
| HSHS-other instruction | 93,165 | - | - | 93,165 | 52,447 |
| <i>Total College of Health Sciences and Human Services</i> | <u>3,534,160</u> | <u>-</u> | <u>-</u> | <u>3,534,160</u> | <u>3,106,172</u> |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|--|----------------------------|--------------------------|--------------------------------|------------------|------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>College of Humanities and Fine Arts:</i> | | | | | |
| Art | \$ 1,143,530 | \$ - | \$ - | \$ 1,143,530 | \$ 1,088,970 |
| Music | 1,491,071 | - | - | 1,491,071 | 1,478,088 |
| Theatre and dance | 400,170 | - | - | 400,170 | 357,006 |
| Art cash sales | 48,291 | - | - | 48,291 | 50,335 |
| Art workshops | 11,267 | - | - | 11,267 | 12,015 |
| Jesse Stuart Fellowship | 4,000 | - | - | 4,000 | 5,000 |
| Keyboard recruiting | 898 | - | - | 898 | 447 |
| Music workshops | 1,168 | - | - | 1,168 | 1,668 |
| String prep program | 8,661 | - | - | 8,661 | 10,246 |
| Athena Festival | - | - | - | - | 14,354 |
| Festival of champions | 18,425 | - | - | 18,425 | 42,056 |
| Quad state festivals | 24,094 | - | - | 24,094 | 20,985 |
| Psychology | 661,855 | - | - | 661,855 | 707,217 |
| English and philosophy | 2,006,391 | - | - | 2,006,391 | 2,089,912 |
| Modern languages | 621,984 | - | - | 621,984 | 644,741 |
| History | 1,021,037 | - | - | 1,021,037 | 1,043,514 |
| Sociology | 154,192 | - | - | 154,192 | 144,286 |
| English computer classrooms | 12,082 | - | - | 12,082 | 737 |
| Humanities and fine arts-copy account | 1,244 | - | - | 1,244 | 1,585 |
| Kentucky Institute for International Studies(KIIS) | 1,334,483 | - | - | 1,334,483 | 1,263,307 |
| Language and culture lab | 2,981 | - | - | 2,981 | 2,500 |
| Notations | - | - | - | - | 1,181 |
| Jesse Stuart Conference | 3,746 | - | - | 3,746 | 6,589 |
| TESOL program | 41,373 | - | - | 41,373 | 31,303 |
| University Press of Kentucky consortium | (511) | - | - | (511) | 50 |
| Humanities and fine arts-other instruction | 206,573 | - | - | 206,573 | 44,788 |
| <i>Total College of Humanities and Fine Arts</i> | <u>9,219,005</u> | <u>-</u> | <u>-</u> | <u>9,219,005</u> | <u>9,062,880</u> |
| <i>College of Science, Engineering and Technology:</i> | | | | | |
| Biological sciences | 1,274,580 | - | - | 1,274,580 | 1,226,361 |
| Chemistry | 933,322 | - | - | 933,322 | 931,950 |
| Geosciences | 583,542 | - | - | 583,542 | 650,253 |
| Mathematics and statistics | 1,402,613 | - | - | 1,402,613 | 1,288,874 |
| Physics and engineering | 600,871 | - | - | 600,871 | 583,502 |
| Biological station | 14,249 | - | - | 14,249 | 13,985 |
| Industrial and engineering technology | 1,270,265 | - | - | 1,270,265 | 1,208,123 |
| CIT Services | 21,849 | - | - | 21,849 | 19,268 |
| The technology center | 11,372 | - | - | 11,372 | 6,491 |
| Engineering institute | 170,999 | - | - | 170,999 | 164,231 |
| Indirect costs | 12,606 | - | - | 12,606 | 5,370 |
| SET-other instruction | 30,980 | - | - | 30,980 | - |
| <i>Total College of Science, Engineering, and Technology</i> | <u>6,327,248</u> | <u>-</u> | <u>-</u> | <u>6,327,248</u> | <u>6,098,408</u> |
| <i>School of Agriculture:</i> | | | | | |
| Agriculture/Agriculture mechanization | 1,060,682 | - | - | 1,060,682 | 979,784 |
| Animal health technology | 262,225 | - | - | 262,225 | 251,686 |
| Animal Health Technology courses | 10,431 | - | - | 10,431 | - |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|--|----------------------------|--------------------------|--------------------------------|------------------|------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>School of Agriculture: (cont'd)</i> | | | | | |
| Rodeo | \$ 43,276 | \$ - | \$ - | \$ 43,276 | \$ 42,186 |
| AG-other instruction | 43,515 | - | - | 43,515 | (927) |
| <i>Total School of Agriculture</i> | <u>1,420,129</u> | <u>-</u> | <u>-</u> | <u>1,420,129</u> | <u>1,272,729</u> |
| <i>Center for Telecommunications Systems Management:</i> | | | | | |
| WQTV operations | 429,229 | - | - | 429,229 | 466,076 |
| Telecommunications Systems Management | 843,306 | - | - | 843,306 | 685,390 |
| Bureau of Business and Economics | - | - | - | - | 12,684 |
| <i>Total Telecommunications Systems Management</i> | <u>1,272,535</u> | <u>-</u> | <u>-</u> | <u>1,272,535</u> | <u>1,164,150</u> |
| <i>Other instruction:</i> | | | | | |
| Academic affairs consultants | 23,619 | - | - | 23,619 | 14,135 |
| Academic excellence | 8,299 | - | - | 8,299 | 9,284 |
| Academic team | 2,371 | - | - | 2,371 | 2,708 |
| Accrued vacation | (12,432) | - | - | (12,432) | (12,211) |
| Archaeology and robotics camps | - | - | - | - | 9,548 |
| Area health education system | 75,859 | - | - | 75,859 | 75,692 |
| Bachelor of independent studies | 365,021 | - | - | 365,021 | 221,998 |
| Center for economic education | 1,125 | - | - | 1,125 | 3,536 |
| Commonwealth honors academy | 104,140 | - | - | 104,140 | 70,100 |
| Communicating across the curriculum | 3,792 | - | - | 3,792 | 1,961 |
| Computer camp | - | - | - | - | 1,440 |
| Computer for instruction and research | 250,000 | - | - | 250,000 | 250,000 |
| English Language Institute | 897,958 | - | - | 897,958 | 953,984 |
| Extended campus administration | 359,147 | - | - | 359,147 | 318,823 |
| Extended campus - Henderson | 171,715 | - | - | 171,715 | 138,761 |
| Extended campus - Hopkinsville | 483,295 | - | - | 483,295 | 443,362 |
| Extended campus - Madisonville | 186,954 | - | - | 186,954 | 149,190 |
| Extended campus - Paducah | 495,899 | - | - | 495,899 | 480,667 |
| Hazardous waste | 2,415 | - | - | 2,415 | 3,737 |
| Honors program | 88,887 | - | - | 88,887 | 86,123 |
| Instructional support | 20,476 | - | - | 20,476 | 41,284 |
| Regensburg exchange | 53,676 | - | - | 53,676 | 88,880 |
| Sports camps | 111,285 | - | - | 111,285 | 113,851 |
| Summer academic programs | 27,890 | - | - | 27,890 | 53,308 |
| Summer challenge | 16,012 | - | - | 16,012 | 9,653 |
| Summer leaves and salaries | 1,214,912 | - | - | 1,214,912 | 1,136,027 |
| Super Saturdays | 11,903 | - | - | 11,903 | 11,841 |
| Teacher quality institute | 209,029 | - | - | 209,029 | - |
| Trumpet and clarinet workshops | 7,275 | - | - | 7,275 | 7,010 |
| Unallotted academic programs | 38,629 | - | - | 38,629 | 31,342 |
| Undergraduate research | 105,311 | - | - | 105,311 | - |
| Young authors and robotics camps | 3,466 | - | - | 3,466 | 3,784 |
| Instruction accrued compensation expense | 62,390 | - | - | 62,390 | (31,089) |
| Matching grants and contracts | 90,671 | - | 5,630,526 | 5,721,197 | 5,841,391 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|---|----------------------------|--------------------------|--------------------------------|------------|------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>Other instruction: (cont'd)</i> | | | | | |
| Murray State University Foundation | \$ - | \$ - | \$ 436,139 | \$ 436,139 | \$ 462,287 |
| <i>Total other instruction</i> | 5,480,989 | - | 6,066,665 | 11,547,654 | 10,992,407 |
| <i>Community education:</i> | | | | | |
| Center for continuing education | 325,676 | - | - | 325,676 | 340,624 |
| Community education | 91,348 | - | - | 91,348 | 71,873 |
| <i>Total community education</i> | 417,024 | - | - | 417,024 | 412,497 |
| <i>Preparatory/remedial instruction:</i> | | | | | |
| Community college | 399,302 | - | - | 399,302 | 361,980 |
| <i>Total preparatory/remedial instruction</i> | 399,302 | - | - | 399,302 | 361,980 |
| <i>Total instruction</i> | 37,364,752 | - | 6,066,665 | 43,431,417 | 41,899,770 |
| <i>Research:</i> | | | | | |
| Institutional sponsored research | 48,784 | - | - | 48,784 | 85,014 |
| Mid-America remote sensing center | 144,024 | - | - | 144,024 | 130,863 |
| Center of excellence and ecosystems studies | 416,866 | - | - | 416,866 | 440,385 |
| Economic development: special research | - | - | - | - | 37,416 |
| Hydrology | - | - | - | - | 2,875 |
| Research accrued compensation expense | 5,410 | - | - | 5,410 | (1,434) |
| Matching grants and contracts | 33,019 | - | 1,137,882 | 1,170,901 | 966,086 |
| Murray State University Foundation | - | - | 4,627 | 4,627 | 8,395 |
| <i>Total research</i> | 648,103 | - | 1,142,509 | 1,790,612 | 1,669,600 |
| <i>Public service:</i> | | | | | |
| <i>Community service:</i> | | | | | |
| Air Products symposium | 88 | - | - | 88 | 252 |
| Archeology service center | - | - | - | - | 13 |
| Bluegrass State Skills | 8,599 | - | - | 8,599 | 10,768 |
| Celebrate women | 506 | - | - | 506 | (36) |
| Clinical services | 4,606 | - | - | 4,606 | 9,864 |
| Conferences and workshops | 116,040 | - | - | 116,040 | 90,543 |
| Graphic arts video sales | 3,521 | - | - | 3,521 | 2,294 |
| MSU X-ray lab | 542 | - | - | 542 | 30 |
| National Boy Scout Museum | - | - | - | - | 63,750 |
| College of education school services office | 1,859 | - | - | 1,859 | 3,487 |
| West Kentucky Livestock and Exposition Center | 161,312 | - | - | 161,312 | 155,986 |
| <i>Breathitt Veterinary Center:</i> | | | | | |
| Administrative services | 867,603 | - | - | 867,603 | 826,784 |
| Clinical pathology | 123,127 | - | - | 123,127 | 135,825 |
| DNA diagnostics | 95,801 | - | - | 95,801 | 104,069 |
| Therapy and field services | 9,152 | - | - | 9,152 | - |
| Histology | 88,469 | - | - | 88,469 | 117,675 |
| Microbiology | 315,151 | - | - | 315,151 | 324,058 |
| Pathology | 569,221 | - | - | 569,221 | 530,700 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|--|----------------------------|--------------------------|--------------------------------|------------------|------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>Community service: (cont'd)</i> | | | | | |
| Serology | \$ 181,097 | \$ - | \$ - | \$ 181,097 | \$ 178,084 |
| Toxicology | 184,378 | - | - | 184,378 | 222,816 |
| Virology | 233,510 | - | - | 233,510 | 233,558 |
| <i>Total community service</i> | <u>2,964,582</u> | <u>-</u> | <u>-</u> | <u>2,964,582</u> | <u>3,010,520</u> |
| <i>Public broadcasting services:</i> | | | | | |
| WKMS radio station | 371,237 | - | - | 371,237 | 323,540 |
| <i>Total public broadcasting services</i> | <u>371,237</u> | <u>-</u> | <u>-</u> | <u>371,237</u> | <u>323,540</u> |
| <i>Other public services:</i> | | | | | |
| Baseball summer clinic | 12,323 | - | - | 12,323 | 10,816 |
| Biological station facilities | 10,199 | - | - | 10,199 | 12,162 |
| Chemical services | 185 | - | - | 185 | 92 |
| Community service workstudy | - | - | - | - | 1,748 |
| Organic pasteurization processing plant | 10,767 | - | - | 10,767 | 48,755 |
| Environmental consortium Mid America (ECOMA) | - | - | - | - | 1,191 |
| Foreign language service center | 130 | - | - | 130 | (90) |
| Hazardous materials worker training project | 56,062 | - | - | 56,062 | 55,793 |
| Psychological center | 2,624 | - | - | 2,624 | 5,037 |
| Regional high school basketball tournaments | 21,535 | - | - | 21,535 | 17,727 |
| Regional special events center | 75,370 | - | - | 75,370 | 86,554 |
| Public service accrued compensation expense | 29,689 | - | - | 29,689 | 8,023 |
| Matching grants and contracts | 150,472 | - | 1,312,158 | 1,462,630 | 942,156 |
| Murray State University Foundation | - | - | 132,852 | 132,852 | 175,667 |
| <i>Total other public service</i> | <u>369,356</u> | <u>-</u> | <u>1,445,010</u> | <u>1,814,366</u> | <u>1,365,631</u> |
| <i>Total public service</i> | <u>3,705,175</u> | <u>-</u> | <u>1,445,010</u> | <u>5,150,185</u> | <u>4,699,691</u> |
| <i>Libraries:</i> | | | | | |
| Library | 1,352,609 | - | - | 1,352,609 | 1,384,382 |
| Inter-library loan | 388 | - | - | 388 | 262 |
| Library copy service | 32,382 | - | - | 32,382 | 58,419 |
| Library accrued compensation expense | 10,833 | - | - | 10,833 | 523 |
| Matching grants and contracts | - | - | 38,477 | 38,477 | 50,219 |
| Murray State University Foundation | - | - | 3,752 | 3,752 | 10,784 |
| <i>Total libraries</i> | <u>1,396,212</u> | <u>-</u> | <u>42,229</u> | <u>1,438,441</u> | <u>1,504,589</u> |
| <i>Academic support:</i> | | | | | |
| <i>Museums, galleries, and theatre:</i> | | | | | |
| Clara Eagle art gallery | 9,966 | - | - | 9,966 | 10,035 |
| Recording studio | 1,188 | - | - | 1,188 | 2,393 |
| University theatre | 31,622 | - | - | 31,622 | 27,050 |
| Wickliffe mounds | 91,288 | - | - | 91,288 | 82,670 |
| Wickliffe mounds gift shop | 5,500 | - | - | 5,500 | 3,533 |
| Wickliffe mounds welcome center | 27,853 | - | - | 27,853 | 27,418 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|--|----------------------------|--------------------------|--------------------------------|------------------|------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>Museums, galleries, and theatre: (cont'd)</i> | | | | | |
| Wrather West Kentucky museum | \$ 58,926 | \$ - | \$ - | \$ 58,926 | \$ 55,190 |
| <i>Total museums, galleries, and theatre</i> | <u>226,343</u> | <u>-</u> | <u>-</u> | <u>226,343</u> | <u>208,289</u> |
| <i>Academic computing support:</i> | | | | | |
| Center for teaching and technology | 799,882 | - | - | 799,882 | 292,042 |
| <i>Total academic computing support</i> | <u>799,882</u> | <u>-</u> | <u>-</u> | <u>799,882</u> | <u>292,042</u> |
| <i>Ancillary support:</i> | | | | | |
| Academic council | 2,380 | - | - | 2,380 | 2,504 |
| Faculty senate | 12,067 | - | - | 12,067 | 12,431 |
| Farms | 223,427 | - | - | 223,427 | 180,651 |
| Horses | 96,882 | - | - | 96,882 | 102,436 |
| Horticulture | 8,062 | - | - | 8,062 | 9,793 |
| Pullen farm | 9,667 | - | - | 9,667 | 5,382 |
| Open computer lab - Applied Science | 87,058 | - | - | 87,058 | 74,254 |
| Open computer lab - Hart College | 9,131 | - | - | 9,131 | 2,100 |
| <i>Total ancillary support</i> | <u>448,674</u> | <u>-</u> | <u>-</u> | <u>448,674</u> | <u>389,551</u> |
| <i>Academic administration:</i> | | | | | |
| Office of sponsored programs | 181,968 | - | - | 181,968 | 134,592 |
| Dean - business and public affairs | 605,856 | - | - | 605,856 | 460,087 |
| Dean - humanities and fine arts | 294,530 | - | - | 294,530 | 323,225 |
| Director - school of agriculture | 379,381 | - | - | 379,381 | 390,385 |
| Dean - science, engineering, and technology | 531,545 | - | - | 531,545 | 545,890 |
| Dean - education | 535,361 | - | - | 535,361 | 489,327 |
| Dean - health sciences and human services | 349,040 | - | - | 349,040 | 385,332 |
| <i>Total academic administration</i> | <u>2,877,681</u> | <u>-</u> | <u>-</u> | <u>2,877,681</u> | <u>2,728,838</u> |
| <i>Academic personnel development:</i> | | | | | |
| Faculty recruitment and travel | 98,892 | - | - | 98,892 | 109,428 |
| Faculty teaching and development awards | 20,180 | - | - | 20,180 | 9,700 |
| Faculty travel grant program | 3,359 | - | - | 3,359 | - |
| <i>Total academic personnel development</i> | <u>122,431</u> | <u>-</u> | <u>-</u> | <u>122,431</u> | <u>119,128</u> |
| <i>Course and curriculum development:</i> | | | | | |
| Academic accreditations | 13,781 | - | - | 13,781 | 9,715 |
| College of education faculty support | 62,573 | - | - | 62,573 | 41,992 |
| NCATE re-accreditation | 25,685 | - | - | 25,685 | 18,907 |
| Unit plan and program development | 77,066 | - | - | 77,066 | 38,413 |
| <i>Total course and curriculum development</i> | <u>179,105</u> | <u>-</u> | <u>-</u> | <u>179,105</u> | <u>109,027</u> |
| <i>Other academic support:</i> | | | | | |
| Well water testing | 2,927 | - | - | 2,927 | 9,473 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|--|----------------------------|--------------------------|--------------------------------|------------------|------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>Other academic support: (cont'd)</i> | | | | | |
| Special programs | \$ 1,790 | \$ - | \$ - | \$ 1,790 | \$ 1,628 |
| College of education technology development | 440,041 | - | - | 440,041 | 14,082 |
| Carr health building | 124,645 | - | - | 124,645 | 84,580 |
| Academic support accrued compensation | 11,797 | - | - | 11,797 | 28,565 |
| Matching grants and contracts | 12,142 | - | 388,736 | 400,878 | 491,889 |
| Murray State University Foundation | - | - | 54,695 | 54,695 | 48,272 |
| <i>Total other academic support</i> | <u>593,342</u> | <u>-</u> | <u>443,431</u> | <u>1,036,773</u> | <u>678,489</u> |
| <i>Total academic support</i> | <u>5,247,458</u> | <u>-</u> | <u>443,431</u> | <u>5,690,889</u> | <u>4,525,364</u> |
| <i>Student Services:</i> | | | | | |
| <i>Student service administration:</i> | | | | | |
| African-American student recruitment and retention | 12,897 | - | - | 12,897 | 28,092 |
| Curriss Center administration | 304,817 | - | - | 304,817 | 268,323 |
| Office of university scholarships | 120,972 | - | - | 120,972 | 122,678 |
| Recruitment and retention | 9,852 | - | - | 9,852 | 11,631 |
| Regional special events center | 300,691 | - | - | 300,691 | 346,217 |
| School relations office | 712,167 | - | - | 712,167 | 799,247 |
| Student government association | 396,611 | - | - | 396,611 | 281,263 |
| <i>Total student services administration</i> | <u>1,858,007</u> | <u>-</u> | <u>-</u> | <u>1,858,007</u> | <u>1,857,451</u> |
| <i>Social and cultural development:</i> | | | | | |
| The Shield | 48,290 | - | - | 48,290 | 61,600 |
| Murray State University News | 91,699 | - | - | 91,699 | 92,181 |
| Residential colleges networking and cable services | 109,708 | - | - | 109,708 | 46,837 |
| Residential colleges-student services | 25,651 | - | - | 25,651 | 8,698 |
| <i>Total social and cultural development</i> | <u>275,348</u> | <u>-</u> | <u>-</u> | <u>275,348</u> | <u>209,316</u> |
| <i>Counseling and career guidance:</i> | | | | | |
| Career services | 248,683 | - | - | 248,683 | 251,683 |
| Catalogs and bulletins | 15,992 | - | - | 15,992 | 69,604 |
| Counseling and testing center | 308,154 | - | - | 308,154 | 296,145 |
| <i>Total counseling and career guidance</i> | <u>572,829</u> | <u>-</u> | <u>-</u> | <u>572,829</u> | <u>617,432</u> |
| <i>Student financial aid administration:</i> | | | | | |
| Student loan fund administrative costs | - | - | 116,579 a | 116,579 | 172,356 |
| Student financial aid office | 464,822 | - | - | 464,822 | 456,687 |
| <i>Total student financial aid administration</i> | <u>464,822</u> | <u>-</u> | <u>116,579</u> | <u>581,401</u> | <u>629,043</u> |
| <i>Student health services:</i> | | | | | |
| Curriss Center fitness area | 47,033 | - | - | 47,033 | 25,000 |
| Health services | 373,193 | - | - | 373,193 | 364,801 |
| <i>Total student health services</i> | <u>420,226</u> | <u>-</u> | <u>-</u> | <u>420,226</u> | <u>389,801</u> |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|---|----------------------------|--------------------------|--------------------------------|------------------|------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>Intercollegiate athletics:</i> | | | | | |
| Athletic compliance | \$ 61,038 | \$ - | - | \$ 61,038 | \$ 82,798 |
| Athletic concessions | 72 | - | - | 72 | 91 |
| Athletic director/Athletic director reserve | 406,991 | - | - | 406,991 | 430,390 |
| Athletic faculty representative | 7,357 | - | - | 7,357 | 7,586 |
| Athletic photography | (1) | - | - | (1) | 3,089 |
| Athletic ticket office | 73,138 | - | - | 73,138 | 70,522 |
| Athletic trainer | 160,603 | - | - | 160,603 | 163,388 |
| Baseball/baseball guarantees | 117,777 | - | - | 117,777 | 109,123 |
| Cheerleaders | 21,134 | - | - | 21,134 | 18,848 |
| Football/football guarantees | 854,754 | - | - | 854,754 | 723,522 |
| Marching and pep bands | 29,761 | - | - | 29,761 | 40,472 |
| Men's and women's track | 144,055 | - | - | 144,055 | 143,030 |
| Men's basketball/basketball guarantees | 559,133 | - | - | 559,133 | 529,223 |
| Men's golf | 14,487 | - | - | 14,487 | 32,836 |
| Men's tennis | 45,301 | - | - | 45,301 | 38,258 |
| NCAA and other title IV expenditures | 72,259 | - | - | 72,259 | - |
| OVC basketball tournament | 10,044 | - | - | 10,044 | 9,852 |
| Rifle team | 44,426 | - | - | 44,426 | 18,857 |
| Sports information director | 82,902 | - | - | 82,902 | 75,383 |
| Strength conditioning | 47,911 | - | - | 47,911 | - |
| Women's basketball/Women's basketball-ND | 227,017 | - | - | 227,017 | 197,921 |
| Crew team | 79,060 | - | - | 79,060 | 67,522 |
| Women's golf | 65,266 | - | - | 65,266 | 63,448 |
| Soccer | 83,782 | - | - | 83,782 | 87,606 |
| Women's tennis | 54,712 | - | - | 54,712 | 51,618 |
| Volleyball | 104,159 | - | - | 104,159 | 93,233 |
| <i>Total intercollegiate athletics</i> | <u>3,367,138</u> | <u>-</u> | <u>-</u> | <u>3,367,138</u> | <u>3,058,616</u> |
| <i>Student admissions and records:</i> | | | | | |
| Admissions and records | 798,045 | - | - | 798,045 | 772,620 |
| Commencement expense | 19,656 | - | - | 19,656 | 24,029 |
| Murray academic progress | 71,524 | - | - | 71,524 | 67,458 |
| Touch tone registration | 13,692 | - | - | 13,692 | 12,792 |
| Viewbook | 38,582 | - | - | 38,582 | 30,466 |
| <i>Total student admissions and records</i> | <u>941,499</u> | <u>-</u> | <u>-</u> | <u>941,499</u> | <u>907,365</u> |
| <i>Other student services:</i> | | | | | |
| African-American student services | 71,464 | - | - | 71,464 | 64,062 |
| Campus lights | 9,350 | - | - | 9,350 | 6,545 |
| Choir international tours | 7,662 | - | - | 7,662 | 3,435 |
| Campus recreation administration | 98,533 | - | - | 98,533 | 85,399 |
| First time experience | 6,343 | - | - | 6,343 | 3,383 |
| Forensic team | 332 | - | - | 332 | 9,040 |
| Madrigal dinner | 7,424 | - | - | 7,424 | 7,895 |
| National student exchange | 2,747 | - | - | 2,747 | 3,814 |
| Roads scholars-recruitment program | 49,408 | - | - | 49,408 | 56,562 |
| SSLD mentors | 176,365 | - | - | 176,365 | 139,382 |
| Senior breakfast | 219 | - | - | 219 | 212 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|--|----------------------------|--------------------------|--------------------------------|------------------|------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>Other student services: (cont'd)</i> | | | | | |
| Student ambassadors | \$ 2,543 | \$ - | \$ - | \$ 2,543 | \$ 1,941 |
| Student life improvement | 2,000 | - | - | 2,000 | 500 |
| Summer orientation | 104,822 | - | - | 104,822 | 89,396 |
| Wellness center | 430 | - | - | 430 | 12,438 |
| Wind Ensemble trip | (58) | - | - | (58) | (23,568) |
| Women's center | 5,126 | - | - | 5,126 | 7,357 |
| Student services accrued compensation expense | 27,246 | - | - | 27,246 | 16,730 |
| Indirect costs - Vice president student services | 8,883 | - | - | 8,883 | - |
| Matching grants and contracts | - | - | 938,672 | 938,672 | 864,098 |
| Murray State University Foundation | - | - | 27,902 | 27,902 | 72,928 |
| <i>Total other student services</i> | <u>580,839</u> | <u>-</u> | <u>966,574</u> | <u>1,547,413</u> | <u>1,421,549</u> |
| <i>Total student services</i> | <u>8,480,708</u> | <u>-</u> | <u>1,083,153</u> | <u>9,563,861</u> | <u>9,090,573</u> |
| <i>Institutional support:</i> | | | | | |
| <i>Executive management:</i> | | | | | |
| Board of regents | 11,547 | - | - | 11,547 | 3,795 |
| EEOC compliance | 16,220 | - | - | 16,220 | 16,301 |
| Office of equal opportunity | 115,210 | - | - | 115,210 | 101,061 |
| Institutional planning and research | - | - | - | - | 234 |
| Legal services | 278,801 | - | - | 278,801 | 249,724 |
| Legislative liaison | 45,250 | - | - | 45,250 | 15,000 |
| President's office | 462,063 | - | - | 462,063 | 533,394 |
| Provost/vice president for academic affairs | 567,231 | - | - | 567,231 | 524,222 |
| Vice president for finance and administrative services | 270,840 | - | - | 270,840 | 237,911 |
| Vice president for institutional advancement | 228,402 | - | - | 228,402 | 219,298 |
| Vice president for student affairs | 293,630 | - | - | 293,630 | 271,744 |
| <i>Total executive management</i> | <u>2,289,194</u> | <u>-</u> | <u>-</u> | <u>2,289,194</u> | <u>2,172,684</u> |
| <i>Fiscal operations:</i> | | | | | |
| Accounting and financial services | 619,147 | - | - | 619,147 | 612,968 |
| Bad debt expense and collection costs | 129,856 | - | - | 129,856 | 42,588 |
| Bank service charges | 145,008 | - | - | 145,008 | 113,815 |
| Bursars office | 440,006 | - | - | 440,006 | 409,150 |
| Office of the budget | 170,579 | - | - | 170,579 | 155,260 |
| <i>Total fiscal operations</i> | <u>1,504,596</u> | <u>-</u> | <u>-</u> | <u>1,504,596</u> | <u>1,333,781</u> |
| <i>General administration and logistical services:</i> | | | | | |
| Accountability-President's office | 67,292 | - | - | 67,292 | 56,307 |
| Central stores revolving fund | (18,247) | - | - | (18,247) | (8,720) |
| Flexible spending plan | 21,812 | - | - | 21,812 | 21,935 |
| Human resources | 368,499 | - | - | 368,499 | 316,333 |
| Networking and microcomputer services | 575,896 | - | - | 575,896 | 526,090 |
| Postal services | 210,140 | - | - | 210,140 | 197,290 |
| Procurement services | 449,252 | - | - | 449,252 | 414,710 |
| Public address system | 6,838 | - | - | 6,838 | 15,432 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|---|----------------------------|--------------------------|--------------------------------|------------------|------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>General administration and logistical services: (cont'd)</i> | | | | | |
| Public safety/KLEPPF supplemental salaries | \$ 811,917 | \$ - | \$ - | \$ 811,917 | \$ 746,710 |
| Recycling program | 5,928 | - | - | 5,928 | 5,479 |
| Rental property | 30,964 | - | - | 30,964 | 27,818 |
| Sale of surplus property | 3,162 | - | - | 3,162 | 3,375 |
| Telecommunications support | 187,060 | - | - | 187,060 | 222,502 |
| Transportation services | 131,609 | - | - | 131,609 | 213,203 |
| Unemployment compensation | 36,573 | - | - | 36,573 | 7,386 |
| University parking | 158,504 | - | - | 158,504 | 236,471 |
| Vehicle replacement | - | - | - | - | 201,658 |
| Workers compensation | 379,795 | - | - | 379,795 | 389,418 |
| <i>Total general administration and logistical services</i> | <u>3,426,994</u> | <u>-</u> | <u>-</u> | <u>3,426,994</u> | <u>3,593,397</u> |
| <i>Public relations and development:</i> | | | | | |
| Comprehensive capital campaign | - | - | - | - | 171,960 |
| Marketing and public relations | 328,157 | - | - | 328,157 | 232,426 |
| News bureau | 94,716 | - | - | 94,716 | 88,330 |
| Office of development | 641,472 | - | - | 641,472 | 445,812 |
| Office of publications | 168,508 | - | - | 168,508 | 130,110 |
| Photography | 1,636 | - | - | 1,636 | 7,226 |
| Radio and television | 51,479 | - | - | 51,479 | 52,502 |
| University publications | 49,478 | - | - | 49,478 | 81,128 |
| University relations | 136,343 | - | - | 136,343 | 121,812 |
| University wide events | 15,145 | - | - | 15,145 | 15,822 |
| <i>Total public relations and development</i> | <u>1,486,934</u> | <u>-</u> | <u>-</u> | <u>1,486,934</u> | <u>1,347,128</u> |
| <i>Administrative computing support:</i> | | | | | |
| Administrative computing | 382,077 | - | - | 382,077 | 411,870 |
| Information systems | 396,673 | - | - | 396,673 | 592,566 |
| Condata payroll system maintenance | 20,041 | - | - | 20,041 | 19,315 |
| Accounts payable system development | 62,125 | - | - | 62,125 | 283,640 |
| Student loans billing system | - | - | - | - | 16,859 |
| <i>Total administrative computing support</i> | <u>860,916</u> | <u>-</u> | <u>-</u> | <u>860,916</u> | <u>1,324,250</u> |
| <i>Other institutional support:</i> | | | | | |
| Employee physicals | 2,958 | - | - | 2,958 | 5,264 |
| Employee waivers | - | - | - | - | 156,427 |
| Employee spouse and dependent tuition waiver | 20,827 | - | - | 20,827 | 273,485 |
| Enrollment management office | 172 | - | - | 172 | 72,415 |
| Indus Foundation recruitment fees | 8,000 | - | - | 8,000 | 1,000 |
| Institutional support allocation to auxiliary | (476,227) | - | - | (476,227) | (457,757) |
| Institutional review board | 6,560 | - | - | 6,560 | 5,773 |
| Miscellaneous institutional support | 124,605 | - | - | 124,605 | 94,246 |
| MSU staff congress | 5,826 | - | - | 5,826 | 6,335 |
| Staff excellence awards | 9,572 | - | - | 9,572 | 9,533 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|--|----------------------------|--------------------------|--------------------------------|-------------------|-------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>Other institutional support: (cont'd)</i> | | | | | |
| President search | \$ 48,322 | \$ - | \$ - | \$ 48,322 | \$ 44,546 |
| Student recruitment fees | 27,400 | - | - | 27,400 | 26,200 |
| University audits | 53,855 | - | - | 53,855 | 59,021 |
| UPS clearing | - | - | - | - | (7) |
| Institutional support accrued compensation expense | (11,956) | - | - | (11,956) | 44,553 |
| Indirect costs | - | - | - | - | 11,809 |
| Matching grants and contracts | 11,911 | - | 99,698 | 111,609 | 49,275 |
| Murray State University Foundation | - | - | 16,800 | 16,800 | 126,651 |
| <i>Total other institutional support</i> | <u>(168,175)</u> | <u>-</u> | <u>116,498</u> | <u>(51,677)</u> | <u>528,769</u> |
| <i>Total institutional support</i> | <u>9,400,459</u> | <u>-</u> | <u>116,498</u> | <u>9,516,957</u> | <u>10,300,009</u> |
| <i>Operation and maintenance of plant:</i> | | | | | |
| <i>Physical plant administration:</i> | | | | | |
| Physical plant administration | 650,045 | - | - | 650,045 | 585,942 |
| Engineering and architectural services | 221,653 | - | - | 221,653 | 186,287 |
| <i>Total physical plant administration</i> | <u>871,698</u> | <u>-</u> | <u>-</u> | <u>871,698</u> | <u>772,229</u> |
| <i>Building maintenance:</i> | | | | | |
| Building and equipment maintenance | 2,103,733 | - | - | 2,103,733 | 2,211,790 |
| Grounds maintenance | 820,324 | - | - | 820,324 | 832,867 |
| General insurance | 393,827 | - | - | 393,827 | 345,687 |
| <i>Total building maintenance</i> | <u>3,317,884</u> | <u>-</u> | <u>-</u> | <u>3,317,884</u> | <u>3,390,344</u> |
| <i>Other operation and maintenance of plant:</i> | | | | | |
| Warehouse inventory | (14,629) | - | - | (14,629) | (2,346) |
| Crisp Center warehouse sub-lease | 585 | - | - | 585 | 1,291 |
| Custodial maintenance | 1,283,345 | - | - | 1,283,345 | 1,191,274 |
| Utilities/Utility contingency | 2,423,040 | - | - | 2,423,040 | 2,959,667 |
| Division of environmental safety and health | 231,840 | - | - | 231,840 | 205,034 |
| Chemical hazardous waste disposal | 31,732 | - | - | 31,732 | 42,317 |
| RSEC utilities | 180,439 | - | - | 180,439 | 191,866 |
| Major repairs and renovation | 846,760 | - | 2,120,440 a | 2,967,200 | 1,585,832 |
| Operation and maintenance of plant accrued compensation expense | 25,710 | - | - | 25,710 | 15,066 |
| Matching grants and contracts | - | - | 1,192 | 1,192 | 119,406 |
| Murray State University Foundation | - | - | 211,668 | 211,668 | 144,489 |
| <i>Total other operation and maintenance of plant</i> | <u>5,008,822</u> | <u>-</u> | <u>2,333,300</u> | <u>7,342,122</u> | <u>6,453,896</u> |
| <i>Total operation and maintenance of plant</i> | <u>9,198,404</u> | <u>-</u> | <u>2,333,300</u> | <u>11,531,704</u> | <u>10,616,469</u> |
| <i>Student financial aid:</i> | | | | | |
| Athletic grants-in-aid | 90,228 | - | - | 90,228 | 313,973 |
| Scholarships and fellowships | 396,404 | - | 2,119,070 | 2,515,474 | 2,150,671 |
| Murray State University Foundation | - | - | 86,443 | 86,443 | 58,948 |

MURRAY STATE UNIVERSITY
SCHEDULE OF OPERATING EXPENSES BY FUND (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | 2002 | | | Total | 2001 |
|---|----------------------------|--------------------------|--------------------------------|-----------------------|-----------------------|
| | Educational and General | Auxiliary Enterprises | Restricted, Loan, and Plant | | |
| <i>Student financial aid: (cont'd)</i> | | | | | |
| Pell and SEOG grant awards | \$ - | \$ - | \$ 3,019,852 | \$ 3,019,852 | \$ 1,284,861 |
| <i>Total student financial aid</i> | 486,632 | - | 5,225,365 | 5,711,997 | 3,808,453 |
| <i>Auxiliary enterprises:</i> | | | | | |
| Food service | - | 4,644,362 | - | 4,644,362 | 4,366,406 |
| Housing | - | 4,652,936 | - | 4,652,936 | 4,510,781 |
| Bookstore | - | 3,783,062 | - | 3,783,062 | 3,433,727 |
| Curriss Center | - | 471,832 | - | 471,832 | 611,845 |
| Racer card administration | - | 55,249 | - | 55,249 | 53,046 |
| Vending and manual commissions | - | 110,910 | - | 110,910 | 115,846 |
| Other | - | 13,839 | - | 13,839 | 56,514 |
| Auxiliary enterprises workstudy | - | - | 40,587 | 40,587 | 41,329 |
| <i>Total auxiliary enterprises expenses</i> | - | 13,732,190 | 40,587 | 13,772,777 | 13,189,494 |
| Depreciation | - | - | 6,144,645 | 6,144,645 | - |
| <i>Total operating expenses</i> | <u>\$ 75,927,903</u> | <u>\$ 13,732,190</u> | <u>\$ 24,083,392</u> | <u>\$ 113,743,485</u> | <u>\$ 101,304,012</u> |

(a) New reporting requirements combine all funds operating expenses. As a result, student loan administrative costs and plant fund repair and maintenance costs are included in total operating expenses.

MURRAY STATE UNIVERSITY
SCHEDULE OF NATURAL CLASSIFICATION OF EXPENSES (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | Educational and General | | | | | | | 2001 Total |
|-------------------------------------|-----------------------------------|---------------------|--------------------|--------------------------------|--------------------|--------------------|----------------------|----------------------|
| | Compen- sation & Benefits | Operations | Utilities | Non Capitalized Property | Scholarships | Depreciation | 2002 Total | |
| Instruction | \$33,218,810 | \$ 3,847,620 | \$ - | \$ 275,206 | \$ 23,116 | \$ - | \$ 37,364,752 | \$ 36,013,579 |
| Research | 549,279 | 29,088 | - | 69,736 | - | - | 648,103 | 724,119 |
| Public Service | 3,026,383 | 625,656 | - | 53,136 | - | - | 3,705,175 | 3,714,321 |
| Academic Support | 3,134,282 | 1,578,682 | - | 534,494 | - | - | 5,247,458 | 4,007,192 |
| Libraries | 1,367,183 | 7,882 | - | 21,147 | - | - | 1,396,212 | 1,443,586 |
| Student Services | 5,546,702 | 2,902,802 | - | 26,929 | 4,275 | - | 8,480,708 | 7,981,191 |
| Institutional Support | 8,670,952 | 498,200 | - | 231,307 | - | - | 9,400,459 | 9,887,611 |
| Operations and Maintenance | 4,875,983 | (161,004) | 4,396,413 | 87,012 | - | - | 9,198,404 | 9,739,332 |
| Financial Aid | 29,060 | 11,276 | - | - | 446,296 | - | 486,632 | 401,055 |
| Educational and General Expenses | <u>60,418,634</u> | <u>9,340,202</u> | <u>4,396,413</u> | <u>1,298,967</u> | <u>473,687</u> | <u>-</u> | <u>75,927,903</u> | <u>73,911,986</u> |
| | Restricted, Loan, and Plant Funds | | | | | | | |
| Instruction | 3,852,427 | 1,805,843 | - | 389,453 | 18,942 | - | 6,066,665 | 5,886,193 |
| Research | 582,060 | 549,110 | - | 11,039 | 300 | - | 1,142,509 | 951,976 |
| Public Service | 817,795 | 489,908 | - | 137,307 | - | - | 1,445,010 | 985,370 |
| Academic Support | 208,169 | 128,439 | - | 106,273 | 550 | - | 443,431 | 518,172 |
| Libraries | 43,608 | (1,379) | - | - | - | - | 42,229 | 61,003 |
| Student Services | 589,744 | 357,780 | - | 20,384 | (1,334) | - | 966,574 | 930,532 |
| Institutional Support | 96,134 | (11,297) | - | 31,661 | - | - | 116,498 | 175,926 |
| Operations and Maintenance | 1,192 | 2,332,108 | - | - | - | - | 2,333,300 | 1,113,607 |
| Financial Aid | 6,145 | 37,669 | - | 855 | 5,180,696 | - | 5,225,365 | 3,407,397 |
| Restricted Funds Expenses | <u>6,197,274</u> | <u>5,688,181</u> | <u>-</u> | <u>696,972</u> | <u>5,199,154</u> | <u>-</u> | <u>17,781,581</u> | <u>14,030,176</u> |
| Auxiliary Enterprises | 4,693,852 | 8,954,210 | - | 62,813 | 61,902 | - | 13,772,777 | 13,189,494 |
| Loan Fund | - | 116,579 | - | - | - | - | 116,579 | 172,356 |
| Depreciation | - | - | - | - | - | 6,144,645 | 6,144,645 | - |
| Total - All Funds | <u>\$71,309,760</u> | <u>\$24,099,172</u> | <u>\$4,396,413</u> | <u>\$2,058,752</u> | <u>\$5,734,743</u> | <u>\$6,144,645</u> | <u>\$113,743,485</u> | <u>\$101,304,012</u> |

MURRAY STATE UNIVERSITY
AUXILIARY ENTERPRISES BALANCE SHEET (UNAUDITED)
JUNE 30, 2002
With Comparative Unaudited Figures as of June 30, 2001

| | Food Services | Housing Services | Bookstore | Curris Center | Racer Card Administration | Vending and Manual Commissions | Other | Total 2002 | 2001 |
|---|-------------------|---------------------|---------------------|---------------------|------------------------------|--------------------------------------|-------------|---------------------|---------------------|
| ASSETS | | | | | | | | | |
| Current assets: | | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ (746,708) | \$ - | \$ 253,815 | \$ - | \$ (492,893) | \$ (75,745) |
| Accounts receivable, net | 63,500 | 83,261 | 120,309 | 1,240 | 1,668 | 7,468 | - | 277,446 | 310,341 |
| Inventories | 127,522 | - | 1,146,430 | - | - | - | - | 1,273,952 | 1,284,407 |
| Prepaid expenses | - | - | - | - | - | - | - | - | - |
| Loans receivable, net | - | - | - | - | - | - | - | - | - |
| Interest receivable | 40,930 | 3,769 | 24,590 | - | 1,331 | - | - | 70,620 | 81,964 |
| Total current assets | <u>\$ 231,952</u> | <u>\$ 87,030</u> | <u>\$ 1,291,329</u> | <u>\$ (745,468)</u> | <u>\$ 2,999</u> | <u>\$ 261,283</u> | <u>\$ -</u> | <u>\$ 1,129,125</u> | <u>\$ 1,600,967</u> |
| Noncurrent assets: | | | | | | | | | |
| Restricted cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted investments | - | - | - | - | - | - | - | - | - |
| Accounts receivable, net | - | - | - | - | - | - | - | - | - |
| Assets held by MSU Foundation | - | - | - | - | - | - | - | - | - |
| Loans receivable, net | - | - | - | - | - | - | - | - | - |
| Capital assets | - | - | - | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - |
| Bond issuance costs | - | - | - | - | - | - | - | - | - |
| Total noncurrent assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 231,952</u> | <u>\$ 87,030</u> | <u>\$ 1,291,329</u> | <u>\$ (745,468)</u> | <u>\$ 2,999</u> | <u>\$ 261,283</u> | <u>\$ -</u> | <u>\$ 1,129,125</u> | <u>\$ 1,600,967</u> |
| LIABILITIES AND NET ASSETS | | | | | | | | | |
| Current liabilities: | | | | | | | | | |
| Accounts payable | \$ 35,225 | \$ 30,415 | \$ 84,849 | \$ 126 | \$ - | \$ 6,014 | \$ - | \$ 156,629 | \$ 129,586 |
| Self insured health liability | - | - | - | - | - | - | - | - | - |
| Accrued payroll | 60,936 | 81,877 | 29,363 | 16,552 | 1,299 | 1,054 | - | 191,081 | 207,749 |
| Interest payable | - | - | - | - | - | - | - | - | - |
| Deposits | - | 164,922 | - | - | - | - | - | 164,922 | 204,175 |
| Deferred revenue | - | 12,472 | - | - | 1,375 | - | - | 13,847 | 9,991 |
| Current maturities of long term liabilities | - | - | - | - | - | - | - | - | - |
| Total current liabilities | <u>\$ 96,161</u> | <u>\$ 289,686</u> | <u>\$ 114,212</u> | <u>\$ 16,678</u> | <u>\$ 2,674</u> | <u>\$ 7,068</u> | <u>\$ -</u> | <u>\$ 526,479</u> | <u>\$ 551,501</u> |

MURRAY STATE UNIVERSITY
AUXILIARY ENTERPRISES BALANCE SHEET (UNAUDITED)
JUNE 30, 2002
With Comparative Unaudited Figures as of June 30, 2001

| | Food Services | Housing Services | Bookstore | Curris Center | Racer Card Administration | Vending and Manual Commissions | Other | Total 2002 | Total 2001 |
|---|-------------------|---------------------|---------------------|---------------------|------------------------------|--------------------------------------|-------------|---------------------|---------------------|
| Noncurrent liabilities: | | | | | | | | | |
| Deposits | \$ - | \$ 159,212 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 159,212 | \$ 97,742 |
| Deferred revenue | - | - | - | - | - | - | - | - | - |
| Bonds payable | - | - | - | - | - | - | - | - | - |
| Capital leases | - | - | - | - | - | - | - | - | - |
| Masterlease notes payable | - | - | - | - | - | - | - | - | - |
| Notes payable | - | - | - | - | - | - | - | - | - |
| MSU Foundation notes payable | - | - | - | - | - | - | - | - | - |
| Total noncurrent liabilities | \$ - | \$ 159,212 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 159,212 | \$ 97,742 |
| Total liabilities | \$ 96,161 | \$ 448,898 | \$ 114,212 | \$ 16,678 | \$ 2,674 | \$ 7,068 | \$ - | \$ 685,691 | \$ 649,243 |
| Net Assets | | | | | | | | | |
| Net assets - beginning of year | 2,467,372 | (1,755,626) | 2,815,347 | (3,168,995) | 29,461 | 236,863 | 327,302 | 951,724 | 1,088,233 |
| Increase (decrease) in net assets | 226,513 | (477,191) | 502,842 | (444,453) | 1,498 | 17,352 | (327,302) | (500,741) | (136,509) |
| Interaccount eliminations | (2,558,094) | 1,870,949 | (2,141,072) | 2,851,302 | (30,634) | - | - | (7,549) | - |
| Total net assets- end of year | \$ 135,791 | \$ (361,868) | \$ 1,177,117 | \$ (762,146) | \$ 325 | \$ 254,215 | \$ - | \$ 443,434 | \$ 951,724 |
| Total liabilities and net assets | \$ 231,952 | \$ 87,030 | \$ 1,291,329 | \$ (745,468) | \$ 2,999 | \$ 261,283 | \$ - | \$ 1,129,125 | \$ 1,600,967 |

MURRAY STATE UNIVERSITY
SCHEDULE OF AUXILIARY ENTERPRISES OPERATIONS (UNAUDITED)
For the Year Ended June 30, 2002
With Comparative Unaudited Figures for the Year Ended June 30, 2001

| | <u>June 30, 2002</u> | <u>June 30, 2001</u> |
|---|----------------------|----------------------|
| REVENUES | | |
| Operating revenues: | | |
| Food services | \$ 4,944,742 | \$ 4,775,344 |
| Less: discounts | (53,624) | (83,044) |
| Housing services | 6,179,595 | 6,154,586 |
| Less: discounts | (863,546) | (805,927) |
| Bookstore | 4,317,109 | 3,855,791 |
| Curris Center | 20,660 | 29,066 |
| Racer card administration | 56,747 | 53,788 |
| Vending and manual commissions | 127,587 | 133,179 |
| Federal workstudy | 40,586 | 41,329 |
| Total operating revenues | <u>14,769,856</u> | <u>14,154,112</u> |
| EXPENSES | | |
| Operating expenses: | | |
| Food services | 4,638,692 | 4,283,362 |
| Housing services | 4,652,936 | 4,593,825 |
| Bookstore | 3,783,062 | 3,433,727 |
| Curris Center | 477,502 | 611,845 |
| Racer card administration | 55,249 | 53,046 |
| Vending and manual commissions | 110,910 | 115,846 |
| Federal workstudy | 40,587 | 41,329 |
| Other | 13,839 | 56,514 |
| Total operating expenses | <u>13,772,777</u> | <u>13,189,494</u> |
| NONOPERATING REVENUES | | |
| Investment income: | | |
| Food services | 77,887 | 92,414 |
| Housing services | 8,327 | 11,021 |
| Bookstore | 46,115 | 56,301 |
| Racer card | - | 3,424 |
| Curris Center | 328 | - |
| Total nonoperating revenues | <u>132,657</u> | <u>163,160</u> |
| INCREASE IN NET ASSETS | | |
| Food services | 330,313 | 501,352 |
| Housing services | 671,440 | 765,855 |
| Bookstore | 580,162 | 478,365 |
| Curris Center | (456,514) | (582,779) |
| Racer card | 1,498 | 4,166 |
| Vending and manual commissions | 16,677 | 17,333 |
| Other | (13,839) | (56,514) |
| Total increase in net assets | <u>1,129,737</u> | <u>1,127,778</u> |
| TRANSFERS | | |
| Mandatory | (1,349,883) | (1,013,703) |
| Nonmandatory | (280,595) | (578,366) |
| DECREASE IN ASSETS AFTER TRANSFERS | <u>\$ (500,741)</u> | <u>\$ (464,291)</u> |

MURRAY STATE UNIVERSITY
SCHEDULE OF BONDS, NOTES PAYABLE, AND CAPITAL LEASES
For the Year Ended June 30, 2002

| | Original Issue | Matured Current Year | Funded to Date | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 | Interest Due 2002-03 |
|--|-------------------|----------------------------|----------------------|------------------------------|--|------------------------------------|----------------------------|
| <u>Housing and Dining System Revenue Bonds Payable</u> | | | | | | | |
| Series A bonds dated 9/1/65 with an interest rate of 2 3/4%. Final principal payment date 9/1/95. | \$ 705,000 | \$ - | \$ 705,000 | \$ - | \$ - | \$ - | \$ - |
| Series B bonds dated 9/1/65 with an interest rate of 2 7/8%. Final principal payment date 9/1/97. Student Union Building. | 605,000 | - | 605,000 | - | - | - | - |
| Series C bonds dated 9/1/65 with an interest rate of 3 1/8%. Final principal payment date 9/1/00. Richmond Hall. | 635,000 | - | 635,000 | - | - | - | - |
| Series D bonds dated 9/1/65 with an interest rate of 3 1/8%. Final principal payment date 9/1/00. Clark Hall. | 760,000 | - | 760,000 | - | - | - | - |
| Series E bonds dated 9/1/65 with an interest rate of 3 1/2%. Final principal payment date 9/1/01. College Court I. | 387,000 | 5,000 | 387,000 | - | 58 | - | - |
| Series F bonds dated 9/1/65 with an interest rate of 3 1/2%. Final principal payment date 9/1/01. Franklin Hall and Winslow Cafeteria. | 1,290,000 | 65,000 | 1,290,000 | - | 757 | - | - |
| Series G bonds dated 9/1/65 with an interest rate of 3 3/8%. Final principal payment date 9/1/00. College Court II. | 400,000 | - | 400,000 | - | - | - | - |
| Series H bonds dated 9/1/65 with an interest rate of 3 3/8%. Final principal payment date 9/1/03. Elizabeth Hall and Springer Hall. | 1,845,000 | 90,000 | 1,705,000 | 140,000 | 5,228 | 90,000 | 2,417 |
| Series I bonds dated 9/1/65 with an interest rate of 3 5/8%. Final principal payment date 9/1/04. Hart Hall. | 2,250,000 | 90,000 | 1,983,000 | 267,000 | 10,189 | 95,000 | 6,806 |

MURRAY STATE UNIVERSITY
SCHEDULE OF BONDS, NOTES PAYABLE, AND CAPITAL LEASES
For the Year Ended June 30, 2002

| | Original Issue | Matured Current Year | Funded to Date | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 | Interest Due 2002-03 |
|--|----------------------|----------------------------|----------------------|------------------------------|--|------------------------------------|----------------------------|
| <u>Housing and Dining System Revenue Bonds Payable (cont'd)</u> | | | | | | | |
| Series J bonds dated 9/1/65 with an interest rate of 3 3/4%. Final principal payment date 9/1/04. College Court III. | \$ 510,000 | \$ 20,000 | \$ 450,000 | \$ 60,000 | \$ 2,374 | \$ 20,000 | \$ 1,624 |
| Series K bonds dated 9/1/65 with an interest rate of 3%. Final principal payment date 9/1/02. Hester Hall and White Hall. | 3,280,000 | 290,000 | 2,465,000 | 235,000 | 8,768 | 235,000 | 2,347 |
| Series L bonds dated 9/1/68 with an interest rate of 3%. Final principal payment date 9/1/08. Regents Hall. | 2,000,000 | 35,000 | 730,000 | 1,200,000 | 35,572 | 155,000 | 32,096 |
| Series M bonds dated 6/26/97 with an interest rate from 4% to 5.4%. Final principal payment date 9/1/17. Winslow Cafeteria. | 825,000 | 30,000 | 110,000 | 715,000 | 36,165 | 30,000 | 34,850 |
| Series N bonds dated 5/12/99 with an interest rate from 4.35% to 4.9%. Final principal payment date 9/1/18. Fire safety for residence halls. | 6,370,000 | 215,000 | 420,000 | 5,950,000 | 263,193 | 225,000 | 253,477 |
| Series O bonds dated 6/1/2001 with an interest rate from 4.00% to 5.00%. Final principal payment date 9/1/21. Hart Hall. | 1,610,000 | - | - | 1,610,000 | 75,120 | 5,000 | 81,225 |
| Total Housing and Dining System Revenue Bonds | \$ 23,472,000 | \$ 840,000 | \$ 12,645,000 | \$ 10,177,000 | \$ 437,424 | \$ 855,000 | \$ 414,842 |
| <u>Consolidated Educational Buildings Revenue Bonds Payable</u> | | | | | | | |
| Series A bonds dated 5/1/61 with interest rates from 3% to 4 1/8%. Final principal payment date 5/1/86. Business Education Building. | \$ 1,400,000 | \$ - | \$ 1,400,000 | \$ - | \$ - | \$ - | \$ - |

MURRAY STATE UNIVERSITY
SCHEDULE OF BONDS, NOTES PAYABLE, AND CAPITAL LEASES
For the Year Ended June 30, 2002

| | Original Issue | Matured Current Year | Funded to Date | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 | Interest Due 2002-03 |
|--|-------------------|----------------------------|----------------------|------------------------------|--|------------------------------------|----------------------------|
| <u>Consolidated Educational Buildings Revenue Bonds Payable (cont'd)</u> | | | | | | | |
| Series B bonds dated 11/1/63 with interest rates from 3 1/4% to 3 7/8%. Final principal payment date 5/1/94. Various Buildings. | \$ 2,360,000 | \$ - | \$ 2,360,000 | \$ - | \$ - | \$ - | \$ - |
| Series C bonds dated 4/1/66 with an interest rate of 3%. Final principal payment due 5/1/96. Various Buildings. | 2,721,000 | - | 2,721,000 | - | - | - | - |
| Series D bonds dated 4/1/66 with interest rates from 4 1/4% to 4 1/2%. Final principal payment date 5/1/94. Various Buildings. | 5,280,000 | - | 5,280,000 | - | - | - | - |
| Series E bonds dated 5/1/71 with an interest rate of 3%. Final principal payment due 5/1/98. Various Buildings. | 2,733,000 | - | 2,733,000 | - | - | - | - |
| Series F bonds dated 5/1/71 with interest rates from 6 1/2% to 7 1/4%. Final principal payment originally due 5/1/00. All bonds called in fiscal 1981-1982. | 12,500,000 | - | 12,500,000 | - | - | - | - |
| Series F refunding bonds dated 5/1/81 with interest rates from 5 3/10% to 5 7/8%. \$7,780,000 refunded on 9/30/93. Final principal payment date 5/1/94. Various Buildings. | 11,770,000 | - | 11,770,000 | - | - | - | - |
| Series F (second series) refunding bonds dated 9/1/93 with interest rates from 2.60% to 4.15%. Final principal payment due on 5/1/00. Various Buildings | 7,955,000 | - | 7,955,000 | - | - | - | - |

MURRAY STATE UNIVERSITY
SCHEDULE OF BONDS, NOTES PAYABLE, AND CAPITAL LEASES
For the Year Ended June 30, 2002

| | Original Issue | Matured Current Year | Funded to Date | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 | Interest Due 2002-03 |
|---|-----------------------|----------------------------|----------------------|------------------------------|--|------------------------------------|----------------------------|
| <u>Consolidated Educational Buildings Revenue Bonds Payable (cont'd)</u> | | | | | | | |
| Series G bonds dated 12/1/87 with interest rates from 5.75% to 7.25%, \$10,075,000 refunded on 5/2/93. Final principal payment due on 5/1/98. Various Buildings | \$ 14,785,000 | \$ - | \$ 14,785,000 | \$ - | \$ - | \$ - | \$ - |
| Series G(2nd Series) dated 3/1/93 with interest rates of 3.10% to 5.60%. Final principal payment due on 5/1/07. Various Buildings | 11,660,000 | 1,155,000 | 4,890,000 | 6,770,000 | 428,540 | 1,210,000 | 359,018 |
| Series H bonds dated 03/01/92 with interest rates from 3 1/2% to 6.20%. Final principal payment due 5/1/12. Various Buildings | 4,625,000 | 210,000 | 1,640,000 | 2,985,000 | 191,265 | 220,000 | 179,356 |
| Total Consolidated Educational Buildings Revenue Bonds | \$ 77,789,000 | \$ 1,365,000 | \$ 68,034,000 | \$ 9,755,000 | \$ 619,805 | \$ 1,430,000 | \$ 538,374 |
| Total bonds payable before discount | \$ 101,261,000 | \$ 2,205,000 | \$ 80,679,000 | \$ 19,932,000 | \$ 1,057,229 | \$ 2,285,000 | \$ 953,216 |
| Less bonds discount | - | - | - | (259,763) | - | (27,216) | - |
| Total Bonds Payable | \$ 101,261,000 | \$ 2,205,000 | \$ 80,679,000 | \$ 19,672,237 | \$ 1,057,229 | \$ 2,257,784 | \$ 953,216 |
| <u>Masterlease Payable</u> | | | | | | | |
| Residential Networking - Master Lease dated 8/18/00 with interest of 5.20% to 5.59%. Final principal payment due 8/18/07. | \$ 800,000 | \$ 104,145 | \$ 162,203 | \$ 637,797 | \$ 37,685 | \$ 109,936 | \$ 31,894 |
| Maintenance - Master Lease dated 5/10/02 with interest of 4.79%. Final principal payment due 5/10/07. | 395,000 | 5,780 | 5,780 | 389,200 | 1,629 | 71,829 | 17,320 |
| Campus Backbone Networking - Master Lease dated 1/25/98 with interest of 4.23% to 4.35%. Final principal payment due 2/25/04. | 1,500,000 | 281,844 | 1,002,650 | 497,350 | 27,889 | 294,154 | 15,580 |
| Total Masterlease Payable | \$ 2,695,000 | \$ 391,769 | \$ 1,170,633 | \$ 1,524,347 | \$ 67,203 | \$ 475,919 | \$ 64,794 |

MURRAY STATE UNIVERSITY
SCHEDULE OF BONDS, NOTES PAYABLE, AND CAPITAL LEASES
For the Year Ended June 30, 2002

| | Original Issue | Matured Current Year | Funded to Date | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 | Interest Due 2002-03 |
|--|-----------------------|----------------------------|----------------------|------------------------------|--|------------------------------------|----------------------------|
| <u>Notes Payable</u> | | | | | | | |
| Ohio Valley Conference Dated 9/8/99 with interest rate of 6.0%. Final principal payment due 9/3/03. | \$ 56,625 | \$ 10,074 | \$ 34,562 | \$ 22,064 | \$ 1,986 | \$ 10,696 | \$ 1,364 |
| GE Capital Public Finance, Inc. Date 7/22/99 with interest rate of 4.93%. Final principal payment due 7/30/01. | 25,000 | 3,260 | 25,000 | - | 40 | - | - |
| GE Capital Public Finance, Inc. Date 6/22/00 with interest rate of 5.86%. Final principal payment due 8/1/02. | 15,603 | 4,933 | 10,382 | 5,220 | 595 | 5,221 | 306 |
| Regional Special Events Center Dated 5/1/97 with interest rate of 6.7%. Final principal payment due 6/1/02. | 400,000 | 90,685 | 400,000 | - | 6,065 | - | - |
| Total Notes Payable | \$ 497,228 | \$ 108,952 | \$ 469,944 | \$ 27,284 | \$ 8,686 | \$ 15,917 | \$ 1,670 |
| <u>MSU Foundation Payable</u> | | | | | | | |
| Other liabilities - Murray State University Foundation Various notes for purchase of academic support equipment. Final principal due 4/02/08. | 256,513 | 54,519 | 124,380 | 132,134 | 13,299 | 27,780 | 10,710 |
| Total MSU Foundation Payable | \$ 256,513 | \$ 54,519 | \$ 124,380 | \$ 132,134 | \$ 13,299 | \$ 27,780 | \$ 10,710 |
| <u>Capital Leases</u> | \$ 2,915,285 | \$ 166,311 | \$ 890,697 | \$ 2,024,588 | \$ 103,156 | \$ 158,457 | \$ 111,074 |
| Less interest on paid off debt in current year | - | - | - | - | (6,920) | - | - |
| Total all outstanding bond issues, notes payable, and capital leases | \$ 107,625,026 | \$ 2,926,551 | \$ 83,334,654 | \$ 23,380,590 | \$ 1,242,653 | \$ 2,935,857 | \$ 1,141,464 |



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October 15, 2002

Board of Regents
 Murray State University
 Murray, Kentucky

Dear Readers:

We have completed our audit of the financial statements of Murray State University (University) for the year ended June 30, 2002. We observed the following matters and offer these comments and suggestions.

Information Systems – Update of Prior Year Management Comments

Information Systems Strategy and Planning

Observation

The Information Technology Advisory Committee (ITAC) does not meet on a regular basis to plan and strategize for long- and short-term technology goals. In addition, the most recently developed Information Resource Plan was developed in June 1999, and may not reflect the current system needs and resources. Without proper ITAC strategic planning procedures, the risk is increased that information system resources may not be effectively utilized in supporting the overall business objectives.

Recommendation

University management should ensure the ITAC meets on a more regular basis to discuss and prioritize systems development projects and help facilitate and promote the effective utilization of ITAC resources. The advisory committee should meet at least twice a year and, based on the amount of short-term planning, consider meeting quarterly throughout the year. Additionally, long-term strategic plans should be continually developed and updated to support the University's overall business and strategic goals.

**Solutions
 for
 Success**

Management's Response

Completed.

A new CIO joined the University, and ITAC now meets on a monthly basis from September through May each year. IT-related strategic and operational objectives for 2003 through 2005 have been identified.

Disaster Recovery Planning

Observation

Significant progress has been made in laying the foundation for a disaster recovery plan at the University, specifically with regard to the technical procedures needed to restore the system. The University has contracted with a vendor to ensure payroll continuity; however, the development of an alternate processing site has not been completed and testing of the plan has not been performed. In the event of a disaster, there is a very high probability the University would not be able to recover its systems for an extended period of time.

Recommendation

University management should ensure that a secondary-processing site is completed and functional in the event of an emergency. In addition, the plan should be tested at least annually to help ensure the plan's viability and consistency with the systems environment. The formulation and testing of a completed disaster recovery plan will help ensure that in the event of a disaster or other disruption, information resources will be available in an effective and timely manner.

Management's Response

In process.

The Disaster Recovery Plan has been updated to reflect personnel changes.

Two options have been considered:

Option 1: Establish an alternate internal processing site on University property. The two potential sites identified are the West Farm and the Hopkinsville campus. Hardware and connectivity would be available at this facility in the event of an outage at the Collins Center. This is not a viable option due to the high costs of duplicating hardware and software at the alternate sites.

Option 2: Establish an alternate external processing site. The University and management at the alternate site would execute a reciprocal agreement and, should either site become disabled, a limited amount of mission critical processing could occur for the disabled reciprocal site (for a fee) as stipulated in the agreement. This requires identification of an alternate processing site partner, preferably another public university. Discussions are currently underway with another university to determine viability.

Formal Information Security Function

Observation

The University does not have an information security officer or an information security group. In addition, a formal document outlining the procedures and policies to administer information security has not been developed. The lack of such a security function and procedures has resulted in information security settings and procedures that are varied among different systems. Without a formal information security role or function and procedures, information resources will continue to be administered in a manner that may allow unauthorized access to the University's information resources.

Recommendation

University management should consider the development of an information security function and information security procedures. These solutions would help ensure that all information resources are administered in a manner consistent with University management's intentions and with information security best practices. Such policies should include, but not be limited to:

- User ID and password settings – length, expiration, format, etc.
- Monitoring and reviewing – standards should exist to state which resources should be monitored on a regular basis to identify possible threats in a timely manner.
- Resource ownership – ensuring all information resources have an owner that is responsible for reviewing the users that have access to data.
- Reviewing procedures – formal requirements to ensure that a list of users is provided to the resource owners on a regular basis so they may review and approve appropriate users.
- Inactive users – a standard period of inactivity should be established after which a user would be removed from the system.
- Critical resources – University management should perform a risk analysis of those systems deemed critical, such as financial and student information, to ensure those resources are monitored and reviewed on an increased formal basis.

The creation of a security role or function and management accepted information security procedures will help ensure that information resources are administered, monitored and reviewed to provide a secure environment for financial and student information.

Management's Response

Completed.

The CIO and information systems managers assumed responsibility for the information security function as a team. Procedures were developed for determining risk analysis and a comprehensive information security function related to user id and password procedures. This addresses security monitoring guidelines, identification of data managers/resource owners, a description of their responsibilities, as well as establishment of procedures to address how user profiles are created, updated, reviewed and revoked.

User Account Administration

Observation

Reports are regularly generated and distributed by human resources to notify business unit and system managers of employee terminations; however, currently there is not a similar process in place to notify business unit and system managers of transfers that may occur within the University. Also, periodic reviews of user accounts and access privileges are not being performed within the mainframe environment.

Recommendation

University management should coordinate with human resources to develop a system that will ensure system administrators are notified of employee transfers within the organization. This process should be similar to the one currently being used to notify business unit and system managers of employee termination. Once notification is received, the user account should be modified to reflect the users new job responsibilities.

University management should also implement procedures to perform periodic reviews of user IDs and access privileges, at least on an annual basis. Implementing these procedures will ensure users have appropriate access to information systems and will lessen the risk of unauthorized system access.

Management's Response

In process.

A secure database has been created, together with a file containing required employee information. An event-driven process produces a file of employee transfer information (updated when payroll/human resource database file maintenance runs). Writes to the file will be triggered upon a change in employee position number or department number. This, combined with the CICS resource data in a database populated from RACF reports, is distributed to appropriate system administrators electronically. Area user identification and access privilege reports will be produced and distributed using this database and distribution method. This project will be completed on or before February 1, 2003.

Virus Signature File Updates

Observation

Virus software is installed on all of the University's network workstations; however, a small percentage of these workstations are not configured to automatically receive updated signature files. Rather, these users are required to update their signature files on their own. Currently, there is no process in place to notify these users of the availability of new signature files or to ensure those signature files are kept up-to-date. Without up-to-date virus signature lists on all network workstations, the University risks damage to software and loss or corruption of data by undetected viruses.

Recommendation

University management should ensure all system users maintain the latest virus signature lists on their computers and be advised immediately when new signature lists are released. Users should periodically update their lists to these latest versions and systems personnel should perform a check to ensure all workstations are current.

Management's Response

Completed.

A server and updated software was installed allowing an updated McAfee file to be pushed to users having workstations running at a level appropriate to the application. Initial installation will be completed by December 31, 2002. The virus server updates are an ongoing activity by the networking staff. Users who are unable to accept the pushed file are instructed to frequently download the updated signature file.

GASB 39 Implementation

Observation

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement 14*. The new statement provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units in the University's financial statements based on the nature and significance of their relationship with the University. It generally requires reporting, as component units, organizations that raise and hold economic resources for the direct benefit of the University. The University expects to first apply the new statement during 2004. The impact of applying the new statement has not yet been determined.

Recommendation

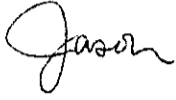
We have already begun discussing the changes with management and how the pronouncement will affect the University. We recommend the board and management continue to anticipate the impact of the new standard and determine the notifications necessary to implement the new standard.

Board of Regents
Page Six
October 17, 2002

* * * * *

We appreciate the opportunity to present these comments and suggestions. We can discuss these matters further at your convenience and provide any implementation assistance for changes or improvements you may require.

Sincerely,



Jason Stockton

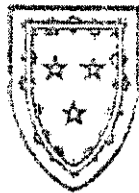
JB/skh

Murray State University

Accountants' Report and Financial Statements

Reports Required by *Government Auditing Standards* and OMB Circular A-133

June 30, 2002



Murray

MURRAY STATE UNIVERSITY

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Murray State University Management's Discussion and Analysis

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Murray State University (University) for the year ended June 30, 2002. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University is a comprehensive public institution of higher learning located in western Kentucky within 40 miles of Illinois, Missouri, and Tennessee. Murray State has study centers in four other cities where it offers a diverse range of degree programs from associate to master levels, through a framework of approximately 30 departmental units in 5 colleges and 1 school, and contributes to the region and state through related research and public service programs. Murray State University serves as a residential, regional university offering core programs in the liberal arts, humanities, sciences and selected high-quality professional programs for approximately 9,800 students.

The University currently has an annual budget of approximately \$100 million and employs approximately 1,300 individuals, including 375 faculty members. The 230-acre main campus consists of 75 buildings, which include a Regional Special Events Center and a new College of Education facility. Construction of a new science complex on the main campus will begin during the next school year.

Murray State University consistently ranks among the nation's best regional universities each year according to the U.S. News and World Report's America's Best Colleges rankings report. Factors considered in the rankings are reputation, retention rate, graduation rate, class size, student-faculty ratio and SAT/ACT scoring. The University is a charter member of the Ohio Valley Conference and a Division I member of the NCAA. The University's commitment to academic excellence is central to the University's mission and permeates throughout the institution.

Murray State University
Management's Discussion and Analysis

Governmental Accounting Standards

The MD&A, financial statements, and accompanying notes are prepared in accordance with following Governmental Accounting Standards Board (GASB) pronouncements:

Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities

Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus

Statement No. 38, Certain Financial Statement Note Disclosures

The MD&A does not include comparative analysis with prior year information because this is the first year of implementation of the new standards. The MD&A will include such comparative analysis in future years.

Balance Sheet

The Balance Sheet presents a financial picture of the University's financial condition at the end of the fiscal year by reporting assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets less liabilities).

Assets

Total assets of the University at the end of the fiscal year were approximately \$195 million, of which capital assets, net of depreciation, represented the largest portion. This group of assets totaled approximately \$108 million or 55% of total assets and was primarily comprised of university owned land, buildings, equipment, and library holdings. Cash and cash equivalents were the second largest asset group, totaling approximately \$40 million or 21% of total assets. Approximately half of the cash and cash equivalents total was for unexpended capital construction funds provided by the Commonwealth of Kentucky and other designated sources. Endowment investments represented another major asset of the University, totaling approximately \$28 million or 14% of total assets. Of this amount, approximately \$27 million was held by the Murray State University Foundation for investment purposes. The remaining portion of the endowment investments was held by the University, classified as restricted cash equivalents.

Liabilities

Total liabilities of the University at the end of the fiscal year were approximately \$48 million, of which bonds payable represented the largest portion. Bonds payable obligations totaled approximately \$20 million or 42% of total liabilities and were for the construction and renovation of educational and housing and dining facilities. The other significant group of liabilities was amounts payable to vendors and for payroll related obligations, which totaled approximately \$9 million or 19% of total liabilities.

Murray State University
Management's Discussion and Analysis

Condensed Balance Sheet

| | <u>2002</u> |
|--|---------------------------|
| Assets: | |
| Current assets | \$ 26,416,812 |
| Noncurrent assets | 60,623,06 |
| Capital assets | <u>107,904,063</u> |
| Total assets | <u><u>194,943,943</u></u> |
| Liabilities: | |
| Current liabilities | 22,665,90 |
| Noncurrent liabilities | <u>25,601,69</u> |
| Total liabilities | <u>48,267,60</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 85,180,20 |
| Restricted for: | |
| Nonexpendable | 27,603,71 |
| Expendable: | |
| Scholarships, research, and other | 5,433,39 |
| Loans | 5,002,92 |
| Capital | 3,895,80 |
| Debt service | 3,646,23 |
| Unrestricted | <u>15,914,07</u> |
| Total net assets | <u>146,676,343</u> |
| Total liabilities and net assets | <u>\$ 194,943,943</u> |

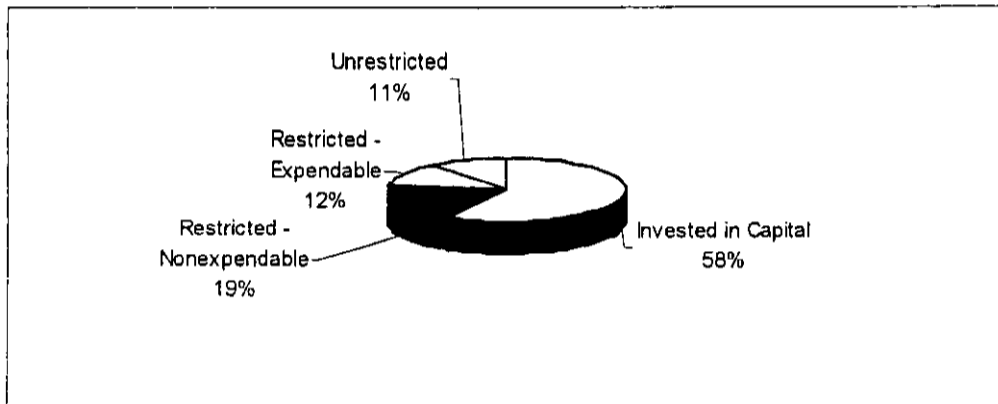
Murray State University
Management's Discussion and Analysis

Net Assets

Net assets of the University were approximately \$147 million and were divided into three major categories, defined as follows:

- Invested in capital assets, net of related debt - This category represents the institution's equity in property, buildings, equipment, library holdings, and other plant assets owned by the University.
- Restricted - This category represents those assets restricted by an individual or entity external to the University and includes additional net assets classifications of nonexpendable and expendable. Restricted nonexpendable net assets represent the corpus of assets that are permanently restricted. Restricted expendable net assets represent the assets that may be expended by the University, but must be spent for purposes as defined by the donor or external entity.
- Unrestricted - This category represents the net assets held by the University that have no formal restrictions placed upon them.

The allocation of net assets between these three categories is provided in the following chart:



Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets, which is generally referred to as the activities statement, presents the total revenues (operating and nonoperating) received and earned by the institution and expenses (operating and nonoperating) paid and owed by the institution and income or loss from operations for the current fiscal year.

Revenues

Total operating revenues, which exclude state appropriations, of the University for the fiscal year were approximately \$57 million. The primary source of operating revenues was from

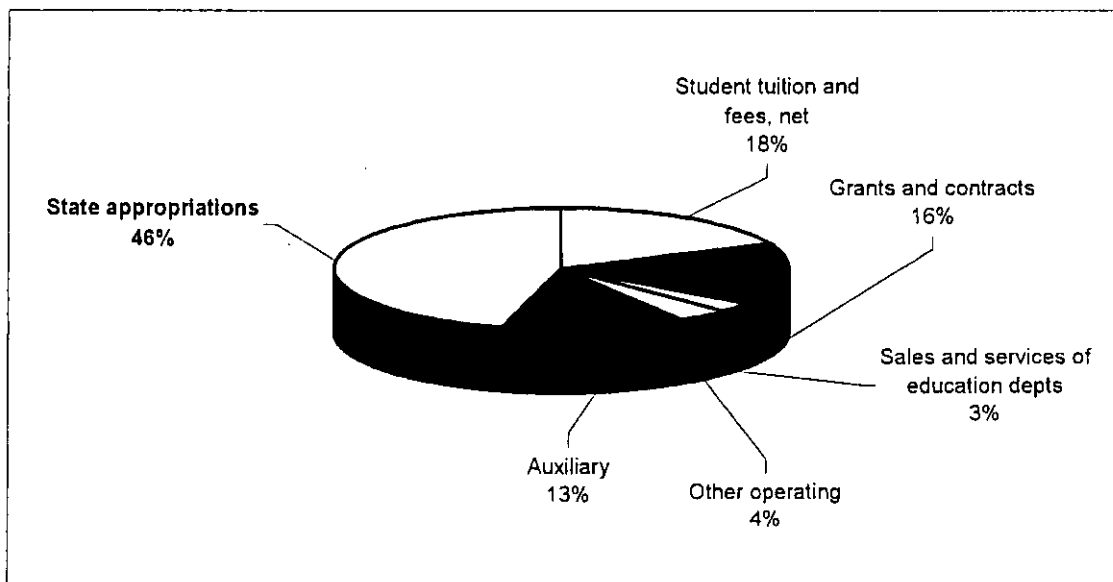
Murray State University
Management's Discussion and Analysis

student tuition and fees, net of related discounts and allowances, of approximately \$21 million.

Operating and nonoperating revenues from grants and contracts, including substantially all federal funds, were approximately \$19 million. Grant and contract revenues that were considered exchange in nature are classified as operating revenues. The remaining grant and contract revenues were related to nonexchange type agreements and are classified as nonoperating revenues. In a nonexchange agreement, the University receives dollars from another party without directly giving a service or product of equal value in exchange.

The University received \$52 million of state appropriations which are classified as nonoperating revenues. These funds were used to support University operating activities.

The sources of total operating revenues and nonoperating state appropriation revenues are reflected in the following chart:



Expenses

Total operating expenses of the University for the fiscal year were approximately \$114 million. Total educational and general expenses, excluding depreciation and auxiliary expenses, was approximately \$94 million or 82% of total operating expenses. Instructional program expenses represent the most significant portion of the educational and general operating expenses, totaling approximately \$44 million or 46% of the total educational and general portion. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the University. Depreciation expense totaled approximately \$6 million or 5% of total operating expenses.

Murray State University
Management's Discussion and Analysis

Condensed Statement of Revenues, Expenses and Changes in Net Assets

| | <u>2002</u> |
|---|-----------------------|
| Operating revenues: | |
| Student tuition and fees, net | \$ 20,782,031 |
| Grants and contracts | 14,074,336 |
| Other | 6,939,547 |
| Auxiliary | <u>14,769,856</u> |
| Total operating revenues | <u>56,565,770</u> |
| Operating expenses: | |
| Instruction | 43,431,417 |
| Research | 1,790,612 |
| Public service | 5,150,185 |
| Libraries | 1,438,441 |
| Academic support | 5,690,889 |
| Student services | 9,563,861 |
| Institutional support | 9,516,957 |
| Operation and maintenance of plant | 11,531,704 |
| Student financial aid | 5,711,997 |
| Depreciation | 6,144,645 |
| Auxiliary | <u>13,772,777</u> |
| Total operating expenses | <u>113,743,485</u> |
| Operating loss | <u>(57,177,715)</u> |
| Nonoperating revenues (expenses): | |
| State appropriations | 51,673,740 |
| Other nonoperating revenues (expenses) | <u>11,670,255</u> |
| Total nonoperating revenues (expenses) | <u>63,343,995</u> |
| Increase in net assets | <u>6,166,280</u> |
| Net assets - beginning of year, as originally reported | 268,785,273 |
| Cummulative effect of change in accounting principle | (128,275,210) |
| Net assets - beginning of year, as restated | <u>140,510,063</u> |
| Net assets - end of year | <u>\$ 146,676,343</u> |

Statement of Cash Flows

The Statement of Cash Flows provides a summary of the sources and uses of cash by defined categories. The primary purposes of the Statement of Cash Flows are to provide information about the University's cash receipts and payments during the year and to help assess the University's ability to generate future net cash flows and meet obligations as they become due, as well as its need for external financing.

The major sources of cash from operating activities were tuition and fees of approximately \$22 million and grant and contract and auxiliary enterprise receipts of approximately \$14 million and \$15 million, respectively. The most significant uses of cash for operating activities were payments to employees of about \$71 million and to vendors for about \$37 million.

The cash flows from noncapital financing activities include approximately \$52 million received as general appropriations from the Commonwealth of Kentucky, which is the largest source of cash for the fiscal year.

The cash flows from capital financing activities represent cash received and used for the acquisition, construction, and renovation of capital assets. The most significant source of cash presented in this category is from the Commonwealth of Kentucky for the construction of phase I of a science complex.

The cash flows from investing activities represent the cash activities of investments related to bond reserve funds and endowment assets.

Financial Position

Due to revenue shortfalls projected by the Commonwealth of Kentucky, public educational institutions experienced a reduction of state appropriation funding for the current fiscal year. The University's portion of this reduction was \$985,160.

Capital Assets and Debt Administration

The University had several significant capital additions of facilities during the fiscal year. The Carr Health Building and Business Building renovations were completed, and construction was completed on Alexander Hall, West Kentucky Regional Post Secondary Education Facility, and the Alumni Center.

Revisions to asset capitalization limits and useful lives were made to the University's capitalization policy during the fiscal year. These revisions resulted in a reduction in the recorded value of capital assets of approximately \$24 million. As required by GASB No. 34, the University began to record depreciation expense for assets for the fiscal year. Depreciation expense applicable to prior fiscal years or accumulated depreciation totaled approximately \$105 million. The effect of accumulated depreciation was presented as a decrease in the University's net assets at the beginning of the current fiscal year.

The University did not issue any bonds or acquire significant debt during the fiscal year.

Infrastructure Assets

Infrastructure assets are defined by GASB No. 34 as long-lived assets that are normally stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These types of assets will typically be permanent non-building additions that service the entire campus. The University has adopted the modified approach of accounting for its infrastructure assets. This approach requires that an asset management system be established and maintained. Such a system would assess and disclose that all eligible infrastructure assets are being preserved approximately at (or above) a condition level established. To date the University has not identified any assets that should be classified as infrastructure.



Independent Accountants' Report on Financial Statements and Supplementary Information

President F. King Alexander and
Board of Regents
Murray State University
Murray, Kentucky

We have audited the accompanying basic financial statements of Murray State University, a component unit of the state of Kentucky, as of and for the year ended June 30, 2002, as listed in the table of contents. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the financial statements referred to above present fairly, in all material respects, the financial position of Murray State University as of June 30, 2002, and its changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19, in 2002 the University changed its method of financial statement presentation and disclosure by retroactively restating prior years' financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2002, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Solutions
for
Success

President F. King Alexander and
Board of Regents
Page Two

Our audit was conducted for the purpose of forming an opinion on statements the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part to the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

September 19, 2002

MURRAY STATE UNIVERSITY
BALANCE SHEET
JUNE 30, 2002

ASSETS

Current assets:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 18,730,404 |
| Accounts receivable, net | 4,224,937 |
| Inventories | 1,607,532 |
| Prepaid expenses | 480,856 |
| Loans receivable, net | 686,620 |
| Interest receivable | 686,463 |
| Total current assets | <u>26,416,812</u> |

Noncurrent assets:

| | |
|--------------------------------------|--------------------|
| Restricted cash and cash equivalents | 21,491,017 |
| Restricted investments | 4,625,461 |
| Accounts receivable, net | 329,300 |
| Assets held by MSU Foundation | 30,288,539 |
| Loans receivable, net | 3,769,712 |
| Capital assets | 218,305,566 |
| Accumulated depreciation | (110,401,503) |
| Bond issuance costs | 119,039 |
| Total noncurrent assets | <u>168,527,131</u> |

Total assets \$194,943,943

LIABILITIES AND NET ASSETS

Current liabilities:

| | |
|---|-------------------|
| Accounts payable | \$ 5,887,132 |
| Self insured health liability | 1,135,878 |
| Accrued payroll | 3,094,089 |
| Interest payable | 229,551 |
| Deposits | 398,205 |
| Deferred revenue | 8,985,195 |
| Current maturities of long term liabilities | 2,935,857 |
| Total current liabilities | <u>22,665,907</u> |

Noncurrent liabilities:

| | |
|------------------------------|-------------------|
| Deposits | 159,212 |
| Deferred revenue | 4,997,748 |
| Bonds payable | 17,414,452 |
| Capital leases | 1,866,132 |
| Masterlease notes payable | 1,048,428 |
| Notes payable | 11,367 |
| MSU Foundation notes payable | 104,354 |
| Total noncurrent liabilities | <u>25,601,693</u> |

Total liabilities 48,267,600

MURRAY STATE UNIVERSITY
BALANCE SHEET
JUNE 30, 2002

NET ASSETS

| | |
|---|----------------------|
| Invested in capital assets, net of related debt | \$ 85,180,207 |
| Restricted for: | |
| Nonexpendable - permanent endowments | 27,603,716 |
| Expendable: | |
| Scholarships, research, instruction, and other | 5,433,399 |
| Loans | 5,002,921 |
| Capital assets | 3,895,800 |
| Debt service | 3,646,230 |
| Unrestricted | 15,914,070 |
| Total net assets | <u>146,676,343</u> |
| | |
| Total liabilities and net assets | <u>\$194,943,943</u> |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

REVENUES

| | |
|---|---------------------|
| Operating revenues: | |
| Student tuition and fees | \$ 33,937,341 |
| Less discounts and allowances | <u>(13,155,310)</u> |
| Net tuition and fees | <u>20,782,031</u> |
| | |
| Federal grants and contracts | 10,430,411 |
| State grants and contracts | 3,553,022 |
| Local and private grants and contracts | 90,903 |
| Sales and services of educational departments | 2,874,654 |
| Other operating revenues | 4,064,893 |
| | |
| Auxiliary enterprises revenues | 15,692,622 |
| Less discounts and allowances | <u>(922,766)</u> |
| Net auxiliary revenue | <u>14,769,856</u> |
| Total operating revenues | <u>56,565,770</u> |

EXPENSES

| | |
|------------------------------------|---------------------|
| Operating expenses: | |
| Instruction | 43,431,417 |
| Research | 1,790,612 |
| Public service | 5,150,185 |
| Libraries | 1,438,441 |
| Academic support | 5,690,889 |
| Student services | 9,563,861 |
| Institutional support | 9,516,957 |
| Operation and maintenance of plant | 11,531,704 |
| Student financial aid | 5,711,997 |
| Depreciation | 6,144,645 |
| Auxiliary enterprises | <u>13,772,777</u> |
| Total operating expenses | <u>113,743,485</u> |
| Operating income (loss) | <u>(57,177,715)</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|--|------------|
| State appropriations | 51,673,740 |
| State endowment match | 1,521,786 |
| Federal grants and contracts | 1,403,332 |
| State grants and contracts | 1,845,650 |
| Local and private grants and contracts | 1,238,341 |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

| | |
|---|-----------------------------|
| NONOPERATING REVENUES (EXPENSES) (cont'd) | |
| Endowment income | 783,722 |
| Gifts | 3,583,965 |
| Investment income | 453,930 |
| Interest on capital asset-related debt | (1,066,839) |
| Loss on deletion and disposal of capital assets | (851,904) |
| Bond amortization | (39,442) |
| Net nonoperating revenues | <u>60,546,281</u> |
| Income before other revenues, expenses, gains, or losses | 3,368,566 |
| State capital appropriations | 1,818,336 |
| Capital gifts | 679,378 |
| Insurance proceeds on capital asset loss | 300,000 |
| Increase in net assets | <u>6,166,280</u> |
| NET ASSETS | |
| Net assets - beginning of year, as originally reported | 268,785,273 |
| Cumulative effect of change in accounting principle | <u>(128,275,210)</u> |
| Net assets - beginning of year, as restated | <u>140,510,063</u> |
| Net assets - end of year | <u><u>\$146,676,343</u></u> |

**MURRAY STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Cash Flows from Operating Activities

| | |
|---|---------------------|
| Tuition and fees | \$ 21,742,445 |
| Grants and contracts | 13,917,177 |
| Payments to employees | (66,378,954) |
| Payments to suppliers | (27,863,099) |
| Loans issued to employees | (55,084) |
| Collection of loans to employees | 103,224 |
| Loans issued to students | (1,035,421) |
| Collection of loans to students | 777,981 |
| Sales and services | 2,892,727 |
| Other operating revenues | 4,065,319 |
| Auxiliary enterprises revenues: | |
| Food service | 4,891,118 |
| Housing | 5,316,049 |
| Bookstore | 4,326,644 |
| Other | 289,441 |
| Auxiliary enterprises payments: | |
| Payment to employees | (4,653,266) |
| Payment to suppliers | (9,111,195) |
| Net cash (used) by operating activities | <u>(50,774,894)</u> |

Cash Flows from Noncapital Financing Activities

| | |
|--|-------------------|
| State appropriations | 51,673,740 |
| State endowment match | 1,392,965 |
| Grants and contracts | 4,437,216 |
| Endowment income receipts from MSU Foundation | 201,405 |
| Gifts for other than capital purposes | 310,873 |
| Agency transactions | (12,822) |
| Net cash provided by noncapital financing activities | <u>58,003,377</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|---|--------------------|
| Proceeds from capital debt | 398,865 |
| Loan issued for capital project | (383,500) |
| Insurance proceeds | 300,000 |
| State capital appropriations | 13,717,734 |
| Purchases of capital assets | (11,265,393) |
| Principal paid on capital debt and leases | (2,926,568) |
| Interest paid on capital debt and leases | (1,251,169) |
| Net cash (used) by capital and related financing activities | <u>(1,410,031)</u> |

**MURRAY STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Cash Flows from Investing Activities

| | |
|---|-----------------------------|
| Proceeds from sales and maturities of investments | 3,258,774 |
| Purchase of investments | (3,385,611) |
| Investment administrative payments | (3,315) |
| Interest receipts on investments | 1,734,676 |
| Net cash provided by investing activities | <u>1,604,524</u> |
| Net increase in cash and cash equivalents | 7,422,976 |
| Cash and cash equivalents, beginning of year | <u>32,798,445</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 40,221,421</u></u> |

Reconciliation of operating loss to net cash used by operating activities

| | |
|---|------------------------------|
| Operating income (loss) | \$(57,177,715) |
| Depreciation | 6,144,645 |
| Bad debt | 140,825 |
| Changes in assets and liabilities: | |
| Receivables, net | (607,587) |
| Inventories | 12,814 |
| Prepaid expenses | (124,288) |
| Accounts payable | (200,185) |
| Health insurance liability | (64,102) |
| Payroll withholding liability | 293,136 |
| Deposits | 9,819 |
| Deferred revenues | 797,744 |
| Net cash (used) by operating activities | <u><u>\$(50,774,894)</u></u> |

Supplemental cash flows information

| | |
|--|-------------------|
| Gift of capital assets | <u>\$ 679,378</u> |
| Accounts payable incurred for capital assets | <u>\$ 562,507</u> |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1. **Summary of Significant Accounting Policies**

Nature of Operations

Murray State University (the University) is a state supported institution of higher education located in Murray, Kentucky and is accredited by the Southern Association of Colleges and Schools. The University awards graduate and undergraduate degrees from five colleges and one school and serves a student population in excess of 9,800. The University is a component unit of the Commonwealth of Kentucky and is included in the general-purpose financial statements of the Commonwealth.

Basis of Accounting and Financial Statement Presentation

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* followed this in November 1999. Effective for the fiscal year ended June 30, 2002, the financial statement presentation required by GASB No. 34 and GASB No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

Significant accounting changes made during the 2002 fiscal year in order to comply with the new requirements include (1) adoption of depreciation on capital assets; and (2) reporting summer school revenues and expenses between fiscal years rather than in one fiscal year.

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the University considers all highly liquid investments that are immediately available to the University to be cash equivalents. Funds held by the Commonwealth of Kentucky are considered cash equivalents.

The University currently uses commercial banks and the Commonwealth of Kentucky as depositories. Deposits with commercial banks are covered by Federal depository insurance or collateral held by the banks in the University's name. At the Commonwealth level, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth pooled deposits are substantially covered by Federal depository insurance or by collateral held by the bank in the Commonwealth's name.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

Assets Held by Murray State University Foundation

Assets held by the Murray State University Foundation, Inc. (Foundation) represent resources neither in the possession nor the control of the University, but are held and administered by the Foundation. An independent board governs the Foundation. The University recognizes gifts and donations made to the Foundation for the exclusive use and benefit of the University as assets and revenues of the University. The net appreciation and income of donor restricted endowments are available to the University for expenditure to the extent permitted by Kentucky law and Foundation spending policy. The University recognizes the assets held by the Foundation at the estimated fair value of the assets or the present value of the future cash flows when the University is notified of the existence of the gift or the endowment. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the University does not record pledged endowments as assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges, other operational activities, and auxiliary enterprise services. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, for non-exchange type agreements defined in accordance with GASB No. 33 or in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

All capital assets, as defined by University policy, are recorded at cost at the date of acquisition, or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to functional expense categories. Outlays for construction in progress are capitalized as incurred. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

The following estimated useful lives are being used by the University:

| <u>Asset</u> | <u>Estimated Life</u> |
|--------------------------|-----------------------|
| Buildings | 40 years |
| Equipment | 5-15 years |
| Livestock | 12 years |
| Library holdings | 10 years |
| Nonbuilding improvements | 10-20 years |

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of borrowing. Total interest capitalized for the current fiscal year was \$180,491.

The University owns historical collections housed throughout the campus that it does not capitalize, including artifacts in Wrather Museum. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at time of purchase rather than capitalized.

Deferred Revenue

Deferred revenues include amounts for tuition and fees, international program fees, and certain auxiliary activities received prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from state capital appropriations and grant and contract sponsors for which eligibility requirements have not been fully satisfied or that have not yet been earned.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are included at year-end with accrued payroll, and as a component of compensation and benefit expense. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

Restricted Cash and Investments

Cash and investments that are externally restricted are classified as restricted assets. These assets are used to make debt service payments, maintain sinking or reserve funds, purchase or construct capital or other noncurrent assets, or for other restricted purposes.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; and (2) other liabilities that are expected to be paid later than the end of the next fiscal year.

**MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

Note 1. Summary of Significant Accounting Policies (cont'd)

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt:

This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable:

Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable:

Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets:

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments, auxiliary enterprises, and other sources. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses or for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Release of Restricted Net Assets

When an expense is incurred for which both restricted and unrestricted net assets are available, the University's policy is to allow each departmental unit the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

Revenue

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of discounts and allowances, (2) sales and services of auxiliary enterprises, net of discounts and allowances, (3) Federal, state and local grants and contracts, and (4) interest on institutional student loans.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1. Summary of Significant Accounting Policies (cont'd)

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Recognition of Revenue

The University considers receivables collectible if due at the end of the fiscal year and recognizes them as revenues of the current year.

Tuition Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of discounts and allowances. Discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is payable by students. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a discount and allowance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions. The accompanying financial statements include estimates for items such as allowances for doubtful accounts and loans receivable, self-insurance liabilities and other accrued liabilities. Actual results could differ from those estimates.

Recent Accounting Pronouncements

The Governmental Accounting Standards Board recently issued its Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement 14*. The new statement provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units in the University's financial statements based on the nature and significance of their relationship with the University. It generally requires reporting, as component units, organizations that raise and hold economic resources for the direct benefit of the University. The University expects to first apply the new statement during the year of June 30, 2004. The impact of applying the new statement has not yet been determined.

**MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

Note 2. Investments

Investments consisted of:

| | June 30, 2002 | |
|----------------------------|------------------|------------------|
| | Fair Value | Cost Basis |
| Money market funds | \$ 2,389,840 | \$ 2,389,840 |
| U.S. government securities | 232,006 | 233,848 |
| Repurchase agreements | 2,003,615 | 2,003,615 |
| Total Investments | \$ 4,625,461 | \$ 4,627,303 |

Investments in U.S. government securities and the collateral for repurchase agreements are registered in the name of Murray State University or held in the University's name by its agents and trustees.

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in equity securities.

Note 3. Inventories

Inventories consisted of:

| | June 30, 2002 |
|-------------------------------------|------------------|
| Inventories: | |
| University bookstore - resale | \$ 1,146,430 |
| Physical plant - supplies | 317,774 |
| Food services - resale and supplies | 127,521 |
| Central stores - supplies | 15,807 |
| Total inventories | \$ 1,607,532 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 4. Deferred Revenue

Deferred revenue consisted of:

| | June 30, 2002 |
|---|---------------|
| Current deferred revenue: | |
| Prepaid tuition and fees | \$ 1,180,427 |
| International studies programs | 523,374 |
| Grants and contracts | 365,896 |
| Auxiliary enterprises | 13,847 |
| Capital state appropriation - science complex | 6,901,651 |
| Total current deferred revenue | 8,985,195 |
| Noncurrent deferred revenue: | |
| Capital state appropriation - science complex | 4,997,748 |
| Total deferred revenue | \$ 13,982,943 |

Note 5. Accounts Receivable

Accounts receivable consisted of:

| | June 30, 2002 |
|-----------------------------------|---------------|
| Current accounts receivable: | |
| Student tuition and fees | \$1,381,436 |
| Grants and contracts | 2,373,670 |
| Auxiliary fees | 285,937 |
| Employee | |
| Travel advances | 198 |
| Computer loans | 24,786 |
| Outside sales | 715,585 |
| State agencies | 67,201 |
| Vendor receivables | 40,793 |
| Capital construction receivable | 54,200 |
| Allowance for doubtful accounts | (718,869) |
| Total current accounts receivable | 4,224,937 |
| Noncurrent accounts receivable: | |
| Capital construction receivable | 329,300 |
| Total accounts receivable | \$4,554,237 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 6. Loans Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the loans receivable at June 30, 2002. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amount cancelled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2002, the allowance for uncollectible loans was \$240,932.

Loans receivable consisted of:

| | <u>June 30, 2002</u> |
|-----------------------------------|----------------------|
| Current loans receivable: | |
| University loan programs | \$ 39,403 |
| Federal Nursing program | 58,572 |
| Federal Perkins program | 588,645 |
| Total current loans receivable | 686,620 |
| Noncurrent loans receivable: | |
| Federal Nursing program | 305,406 |
| Federal Perkins program | 3,464,306 |
| Total noncurrent loans receivable | 3,769,712 |
| Total loans receivable | \$4,456,332 |

Note 7. Assets Held by MSU Foundation

Assets held by the Murray State University Foundation, Inc. (Foundation) are invested primarily in an investment pool managed by the Foundation and are carried at fair value. The assets in the pool are invested as follows: securities of the U.S. government and its agencies, 2%; mutual funds invested in equity securities, 45%; mutual funds invested in fixed income securities, 47%; certificates of deposit, 2% and other 4%.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 8. Regional University Excellence Trust Fund

The Kentucky General Assembly appropriated funds to the Regional University Excellence Trust Fund (RUETF) with the passage of the Postsecondary Education Improvement Act of 1997 (House Bill 1). The purpose of this fund is to encourage private investment in public higher educational activities within the Commonwealth of Kentucky. These funds were made available to the comprehensive institutions within the Commonwealth with a provision that they would be matched dollar-for-dollar from external sources. The Commonwealth's Council on Postsecondary Education (CPE) was designated to oversee the distribution and use of these funds.

Following is a summary of the funding for the RUETF as of June 30, 2002:

| <u>Funding Period</u> | <u>CPE Funding Available</u> | <u>CPE Funding Received</u> | <u>University External Match Received</u> | <u>University External Match Pledge</u> |
|---------------------------|----------------------------------|---------------------------------|---|---|
| 1998-2000 | \$ 1,710,000 | \$ 1,710,000 | \$ 1,662,500 | \$ 47,500 |
| 2000-2002 | <u>3,521,787</u> | <u>3,521,787</u> | <u>1,247,243</u> | <u>2,274,544</u> |
| Total | <u>\$ 5,231,787</u> | <u>\$ 5,231,787</u> | <u>\$ 2,909,743</u> | <u>\$ 2,322,044</u> |

The University's external match pledges have not been recorded for financial reporting purposes due to the contingency that pledges must be fulfilled within a 5 year period of time.

Note 9. Nonaffiliated Organizations

Murray State University Foundation, Inc.

Murray State University Foundation, Inc. (Foundation) is a Kentucky not-for-profit corporation formed to receive and invest funds for the enhancement and improvement of the University. The Foundation also operates the Francis E. Miller Golf Course as a separate enterprise, and manages certain endowments and investments on behalf of the University.

The Foundation has a Board of Trustees separate from that of the University; however, the President and certain other officers of the University are also officers of the Foundation.

The University provides office space and pays certain operating expenses of the Foundation in exchange for investment management services provided by the Foundation. The Foundation prepares and issues its own financial statements.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 9. Nonaffiliated Organizations (cont'd)

Murray State University Athletic Foundation, Inc.

Murray State University Athletic Foundation, Inc. (Racer Foundation) is a Kentucky non-for-profit corporation formed to enhance the academic and athletic experience of the Murray State University student-athlete. The Racer Foundation has a Board of Directors separate from that of the University and prepares and issues its own financial statements.

Note 10. Capital Assets

Capital assets activity for the year ended June 30, 2002 was:

| | Balance June 30, 2001 | Cumulative Effect of Change in Accounting Principle (Note 19) | Additions | Transfers | Deletions Retirements | Balance June 30, 2002 |
|---|--------------------------|---|--------------|--------------|--------------------------|--------------------------|
| Land | \$ 4,997,755 | \$ - | \$ - | \$ 548,227 | \$ - | \$ 5,545,982 |
| Construction in progress | 28,118,854 | - | 9,539,133 | (17,965,390) | - | 19,692,597 |
| Museum and collectibles | - | - | 92,864 | - | - | 92,864 |
| Total capital assets | | | | | | |
| not being depreciated | 33,116,609 | - | 9,631,997 | (17,417,163) | - | 25,331,443 |
| Buildings | 128,456,170 | (167,013) | 474,635 | 17,417,163 | - | 146,180,955 |
| Nonbuilding improvements | 12,023,768 | (5,092,232) | 282,694 | - | - | 7,214,230 |
| Equipment | 34,342,290 | (18,329,954) | 882,831 | - | (257,789) | 16,637,378 |
| Library holdings | 21,743,175 | - | 1,190,871 | - | (36,736) | 22,897,310 |
| Livestock | 6,600 | (6,600) | 44,250 | - | - | 44,250 |
| Total other capital assets | 196,572,003 | (23,595,799) | 2,875,281 | 17,417,163 | (294,525) | 192,974,123 |
| Total capital assets before depreciation | 229,688,612 | (23,595,799) | 12,507,278 | - | (294,525) | 218,305,566 |
| Less accumulated depreciation: | | | | | | |
| Buildings | - | 74,687,280 | 3,656,283 | - | - | 78,343,563 |
| Improvements other other than buildings | - | 3,152,857 | 316,008 | - | - | 3,468,865 |
| Equipment | - | 10,353,059 | 1,209,429 | - | - | 11,562,488 |
| Library holdings | - | 16,063,662 | 958,646 | - | - | 17,022,308 |
| Livestock | - | - | 4,279 | - | - | 4,279 |
| Total accumulated depreciation | \$ - | \$ 104,256,858 | \$ 6,144,645 | \$ - | \$ - | \$ 110,401,503 |
| Capital assets - net | <u>\$ 229,688,612</u> | | | | | <u>\$ 107,904,063</u> |

**MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

Note 11. Accounts Payable

Accounts payable consisted of:

| | <u>June 30, 2002</u> |
|--|----------------------|
| Current accounts payable: | |
| Vendors | \$ 4,311,057 |
| Employee payroll, benefits, and withholdings | 1,574,927 |
| Loans | 1,148 |
| Total accounts payable | <u>\$ 5,887,132</u> |

Note 12. Employee Benefits

A. Kentucky Teachers Retirement System:

All employees required to hold a degree and occupying full-time positions, defined as seven-tenths (7/10) of normal full-time service on a daily or weekly basis are required by state law to participate in the Kentucky Teachers Retirement System (KTRS) or an optional retirement plan, as allowed by KRS161.567. KTRS, a cost sharing, multiple-employer, public employee retirement system, provides retirement benefits based on an employee's final average salary and number of years service. Benefits are subject to certain reductions if the employee retires before reaching age sixty or has less than twenty-seven years of participation in the plan. The plan also provides for disability, death and survivor benefits and medical insurance.

The Kentucky Teachers Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800 or by calling (502) 573-3266.

Funding for the plan is provided from eligible employees who contribute 6.16% of their salary through payroll deductions and the University, which also contributes 13.84% of current eligible employees' salaries to the KTRS. Kentucky Revised Statutes and the KTRS Board of Trustees establish contribution requirements of the plan members and the University. The University's contributions to KTRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$3,514,432, \$3,476,325, and \$3,449,158, respectively, and were equal to the required contributions.

B. Kentucky Employee Retirement System:

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 12. Employee Benefits (cont'd)

Substantially all other full-time University employees are required by law to participate in the Kentucky Employee Retirement System (KERS), a cost sharing multiple-employer, public employee retirement system. KERS provides retirement benefits based on an employee's final average salary and number of years of service. Benefits are subject to certain reductions if the employee retires before reaching age sixty-five or has less than twenty-seven years of service. The plan also provides for disability, death and survivor benefits and medical insurance.

The Kentucky Employee Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report is obtainable by writing to Kentucky Employees Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601 or by calling (502) 564-4646.

Funding of the plan is from eligible employees who contribute 5.00% of their salary through payroll deductions and the University, which also contributes 5.89% of current eligible employees' salaries to the non-hazardous KERS. Employees covered by hazardous KERS contribute 8.00% of gross salary and the University contributes 18.84 % of gross salaries. The Kentucky Revised Statutes and the Board of Trustees of the Kentucky Retirement Systems determine contribution rates each biennium. The University's contributions to KERS for the years ended June 30, 2002, 2001, and 2000 were \$712,433, \$732,688, and \$904,416, respectively, and were equal to the required contributions.

C. University Health Self-Insurance Program:

The University maintains a self-insurance program for employees' health insurance. The University pays approximately 72% of the expenses of the plan for permanent full-time employees and their families. Expenses incurred to cover claims paid by the University under the plan for years ended June 30, 2002 and 2001 totaled \$4,114,886 and \$3,525,859, respectively, excluding administrative and stop-loss fees. Stop-loss and administrative fees incurred for the years ended June 30, 2002 and 2001 were \$508,198 and \$424,927, respectively.

Changes in the liability for self insurance are follows:

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

| | <u>June 30, 2002</u> | <u>June 30, 2001</u> |
|---|----------------------|----------------------|
| Liability - beginning of year | \$ 1,152,471 | \$ 1,151,776 |
| Accruals for current year claims and changes in estimate | 5,285,294 | 4,478,855 |
| Other costs | (508,198) | (484,451) |
| Claims paid | <u>(4,793,689)</u> | <u>(3,993,709)</u> |
| Liability - end of year | <u>\$ 1,135,878</u> | <u>\$ 1,152,471</u> |

Note 13. Revenue Bonds, Notes Payable, and Capital Leases

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2002:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|---|------------------------------|-------------------|-----------------------|---------------------------|----------------------------|
| Bonds payable | \$ 22,137,000 | \$ - | \$ (2,205,000) | \$ 19,932,000 | \$ 2,285,000 |
| Less bond discounts | (286,980) | - | 27,216 | (259,764) | (27,216) |
| Bonds payable, net of discounts | 21,850,020 | - | (2,177,784) | 19,672,236 | 2,257,784 |
| Capital leases | 2,190,899 | - | (166,310) | 2,024,589 | 158,457 |
| Masterlease notes payable | 1,521,136 | 395,000 | (391,789) | 1,524,347 | 475,919 |
| Notes payable | 136,237 | - | (108,953) | 27,284 | 15,917 |
| MSU Foundation notes payable | 182,786 | 3,865 | (54,517) | 132,134 | 27,780 |
| Total bonds, notes, and capital leases | <u>\$ 25,881,078</u> | <u>\$ 398,865</u> | <u>\$ (2,899,353)</u> | <u>\$ 23,380,590</u> | <u>\$ 2,935,857</u> |

Maturity Information:

A schedule of the mandatory principal and interest payments is presented below:

**MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

| Year Ending June 30 | Bonds | Notes | Total Principal | Interest | Total Payments |
|------------------------|---------------------|--------------------|---------------------|---------------------|---------------------|
| 2003 | \$ 2,285,000 | \$ 519,616 | \$ 2,804,616 | \$ 1,030,390 | \$ 3,835,006 |
| 2004 | 2,110,000 | 430,945 | 2,540,945 | 896,603 | 3,437,548 |
| 2005 | 2,202,000 | 225,945 | 2,427,945 | 774,729 | 3,202,674 |
| 2006 | 2,210,000 | 238,081 | 2,448,081 | 650,069 | 3,098,150 |
| 2007 | 2,335,000 | 230,425 | 2,565,425 | 519,473 | 3,084,898 |
| 2008 - 2012 | 4,190,000 | 38,753 | 4,228,753 | 1,591,285 | 5,820,038 |
| 2013 - 2017 | 2,615,000 | - | 2,615,000 | 728,412 | 3,343,412 |
| 2018 - 2022 | 1,985,000 | - | 1,985,000 | 138,658 | 2,123,658 |
| Total | <u>\$19,932,000</u> | <u>\$1,683,765</u> | <u>\$21,615,765</u> | <u>\$ 6,329,619</u> | <u>\$27,945,384</u> |

The required minimum reserves are \$2,003,615 and \$1,272,192 for the Consolidated Educational Sinking Fund and the Housing and Dining Sinking Fund, respectively.

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 13. Revenue Bonds, Notes Payable, and Capital Leases (cont'd)

Long term liability activity for the year ended June 30, 2002 was as follows:

| | Original Issue | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 |
|--|----------------------|------------------------------|--|------------------------------------|
| <u>Housing and Dining System Revenue Bonds Payable</u> | | | | |
| Series H bonds dated 9/1/65 with an interest of 3 3/8%. Final principal payment date 9/1/03. Elizabeth Hall and Springer Hall. | 1,845,000 | 140,000 | 5,228 | 90,000 |
| Series I bonds dated 9/1/65 with an interest rate of 3 5/8%. Final principal payment date 9/1/04. Hart Hall. | 2,250,000 | 267,000 | 10,189 | 95,000 |
| Series J bonds dated 9/1/65 with an interest rate of 3 3/4%. Final principal payment date 9/1/04. College Court III. | 510,000 | 60,000 | 2,374 | 20,000 |
| Series K bonds dated 9/1/65 with an interest rate of 3%. Final principal payment date 9/1/02. Hester Hall and White Hall. | 3,280,000 | 235,000 | 8,768 | 235,000 |
| Series L bonds dated 9/1/68 with an interest rate of 3%. Final principal payment date 9/1/08. Regents Hall. | 2,000,000 | 1,200,000 | 35,572 | 155,000 |
| Series M bonds dated 6/26/97 with an interest rate from 4% to 5.4%. Final principal payment date 9/1/17. Winslow Cafeteria. | 825,000 | 715,000 | 36,165 | 30,000 |
| Series N bonds dated 5/12/99 with an interest rate from 4.35% to 4.9%. Final principal payment date 9/1/18. Fire safety for residence halls. | 6,370,000 | 5,950,000 | 263,193 | 225,000 |
| Series O bonds dated 6/1/2001 with an interest rate from 4.00% to 5.00%. Final principal payment date 9/1/21. Hart Hall. | 1,610,000 | 1,610,000 | 75,120 | 5,000 |
| Total Housing and Dining System Revenue Bonds Payable | \$ 18,690,000 | \$ 10,177,000 | \$ 436,609 | \$ 855,000 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 13. Revenue Bonds, Notes Payable, and Capital Leases (cont'd)

| | Original Issue | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 |
|---|----------------------|------------------------------|--|------------------------------------|
| <u>Consolidated Educational Buildings Revenue Bonds Payable</u> | | | | |
| Series G(2nd Series) dated 3/1/93 with interest rates of 3.10% to 5.60%. Final principal payment due on 5/1/07. Various Buildings | | | | |
| | 11,660,000 | 6,770,000 | 428,540 | 1,210,000 |
| Series H bonds dated 03/01/92 with interest rates from 3 1/2% to 6.20%. Final principal payment due 5/1/12. Various Buildings | | | | |
| | 4,625,000 | 2,985,000 | 191,265 | 220,000 |
| Total Consolidated Educational Buildings Revenue Bonds | | | | |
| | \$ 16,285,000 | \$ 9,755,000 | \$ 619,805 | \$ 1,430,000 |
| Bonds payable before discount | | | | |
| | \$ 34,975,000 | \$ 19,932,000 | \$ 1,056,414 | \$ 2,285,000 |
| Less bonds discount | | | | |
| | - | (259,763) | - | (27,216) |
| Total Bonds Payable | | | | |
| | \$ 34,975,000 | \$ 19,672,237 | \$ 1,056,414 | \$ 2,257,784 |
| <u>Masterlease Payable</u> | | | | |
| Residential Networking - Master Lease dated 8/18/00 with interest of 5.20% to 5.59%. Final principal payment due 8/18/07. | | | | |
| | \$ 800,000 | \$ 637,797 | \$ 37,685 | \$ 109,936 |
| Maintenance - Master Lease dated 5/10/02 with interest of 4.79%. Final principal payment due 5/10/07. | | | | |
| | 395,000 | 389,200 | 1,629 | 71,829 |
| Campus Backbone Networking - Master Lease dated 1/25/98 with interest of 4.23% to 4.35%. Final principal payment due 2/25/04. | | | | |
| | 1,500,000 | 497,350 | 27,889 | 294,154 |
| Total Masterlease Payable | | | | |
| | \$ 2,695,000 | \$ 1,524,347 | \$ 67,203 | \$ 475,919 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 13. Revenue Bonds, Notes Payable, and Capital Leases (cont'd)

| | Original Issue | Balance due June 30, 2002 | Interest Expense Current Year | Bonds/Notes Maturing 2002-03 |
|--|----------------------|------------------------------|--|------------------------------------|
| Notes Payable | | | | |
| Ohio Valley Conference | | | | |
| Dated 9/8/99 with interest rate of 6.0%. Final principal payment due 9/3/03. | | | | |
| | \$ 56,625 | \$ 22,064 | \$ 1,986 | \$ 10,696 |
| GE Capital Public Finance, Inc. | | | | |
| Date 6/22/00 with interest rate of 5.86%. Final principal payment due 8/1/02. | | | | |
| | 15,603 | 5,220 | 595 | 5,221 |
| Total Notes Payable | \$ 72,228 | \$ 27,284 | \$ 2,581 | \$ 15,917 |
| MSU Foundation Payable | | | | |
| Other liabilities - MSU Foundation | | | | |
| Various notes for purchase of academic equipment. Final principal due 4/02/08. | | | | |
| | 256,513 | 132,134 | 13,299 | 27,780 |
| Total MSU Foundation Payable | \$ 256,513 | \$ 132,134 | \$ 13,299 | \$ 27,780 |
| Capital Leases | \$ 2,915,285 | \$ 2,024,588 | \$ 103,156 | \$ 158,457 |
| Total all bond issues, notes payable, and capital leases | \$ 40,914,026 | \$ 23,380,590 | \$ 1,242,653 | \$ 2,935,857 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 13. Revenue Bonds, Notes Payable, and Capital Leases (cont'd)

Capital Leases:

The University leases certain equipment and facilities, under capital lease agreements. The recorded cost of these assets and accumulated depreciation thereon as of June 30, 2002 are \$2,912,285 and \$1,798,126, respectively. Remaining minimum annual lease payments pursuant to these leases are as follows:

| Year Ending June 30 | Equipment | Buildings | Total |
|--|-------------------|---------------------|---------------------|
| 2003 | \$ 82,051 | \$ 179,585 | \$ 261,636 |
| 2004 | 78,622 | 179,629 | 258,251 |
| 2005 | 52,503 | 179,428 | 231,931 |
| 2006 | - | 178,974 | 178,974 |
| 2007 | - | 179,259 | 179,259 |
| 2008 - 2012 | - | 896,781 | 896,781 |
| 2013 - 2017 | - | 896,423 | 896,423 |
| | <u>213,176</u> | <u>2,690,079</u> | <u>2,903,255</u> |
| Less amount representing interest | (14,587) | (864,079) | (878,666) |
| Present value of capital lease obligations | <u>\$ 198,589</u> | <u>\$ 1,826,000</u> | <u>\$ 2,024,589</u> |

Note 14. Unrestricted Net Assets

The University's designations of unrestricted net assets consisted of:

| | <u>June 30, 2002</u> |
|-------------------------------|----------------------|
| Unrestricted net assets: | |
| Allocated for: | |
| Prior year carryovers: | |
| Renovation and maintenance | \$1,116,259 |
| Departmental operations | 6,218,467 |
| Encumbrances | 835,867 |
| General contingency | 6,843,477 |
| Self insurance | <u>900,000</u> |
| Total unrestricted net assets | <u>\$15,914,070</u> |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 15. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, natural disasters, and employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The state of Kentucky self-insures workers' compensation benefits for all state employees, including University employees. Claims are administered by Risk Management Services Corporation.

Note 16. Contingencies and Commitments

The University is a defendant in various lawsuits. It is the opinion of management and its legal counsel, based in part on the doctrine of sovereign immunity and other statutory provisions, that the ultimate outcome of litigation will not have a material effect on the future operations or financial position of the University.

The University has outstanding commitments under construction contracts of approximately \$4,600,000 as of June 30, 2002.

Note 17. Natural Expense Classifications with Functional Classifications

The University's operating expenses by functional classification were as follows:

| Fund Classification | Year ended June 30, 2002 | | | | | | |
|-------------------------------|---------------------------------|----------------------|---------------------|--------------------------------|---------------------|---------------------|-----------------------|
| | Natural Classification | | | | | | Total |
| | Compen- sation & Benefits | Operations | Utilities | Non Capitalized Property | Scholarships | Depreciation | |
| Instruction | \$ 37,071,237 | \$ 5,653,463 | \$ - | \$ 664,659 | \$ 42,058 | \$ - | \$ 43,431,417 |
| Research | 1,131,339 | 578,199 | - | 80,775 | 300 | - | 1,790,613 |
| Public Service | 3,844,178 | 1,115,564 | - | 190,443 | - | - | 5,150,185 |
| Academic Support | 3,342,451 | 1,707,120 | - | 640,767 | 550 | - | 5,690,888 |
| Libraries | 1,410,791 | 6,504 | - | 21,147 | - | - | 1,438,442 |
| Student Services | 6,136,446 | 3,377,169 | - | 47,313 | 2,941 | - | 9,563,869 |
| Institutional Support | 8,767,086 | 486,903 | - | 262,968 | - | - | 9,516,957 |
| Operations and Maintenance | 4,877,175 | 2,171,095 | 4,396,413 | 87,012 | - | - | 11,531,695 |
| Financial Aid | 35,205 | 48,945 | - | 855 | 5,626,992 | - | 5,711,997 |
| Auxiliary | 4,693,852 | 8,954,210 | - | 62,813 | 61,902 | - | 13,772,777 |
| Depreciation | - | - | - | - | - | 6,144,645 | 6,144,645 |
| Total Expenses | \$ 71,309,760 | \$ 24,099,172 | \$ 4,396,413 | \$ 2,058,752 | \$ 5,734,743 | \$ 6,144,645 | \$ 113,743,485 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 18. **Segment Information**

The University's Housing and Dining System was established by the 1965 Trust Indenture. The Housing and Dining System, as defined by this trust indenture, includes all the student housing, dining, and student center facilities, and related enterprises facilities that now exist at the main campus in Murray, Kentucky. The University issues revenue bonds for this system to finance certain of its housing and dining auxiliary enterprise activities. These bonds will be payable from and will constitute a charge upon the gross revenue to be derived by the University from the operation of its Housing and Dining System. The revenues of the system consist of the gross amount of rentals received by the University for the use and occupancy of the facilities of the housing system and the net income from dining operations. These revenues do not include those generated by the University bookstore.

Condensed financial information of the University's Housing and Dining segment is as follows:

| | <u>June 30, 2002</u> |
|---|-----------------------------|
| CONDENSED BALANCE SHEET | |
| Assets: | |
| Current assets | \$ 2,878,314 |
| Noncurrent assets | 2,859,330 |
| Capital assets, net of accumulated depreciation | <u>4,839,634</u> |
| Total assets | <u><u>\$ 10,577,278</u></u> |
| Liabilities: | |
| Current liabilities | \$ 5,975,382 |
| Noncurrent liabilities | <u>10,313,400</u> |
| Total liabilities | <u><u>16,288,782</u></u> |
| Net Assets: | |
| Invested in capital assets, net of related debt | (5,137,199) |
| Restricted for: | |
| Expendable: | |
| Capital | 931,634 |
| Debt service | 1,591,128 |
| Unrestricted | <u>(3,097,067)</u> |
| Total net assets | <u><u>(5,711,504)</u></u> |
| Total liabilities and net assets | <u><u>\$ 10,577,278</u></u> |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 18. Segment Information (cont'd)

For the year
ended
June 30, 2002

**CONDENSED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS**

| | |
|--|---------------|
| Operating revenues | \$10,230,555 |
| Operating expenses | 9,722,930 |
| Depreciation expense | 575,828 |
| | (68,203) |
| Operating loss | |
| Nonoperating revenues(expenses) | (1,592,081) |
| | (1,660,284) |
| Change in Net Assets | |
| Net Assets - beginning of year, as originally reported | 14,058,309 |
| Cumulative effect of change in accounting principle | (18,109,529) |
| Net Assets - beginning of year, as restated | (4,051,220) |
| Net Assets - end of year | \$(5,711,504) |

CONDENSED STATEMENT OF CASH FLOWS

| | |
|--|--------------|
| Net cash flows provided (used) by: | |
| Operating activities | \$ 1,479,981 |
| Noncapital financing activities | 79,298 |
| Capital and related financing activities | (1,300,676) |
| Investing activities | 3,278 |
| Net increase in cash | 261,881 |
| Cash - beginning of year | 2,328,034 |
| Cash - end of year | \$ 2,589,915 |

MURRAY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 19. Change in Accounting Principle

As discussed in Note 1, the University adopted GASB Nos. 34 and 35 during the 2002 fiscal year. The cumulative effect of adoption has been recorded as an adjustment of previously reported net assets as of July 1, 2001.

Prior to the adoption of GASB Nos. 34 and 35, the University did not record depreciation on capital assets. To comply with the requirements of these statements, the University prepared detail cost records for all capital assets and the related accumulated depreciation on those capital assets as of July 1, 2001. As part of this process, the University raised the threshold above which capital assets are recognized and deleted previously recorded capital assets with a cost below the revised threshold.

Per GASB No. 33, the timing of recognition of pledges receivable for endowment and the related revenue was affected. The University previously recognized pledges receivable and the related revenue when the pledge was received. Upon adoption of the new statements, pledges receivable and the related revenue are not recognized until the new resources are actually received (the pledges are collected).

The cumulative effect of the change in accounting principle are as follows:

| | |
|---|-----------------------|
| Recognition of accumulated depreciation on capital assets: | |
| Buildings | \$ 74,687,280 |
| Library holdings | 16,063,662 |
| Equipment | 10,353,059 |
| Nonbuilding improvements | <u>3,152,857</u> |
| Total | <u>104,256,858</u> |
| Deletion of previously recognized capital assets due to revised capitalization threshold: | |
| Buildings | 167,013 |
| Non-building improvements | 5,092,232 |
| Equipment | <u>18,336,554</u> |
| Total | <u>23,595,799</u> |
| Adjustment to remove pledge receivable: | |
| Pledge receivable at June 30, 2001 | <u>422,553</u> |
| Cumulative effect of change in accounting principle | <u>\$ 128,275,210</u> |

In addition to the change described above, there was a significant change to the overall form and content of the University's financial statements.

Supplementary Information

MURRAY STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2002

| Grantor/Program Title | Pass Through Grant Agency | Pass Through Grant Number | Federal CFDA Number | Federal Expenditures |
|---|------------------------------|---------------------------------|---------------------------|-------------------------|
| Student Financial Aid - Cluster | | | | |
| Department of Education: | | | | |
| SEOG Program | | | 84.007 | \$ 320,522 |
| Workstudy Program | | | 84.033 | 515,096 |
| Perkins Student Loan Fund | | | 84.038 | 13,904 |
| Pell Grant Program | | | 84.063 | <u>5,786,907</u> |
| | | | | <u>6,636,429</u> |
| Department of Health and Human Services: | | | | |
| Nurse Anesthetist Traineeships | | | 93.124 | 5,180 |
| Professional Nurse Traineeships | | | 93.358 | 28,211 |
| Student Nurse Loan Program | | | 93.364 | <u>29,294</u> |
| | | | | <u>62,685</u> |
| Total Student Financial Aid | | | | \$ 6,699,114 |
| Research and Development - Cluster | | | | |
| Department of Agriculture: | | | | |
| Plan for Enhancing Diagnostic Service at Murray State University | | | 10.025 | \$ 50,000 |
| Clinical Skill Builder for Food and Nutrition | | | 10.217 | 5,468 |
| National Recreation Use Survey | | | 10.652 | <u>15,896</u> |
| | | | | <u>71,364</u> |
| Department of Defense: | | | | |
| Bald Eagles/Cross Creeks | | | 12.100 | 889 |
| Ohmic Contacts to P-Type SIC | | | 12.300 | <u>(223)</u> |
| | | | | <u>666</u> |
| Department of Interior: | | | | |
| Relocation and Monitoring of At Risk Endangered Unionid Mussels | | | 15.615 | 7,169 |
| Developmental Stability As An Indicator of Amphibian . . . | | | 15.805 | (751) |
| Developmental Stability in Amphibians as a Biological Indicator of Chemical | | | 15.805 | <u>7,500</u> |
| | | | | <u>13,918</u> |
| Office of Personnel Management: | | | | |

MURRAY STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2002

| Grantor/Program Title | Pass Through Grant Agency | Pass Through Grant Number | Federal CFDA Number | Federal Expenditures |
|---|--|---------------------------------|---------------------------|-------------------------|
| MARC: Fort Campbell, Kentucky | U. S. Army, Fort Campbell, Kentucky | MIPR8HJMURY006 | 27.001 | 78,119 |
| National Aeronautics and Space Administration: | | | | |
| Environmental Change Detection in Western Kentucky | Western Kentucky University | WKU522775-00-12 | | (6) |
| Campus Objectives | Western Kentucky University | WKU516105-02-28 | | 1,000 |
| Integrated Study Using Remote Sensing | Western Kentucky University | WKU516105-02-07 | | 2,047 |
| Feasibility of Low Power Reduced Pressure | Western Kentucky University | WKU516105-02-08 | | 5,770 |
| Western Kentucky Geographic Information System | Western Kentucky University | WKU 522776-01-10 | | 7,472 |
| | | | | <u>16,282</u> |
| National Science Foundation: | | | | |
| Arvicoline Dental Patterns | University of Kentucky Research Foundation | UKRF-4-62728-99-216 | 47.046 | 1,486 |
| Microscope Imaging of Bat and Rodent Longbone Sections | | | 47.074 | 1,464 |
| Model Reference Current Injection | | | 47.074 | 9,014 |
| RUI: Collaborative Research on Mechanisms Underlying Salamander | | | 47.074 | 22,367 |
| Polygamy and The Adaptive Significance of Variation on Termite | | | 47.074 | 20,893 |
| Biogeochemical and Ecological Processes | | | 47.074 | 145,421 |
| Pilo Pleisocene Mammal | | | 47.074 | 3,201 |
| Constructive Algorithms | University of Kentucky Research Foundation | UKRF-4-65499-02-345 | 47.076 | 5,098 |
| Molecular Mechanisms of Cell Sorting in Chick Embryo | University of Kentucky Research Foundation | UKRF-4-28851-98-194 | 47.076 | (33) |
| Nonseparable Wavelets and Image Compression | University of Kentucky Research Foundation | UKRF-4-62728-01-253 | 47.076 | 809 |
| Study of a Carotenoid Protein Complex | University of Kentucky Research Foundation | UKRF-4-62728-01-251 | 47.076 | 2,887 |
| Constructive Algorithms for Two-Dimensional Inverse Spectral Problems | University of Kentucky Research Foundation | UKRF-4-62728-01-252 | 47.076 | 4,328 |
| Optimal Control Techniques Applies to Cancer Problems | University of Kentucky Research Foundation | UKRF-4-62728-01-249 | 47.076 | 5,559 |
| Impacts of Habitat Alteration on the Health of Wild | University of Kentucky Research Foundation | UKRF-4-62728-01-250 | 47.076 | 7,990 |
| Discrete Time Signal From Fourier Phase | University of Kentucky Research Foundation | UKRF-4-62728-01-254 | 47.076 | 11,731 |
| Center for Watershed | University of Kentucky | | 47.076 | 19 |
| Role of Pi-Interactions in Antibiotic Resistance | University of Kentucky Research Foundation | UKRF-4-62728-00-236 | 47.406 | 4,446 |
| | | | | <u>246,680</u> |
| Tennessee Valley Authority: | | | | |
| Coliform Sampling in Kentucky Lake Year II and III | | | 62.001 | 265 |
| Kentucky99 Project | | | 62.001 | 2,762 |
| | | | | <u>3,027</u> |
| Environmental Protection Agency: | | | | |

MURRAY STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2002

| Grantor/Program Title | Pass Through Grant Agency | Pass Through Grant Number | Federal CFDA Number | Federal Expenditures |
|--|--|---------------------------------|---------------------------|-------------------------|
| Biological Monitoring Program Expansion: Cumberland/Tennessee Basins | Kentucky Natural Resources Cabinet | M00095996 | 66.460 | 3,992 |
| Water Quality Monitoring and Assessment of Pride Water | University of Kentucky Research Foundation | UKRF-4-64996-02-077 | 66.460 | 6,233 |
| Expansion of Fecal Coliform Assessments in ... Watersheds | Kentucky Natural Resources Cabinet | M00096050 | 66.460 | 13,229 |
| Biological Baseline Conditions in the Little River Watershed | Kentucky Natural Resources Cabinet | M-00151553 | 66.460 | 13,909 |
| EPA Epscor - Whiteman | | | 66.500 | 8,891 |
| Ag versus Forested Basin | | | 66.505 | (1,551) |
| | | | | 44,703 |
| Department of Energy: | | | | |
| Reservoir-Watershed Linkages | University of Kentucky Research Foundation | UKRF-4-25745-00-77 | 81.049 | 487 |
| Transport, Accumulation, and Utilization of Organic Carbon | University of Kentucky Research Foundation | UKRF-4-25745-95-68 | 81.049 | 73,533 |
| | | | | 74,020 |
| Office of Education: | | | | |
| School Work Region One | | | 84.1991I | 8,152 |
| Department of Health and Human Services: | | | | |
| Assess Personal Factors Contributing to Safe Performance | | | 93.263 | 1,978 |
| Aspire Evaluation | | | 93.283 | 3,481 |
| Integration with Kentucky Biomedical Research Infrastructure Network | | | 93.389 | 35,420 |
| Cobre: Center for Neural Regeneration/Core B Consortium | University of Louisville Research Foundation | 1 P20 RR15576-01 | 93.389 | 32,800 |
| Cardiac Nat Channel Gating and Local Anesthetic Block | | | 93.390 | 16,083 |
| Child Care Rate Structure in Kentucky Survey | Kentucky Cabinet for Families and Children | M00129362 | 93.558 | (56) |
| Child Care Rate Survey 01-02 | Kentucky Cabinet for Families and Children | M01136194 | 93.558 | 28,208 |
| Invitro Modeling of Reactive Gliosis | | | 93.854 | 12,438 |
| Evaluation of Cardiovascular Health Project Year 2 | Kentucky Department of Education | M00279703 | 93.945 | 12,571 |
| Evaluation of Cardiovascular Health Project Year 3 | Kentucky Department of Education | M01294900 | 93.945 | 50,000 |
| | | | | 192,921 |
| Total Research and Development | | | | \$ 749,852 |
| Other- | | | | |
| Department of Agriculture: | | | | |
| Development of a Mkt Plan: Center for Sustainable Systems | Center for Sustainable Systems | | 10.156 | \$ (255) |
| Creating a Geographic Information System for LBL | Forestry Service | 086-ES-01-003 | 10.202 | 34,802 |

MURRAY STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2002

| Grantor/Program Title | Pass Through Grant Agency | Pass Through Grant Number | Federal CFDA Number | Federal Expenditures |
|---|---|---------------------------------|---------------------------|-------------------------|
| Training Resource Center: Food Stamps 01-02 | Eastern Kentucky University | EKU-02-113 | 10.561 | 172 |
| | | | | <u>34,719</u> |
| Department of Commerce: Mitigation Planning Project | Western Kentucky University | WKU 511301-02-01 | 11.307 | 68,085 |
| Department of Interior: | | | | |
| Project Wild 01-02 | Kentucky Department of Fish and Wildlife | | 15.608 | 5,363 |
| Project Wild 00-01 | Kentucky Department of Fish and Wildlife | | 15.608 | (31) |
| KY Gap Analysis Project: Vertebrate 00-01 | Kentucky Department of Fish and Wildlife | | 15.805 | (4,211) |
| KY Gap Analysis Project: Vertebrate 99-00 | Kentucky Department of Fish and Wildlife | | 15.805 | (2,710) |
| KY Gap Analysis Project: Landcover 99-00 | Kentucky Department of Fish and Wildlife | | 15.805 | (391) |
| KY Gap Vegetation 01-02 | Kentucky Department of Fish and Wildlife | | 15.805 | 45,759 |
| KY Gap Vertebrate 01-02 | Kentucky Department of Fish and Wildlife | | 15.805 | 69,860 |
| Mammoth Cave Landsat | National Park Service | | 15.915 | 1,585 |
| Mammoth Cave Ikonos | National Park Service | | 15.915 | 2,882 |
| | | | | <u>118,107</u> |
| Department of Justice: | | | | |
| CASA of Calloway County | Kentucky Department of Justice | 6262- VC3-1/00 | 16.575 | 3,014 |
| Local Law Enforcement Block Grant | | | 16.592 | 4,561 |
| Bulletproof Vest Reimbursement | Kentucky Department of Justice | | 16.607 | 365 |
| Cops Universal Hiring Program | | | 16.710 | 25,790 |
| Cops More Award | | | 16.710 | 27,788 |
| | | | | <u>61,519</u> |
| Department of Labor: | | | | |
| Workforce Connection | West Kentucky Workforce Investment Board | | 17.246 | 24,249 |
| Career Discovery Center 01-02 | West Kentucky Workforce Investment Board | | 17.246 | 479,638 |
| Career Discovery Center 01 | West Kentucky Workforce Investment Board | | 17.246 | 122,231 |
| | | | | <u>626,118</u> |
| Department of State: | | | | |
| International Education Week At Murray State University | NAFSA: Association of International Educators | | 19.404 | 19 |

MURRAY STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2002

| Grantor/Program Title | Pass Through Grant Agency | Pass Through Grant Number | Federal CFDA Number | Federal Expenditures |
|--|--|---------------------------------|---------------------------|-------------------------|
| National Endowment for the Arts and Humanities: | | | | |
| NEA: Ellis Wilson A Native Son Project | Kentucky Humanities Council | KH C99-059 | 45.024 | (15) |
| Native American Dance Weekend at Wickliffe Mounds | Kentucky Humanities Council | | 45.129 | 1,000 |
| Asia in America Changing Landscapes Changing Voices in Kentucky | | | 45.129 | 1,500 |
| | | | | <u>2,485</u> |
| National Science Foundation: | | | | |
| Travel Grant WCC | | | 47.070 | 1,000 |
| Inquiry Based Learning | | | 47.074 | 2,988 |
| Faculty Institutes for Reforming Science Teaching thru Field Stations II | University of Oregon | DUE-0088847 | 47.076 | 5,994 |
| Traditions in Chemistry | | | 47.076 | 43,242 |
| Computer Science, Engineering and Mathematics Scholarships | | | 47.076 | 67,428 |
| Glasshouse/Mesocosm Facilities at Hancock Biological Station | | | 47.077 | (663) |
| Inquiry-Based Reconstruction of Intro Bio Curriculum | | | 47.077 | 5,856 |
| | | | | <u>125,844</u> |
| Small Business Administration: | | | | |
| Small Business Development Center 01-02 | University of Kentucky Research Foundation | UKRF-4-65241-02-121 | 59.037 | 141,060 |
| Small Business Development Center 00-01 | University of Kentucky Research Foundation | UKRF-4-64208-01-138 | 59.037 | 52,474 |
| | | | | <u>193,534</u> |
| Environmental Protection Agency: | | | | |
| Environmental Lab Program | Natural Resources and Environment Cabinet | M/A 016456 | 66.419 | 184 |
| Environmental Ed Workshop For Preservice Teachers | | | 66.951 | 513 |
| Creating Connections Using Environmental Education | | | 66.951 | 873 |
| | | | | <u>1,570</u> |
| Department of Education: | | | | |
| MSU Model Program | Kentucky Department of Education | M-01161417 | 84.027 | 96,705 |
| Vocational Education Integrated Teacher Education | Kentucky Cabinet For Workforce Development | | 84.048 | 54 |
| Vocational Education High Skill High Wage Care Exploration | Kentucky Cabinet For Workforce Development | | 84.048 | 61 |
| Vocational Education Education Leadership | Kentucky Cabinet For Workforce Development | | 84.048 | 7,102 |
| Vocational Education Integration of Academic and Technical Education | Kentucky Cabinet For Workforce Development | | 84.048 | 3 |
| Vocational Education Field Based | Kentucky Cabinet For Workforce Development | | 84.048 | 5,931 |
| Perkins Carryforward | Kentucky Cabinet For Workforce Development | | 84.048 | 1,818 |
| Integration of Career and Technical Teacher Education | Kentucky Cabinet For Workforce Development | | 84.048 | 3,203 |
| Vocational Education Program | Kentucky Cabinet For Workforce Development | | 84.048 | 3,284 |

MURRAY STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2002

| Grantor/Program Title | Pass Through Grant Agency | Pass Through Grant Number | Federal CFDA Number | Federal Expenditures |
|--|--|---------------------------------|---------------------------|-------------------------|
| Voc Ed Title I | | | | |
| Perkins Vocational Education | Kentucky Cabinet For Workforce Development | | 84.048 | 80,841 |
| First Steps 00-01 | Kentucky Cabinet For Workforce Development | | 84.048 | 11,732 |
| First Steps 01-02 | | | 84.181 | 8,125 |
| Tech Prep Skills | | | 84.181 | 127,451 |
| Tech Prep Travel | Kentucky Cabinet For Workforce Development | | 84.243 | 34,386 |
| Middle School Initiative Component Phase I | | | 84.243 | 6,016 |
| Gear Up and Soar 99-00 | Kentucky Department of Education | | 84.323 | 1,067 |
| Gear Up and Soar 00-01 | West Kentucky Educational Cooperative | | 84.334 | (473) |
| Gear Up Year II | West Kentucky Educational Cooperative | | 84.334 | 505 |
| Statewide Gear Up | Council on Postsecondary Education | | 84.335 | 62,205 |
| Student Support Services 99-00 | Council on Postsecondary Education | | 84.335 | 84,268 |
| Student Support Services 00-01 | | | 84.042A | 5,012 |
| Student Support Services 01-02 | | | 84.042A | 36,622 |
| Educational Talent Search 00-01 | | | 84.042A | 194,633 |
| Educational Talent Search 01-02 | | | 84.044A | 68,020 |
| Upward Bound 00-01 | | | 84.044A | 261,557 |
| Upward Bound 01-02 | | | 84.047A | (144) |
| Upward Bound 02-03 | | | 84.047A | 333,537 |
| Upward Bound AIMS 99-00 | | | 84.047A | 46,278 |
| Upward Bound AIMS 00-01 | | | 84.047M | (403) |
| Upward Bound AIMS 01-02 | | | 84.047M | 60,942 |
| Professional Development for Technical Education Teachers | | | 84.047M | 150,993 |
| Integration of Career and Technical Teacher Education | Kentucky Cabinet For Workforce Development | | 84.048 | 18,126 |
| Early Childhood Proficiency Evaluation 01-02 | Kentucky Cabinet For Workforce Development | | 84.048 | 41,506 |
| Department of Education: (cont'd) | Kentucky Department of Education | | 84.173A | 9,429 |
| Early Childhood Proficiency Evaluation 00-01 | | | | |
| Kentucky Network to Reduce High Risk Drinking Mini Grant | Kentucky Department of Education | | 84.173A | 4,430 |
| Literacy Link Year 5 | Morehead State University | | 84.184II | 2,431 |
| Watershed II | Kentucky Educational Television Foundation | | 84.203D | 7,510 |
| Patterns/Systems: Core Content in Math and Science via the Environment | Council on Postsecondary Education | | 84.281B | (74) |
| Connections in Math and Science | Council on Postsecondary Education | | 84.281B | 37,853 |
| Foreign Language Assistance Program Curriculum Framework Teams | Council on Postsecondary Education | | 84.281B | 29,133 |
| Data Entry Gear Up | | | 84.293 | 1,377 |
| Childcare Access 99-00 | Council on Postsecondary Education | | 84.334 | 975 |
| Childcare Access 00-01 | | | 84.335A | 586 |
| Childcare Access 01-02 | | | 84.335A | 2,361 |
| | | | 84.335A | 29,567 |

MURRAY STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2002

| Grantor/Program Title | Pass Through Grant Agency | Pass Through Grant Number | Federal CFDA Number | Federal Expenditures |
|--|-----------------------------------|---------------------------------|---------------------------|-------------------------|
| Evergreen Generation Y Year 1 | The Evergreen State College | | 84.342A | (268) |
| Evergreen Generation Y Year 2 | The Evergreen State College | | 84.342A | 10,338 |
| Evergreen Generation Y Year 3 | The Evergreen State College | | 84.342A | 22,998 |
| Preparing Teachers for Technology 00-01 | | | 84.342A | 68,342 |
| Preparing Teachers for Technology 01-02 | | | 84.342A | 248,486 |
| National Writing Project 00-01 | University of California | 92-KY05 | 84.928A | 1,327 |
| National Writing Project 01-02 | University of California | | 84.335 | 43,074 |
| | | | | <u>2,270,837</u> |
| Department of Health and Human Services: | | | | |
| Area Health Education Center: Federal 00-01 | University of Louisville | SU76PE03023-07 | 93.107 | 14,909 |
| Area Health Education Center: Federal 01-02 | University of Louisville | SU76PE03023-07 | 93.107 | 76,226 |
| HETC Kentucky Population | | | 93.189 | 25,594 |
| HETC Kentucky Vulnerable | | | 93.189 | 14,750 |
| Kentucky Interdisciplinary Community Screening | University of Louisville | 00-917-03 | 93.192 | (861) |
| Grants for Interdisciplinary Training for Rural Areas | University of Louisville | 00-917-07 | 93.192 | 9,860 |
| Combined Undergraduate and Graduate Training Program 00-01 | | | 93.263 | 578 |
| OSHA Program Improvement | | | 93.263 | 67,784 |
| Kentucky Transitional Assistance Program 00-01 | Cabinet for Families and Children | M00129362 | 93.558 | (2,723) |
| Kentucky Transitional Assistance Program 01-02 | Cabinet for Families and Children | M-01136194 | 93.558 | 100,000 |
| Training Resource Center Child Support 00-01 | Eastern Kentucky University | | 93.563 | 2 |
| Training Resource Center: Child Support 01-02 | Eastern Kentucky University | EKU 02-113 | 93.563 | 235 |
| Early Headstart- Graduate Assistant | Murray Middle School | EHS20135 | 93.600 | 2,533 |
| Special Education Building- Murray Headstart | Murray Headstart | | 93.600 | 14,300 |
| Department of Health and Human Services: (cont'd) | | | | |
| Public Child Welfare Certification 99-00 | Eastern Kentucky University | 99-2000-3128 | 93.658 | (27,294) |
| Training Resource Center: Foster Parent Association 00-01 | Eastern Kentucky University | M-00140300 | 93.658 | 28,964 |
| Training Resource Center: Foster Parent Mentor Program 99-00 | Eastern Kentucky University | FC99-2000-3128 | 93.658 | 55 |
| Training Resource Center: Title IV-E 00-01 | Eastern Kentucky University | M-00140300 | 93.658 | 754 |
| Training Resource Center Everyone A Leader 01-02 | Eastern Kentucky University | EKU 02-113 | 93.658 | 9,230 |
| Public Child Welfare Certification | Eastern Kentucky University | M-00140300 | 93.658 | 27,278 |
| Training Resource Center: Social Work Program 01-02 | Eastern Kentucky University | | 93.658 | 40,385 |
| Training Resource Center: Title IV 01-02 | Eastern Kentucky University | EKU 02-113 | 93.658 | 41,505 |
| Child Welfare Certification Program 01-02 | Eastern Kentucky University | EKU 02-114 | 93.658 | 48,368 |
| Training Resource Center Foster Parent Training 01-02 | Eastern Kentucky University | EKU 02-113 | 93.658 | 162,977 |
| Training Resource Center: Adoptive Parent Network 01-02 | Eastern Kentucky University | EKU 02-113 | 93.658 | 398,142 |
| Training Resource Center Non IV-E 01-02 | Eastern Kentucky University | EKU 02-113 | 93.667 | 7,647 |

MURRAY STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2002

| Grantor/Program Title | Pass Through Grant Agency | Pass Through Grant Number | Federal CFDA Number | Federal Expenditures |
|--|------------------------------|---------------------------------|---------------------------|-------------------------|
| Training Resource Center: Medical Assistance 01-02 | Eastern Kentucky University | EKU 02-113 | 93.778 | 45 <u>1,061,243</u> |
| Total Other | | | | \$ 4,564,080 |
| Total Federal Expenditures | | | | \$ 12,013,046 |

MURRAY STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002

Note 1. **Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant transactions of Murray State University (University) recorded on the accrual basis of accounting.

Note 2. **Loan Programs**

The University advanced \$867,761 to students for the Perkins Loan Program (CFDA #84.038) for the year ended June 30, 2002. The University processed \$16,688,407 of new loans under the Federal Family Education Loan Program (CFDA #84.032) (which includes Stafford Loans, Parents Loans for Undergraduate Students, and Supplemental Loans for Students). The University advanced \$82,600 of new loans under the Student Nursing Loan Program (CFDA #93.364). Perkins Loan balances and Student Nursing Loan Receivable balances were \$4,268,642 and \$372,161 at June 30, 2002.

Note 3. **Indirect Costs**

Predetermined fixed indirect cost rates have been approved as follows:

| | |
|--|-------------------|
| Period covered | 07/01/01-06/30/04 |
| Based on financial information for fiscal year | 1992 |
| Predetermined rate – on campus | 47% |
| Predetermined rate – off campus | 23% |

These rates are applied to direct salaries and wages, excluding all fringe benefit costs, for on-campus programs.



**Independent Accountants' Report on Compliance and Internal Control
Over Financial Reporting Based on the audit of the Financial
Statements in Accordance with *Government Auditing Standards***

Board of Regents
Murray State University
Murray, Kentucky

We have audited the financial statements of Murray State University as of and for the year ended June 30, 2002, and have issued our report thereon dated September 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Solutions
for
Success

Board of Regents
Murray State University
Page Two

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

September 19, 2002



Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs

Board of Regents
Murray State University
Murray, Kentucky

Compliance

We have audited the compliance of Murray State University with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the compliance of Murray State University based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, Murray State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Solutions
for
Success

Internal Control Over Compliance

The management of Murray State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

September 19, 2002

Murray State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:
- Unqualified Qualified Adverse Disclaimed
2. The independent accountants' report on internal control over financial reporting described:
- Reportable condition(s) noted considered material weakness(es)? Yes No
- Reportable condition(s) noted that are not considered to be a material weakness? Yes No
3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No
4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
- Reportable condition(s) noted considered material weakness(es)? Yes No
- Reportable condition(s) noted that are not considered to be a material weakness? Yes No
5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
- Unqualified Qualified Adverse Disclaimed
6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

Murray State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

7. The University's major programs were:

| Cluster/Program | CFDA Number |
|--|------------------------------------|
| Student Financial Aid | 84.007; 84.032; 84.033; 84.038; |
| Research and Development | 84.063; 93.124; 93.358; 93.364 |
| Training Resource Center/Child Welfare | Various |
| Workforce Investment Act | 93.658 |
| | 17.246 |
| Trio Programs | 84.042; 84.044; 84.047 |

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$360,391.

9. The University qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

Murray State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

Findings Required to be Reported by *Government Auditing Standards*

None

Findings Required to be Reported by OMB Circular A-133

None

Murray State University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2002

None