3-11-2003 12:00 AM

# 2003-03-11

Board of Regents, Murray State University

**Minutes of the Quarterly Meeting of the Board of Regents**
**Murray State University**
**March 11, 2003**

The Board of Regents of Murray State University met on March 11, 2003, 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 1:40 p.m. by Chair Sid Easley. Regent Mike Miller gave the invocation.

Upon roll call, the following members were present: Marilyn Buchanon, Olivia Burr, Lori Dial, Beverly Ford, Wells Lovett, Elizabeth McCoy, Mike Miller, Jace Rabe, Don Sparks, Terry Strieter and Sid Easley. Absent: none.

Others present were F. King Alexander, President of the University; Sandra M. Rogers, Secretary to the Board of Regents; Tom Denton, 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; Joyce Gordon, Associate Vice President for Human Resources; John Rall, University Counsel; members of the faculty, staff, students, news media and visitors.

AGENDA
MEETING OF THE BOARD OF REGENTS
Murray State University
March 11, 2003
1:30 p.m.

1. Roll Call

2. Minutes of the Meetings of the Board of Regents on September 27, 2002 and December 6, 2002

3. Report of the President — Dr. Alexander

4. Report of the Chair — Mr. Easley

5. Report of the Treasurer — Mr. Denton
   (Financial and Investment Reports for the period of July 1, 2002 - December 31, 2002)

6. Nine Month Contracts — Dr. Alexander

7. Personnel Changes — Dr. Alexander

   A. Salary Roster, Report of New Employment, and Report of Resignations, Terminations and Retirements
   B. Staff Leaves of Absence Without Pay
   C. Faculty Leaves of Absence Without Pay
   D. Early Retirement Contracts
   E. Sabbaticals
   F. Recommendation on Appointment of Chair, Department of Geosciences

8. Committee Reports/Recommendations

   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 |

**Minutes of the Meetings of the Board of Regents on September 27, 2002, and December 6, 2002, approved**

Mr. Miller moved, seconded by Mr. Rabe, that the minutes of the Board of Regents meetings held on September 27, 2002, and December 6, 2002, be approved. Motion carried.

**Report of the President**

Recognitions

Dr. Alexander introduced the new Director of Development and Associate Vice President for Institutional Advancement, Mark Hutchins from Starkville, Mississippi. Mark will help coordinate our activities in philanthropy and fundraising and he brings a great deal of knowledge and new ideas to our campus.

Dr. Don Robertson, Vice President for Student Affairs, recognized students who have excelled this year.

Murray State University hosted the Kentucky Association of Residence Halls and Murray State was selected as the School of the Year which means that we were selected as having the most outstanding program in the state. Natalie Warford, a senior criminal justice major, social work minor from Paducah, Kentucky, chaired the Conference and was selected as the Officer of the Year in the state of Kentucky.

Josh Rose, a senior business administration major from Salem, Illinois, and President of the Residential College Association at Murray State University, received the Outstanding Service Award.

The other group recognized were students affiliated with Campus Lights, a long-time tradition at Murray State University. 2002 was the 66th annual production of Campus Lights on campus, which is a totally student run, student produced musical. The production was an original musical that was written and composed by two MSU alumni, Scott Hamrick and Joseph Klotz. Representing Campus Lights were two students who were actively involved in the production, Ches Clark, Chairman of the Board of Producers, a senior creative writing and literature major from Owensboro, Kentucky, and Chris Thornton, senior music education major from Herrin, Illinois, who was director of the production and played one of the major roles.

Residential Colleges

President Alexander recognized the value that the Residential College heads provide on campus in their leadership both in the classroom and outside the classroom. He introduced Dr. Squire Babcock, Residential College Council Chair, who gave an update on activities and plans of the Residential Colleges.

Dr. Babcock indicated that the Residential College system is seven years old. Our goal is to fully incorporate the Residential College system into Murray State culture. Some things have been accomplished toward that goal and the retention figures reflect that the Residential College system has an effect on the culture. There are students who have lived in the residence halls and have moved off campus; however, they continue their Residential College membership.

Dr. Babcock gave some of the other initiatives in process to help build the system into the culture:

- Residential College identity, rather than the dorm structure
- Display of Residential College banners
- Residential College stoles worn at graduation
- Build web sties to create faculty advisors for nonresident students
- Building other kinds of electronic sources such as blackboard systems, which we already have at Murray State, figuring how to use that where a student can interact with faculty members and staff within their own college
- Creating a "hangout" for nonresident students where they can go and feel a part of the residential college system
- Each college is developing its own brochure to hand out to new students, new faculty, etc.

All of these things are being done to achieve our goal to become a fully integrated community with residential college identity.

Dr. Alexander stated that State Representative Greg Stumbo made a big statement in the Kentucky State House about the inability of our institutions to produce graduates. Murray State welcomed the discussion because part of what residential colleges have done and other things we have done on campus have been substantially increasing our graduation rates while improving our enrollment rates. Because MSU had the largest graduation rate improvement in the nation last year and did not receive any attention relative to that, we welcome discussion about performance and outcomes and the role that the colleges and our environment play.

Budget

Dr. Alexander stated that the budget process has been very unusual because three weeks ago we were testifying about what we would do with a 9.2 percent cut. Then we proposed 7.8 percent, 5.2 percent, 2.6 percent this year, and 5.2 percent next year. Now we are essentially looking roughly at a 2.7 percent cut with some enrollment growth money that will help us as we have expanded last year and look to grow another 2 percent next year. This will help alleviate some of the pain of the cuts. He pointed out different scenarios depicting different budget cuts, indicating that this is probably the number one item we have spent most of our time on in trying to address how we handle the cuts.

Dr. Alexander emphasized that our momentum remains strong in our ratings and in our applications. Our institution remains strong in the academic marketplace. Our momentum is stronger than a lot of institutions and that's a tribute to the faculty, staff and vice presidents. The students we are getting remain the best in the country.

Construction

The groundbreaking of the Student Wellness Center will follow the meeting today which is something the students have been needing for quite some time. Other construction is the renovation of Winslow Cafeteria, the completion of the Science Building, and building the Regional Center for Emerging Technology (RCET). We will have about $30 million in construction in progress on campus next year from a variety of different pools that would have gone to some other university, but would not have gone to operating funds. We continue to try to balance the growth of our University with the physical needs of the institution. Academically, we have expanded another piece of this budget that includes the funding for our electrical engineering consortium with the University of Louisville. For a while there was no money at all even mentioned in this area, but there will be $1 million for joint engineering programs between the University of Kentucky, Western Kentucky University, University of Louisville and Murray State University, which will help us expand our academic offerings.

Scholarships

There was major discussion about reducing Kentucky Higher Education Assistance Authority (KHEAA) scholarships. Initially, they were going to take $5 million out of KHEAA and give it to the private colleges and universities in the state of Kentucky which would have taken about 80 cents on the dollar away from our students and provided private college students a 17 percent increase in the state. We effectively challenged the issue to the extent that they have put the $5 million back into KHEAA protecting our student scholarships. Money will still be provided for private college students in the state, but it is not at the expense of our students. All these things have been kicked around in the last three to four weeks.

Extended Campus

We are occupying our new building in Henderson and our enrollment is growing. The enrollment has naturally grown in Hopkinsville by just being there with our new building. So our extended campus offerings, certainly in times of economic downturn, are getting a lot of attention because there is a lot of people needing jobs and aren't getting jobs and are coming back to school. These are generally non-traditional age students in the four surrounding campuses.

Our staff are doing a very good job in dealing with very difficult circumstances; the faculty are doing a tremendous job in making sure that this momentum continues; and the students have not been substantially impacted by the decisions made out of their control which is in Frankfort. I would like to commend the effort of our students to get their voices heard. Student apathy is probably the biggest challenge that we have as universities, but our students, under Jace Rabe and the Student Government Association, have done a number of things to raise student awareness to get their voices heard because this generation is really going to have to step into a leadership role at a younger age and they have done a very good job representing our university in Frankfort; they've done an excellent job of representing their concerns which are indeed my concerns.

## Report of the Chair

Chair Easley expressed appreciation to faculty, staff and administrators who have labored long and hard in trying to deal with the budget shortfalls. You all have dealt with this in a professional and realistic way.

Mr. Easley expressed congratulations to Lori Dial for winning the election of Staff Regent for the third term.

## Report of the Treasurer

Treasurer Tom Denton presented and reviewed the financial and investment reports for the period of July 1, 2002 - December 31, 2002. Following a brief discussion, Mrs. McCoy moved, seconded by Mrs. Ford, that the Treasurer's Report be accepted. Motion carried.

(See Attachments #1 and #2)

## Enrollment Update

Mr. James Vaughan, Assistant Vice President for Enrollment Management, gave a report on enrollment. Spring enrollment is up about three percent over last year. A report will be made to the Council on Postsecondary Education (CPE) on March 25 and it is anticipated that enrollment will be 9,100, which is a 3½ percent increase for in-state, out-of-state about 6½ percent; 2 percent increase in African-American; and 3.2 percent increase in Kentucky African-American for this spring. Next fall our goal is 10,200.

## Nine-Month Contract Conversion

Discussion ensued on the nine-month contract conversion. Dr. Alexander told the Board members that he believed the nine-month contract would be effective for Murray State University. First and foremost beyond any other reason, the nine-month contract gives the University the ability to do what most institutions around the state do and that is to get additional outside money. For every dollar the University gets from the Federal Government or any Foundation, we get about 50 cents on the dollar in indirect costs and those indirect dollars help fund our staff, our facilities, and the research that we do on campus.

There is no reduction in work. That is probably the biggest misconception of the whole idea of a nine-month contract. The faculty work nine months in an academic year. The only limitation that exists is that with the ten-month contract, faculty can only apply for two months summer help and outside support. The fact that they can apply for three months extra outside assistance could also provide students extra opportunities for graduate assistantships with faculty in undergraduate research as well as graduate research. I think in its totality, the nine-month contract will help our University. We can monitor the grant support and the grant submissions. This will encourage particular faculty in certain areas to submit more grants and to go after more outside money. The faculty who choose not to do this will not benefit by this.

Dr. Strieter moved, seconded by Mr. Lovett, that the Board of Regents, upon the recommendation of the President of the University, approve the revision in the term of the faculty contracts from 10 months to 9 months effective with the end of the current academic year and that the Board of Regents be able to track the grant submissions and resources of grants with a report at every May Board of Regents meeting.

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

## Personnel Changes

A. Salary Roster, Report of New Employment, and Report of Resignations and Terminations, approved

Mrs. Buchanon moved, seconded by Mr. Rabe, that the Board of Regents, upon the recommendation of the President of the University, approve the Salary Roster as of January 1, 2003; the Report of Resignations and Terminations for the period of August 1, 2002, through December 31, 2002; and the Report of New Employment for the period of August 1, 2002, through December 31, 2002. Effective date of information on all reports is January 1, 2003. Motion carried.

B. Staff Leaves of Absence Without Pay, approved

Mr. Miller moved, seconded by Mrs. Ford, 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:

| | | |
|---|---|---|
| Rhonda Adams | Food Service | 11/12/02 - 1/06/03 |
| Cain, Sammy | Regional Special Events Center | 1/7/03 - 1/21/03 |
| Harris, Gerald | Facilities Management | 12/14/02 - 1/21/03 |
| McCoy, Michael D. | Facilities Management | 11/9/02 - 3/31/03 |
| Parrish, Kathryn D. | Facilities Management | 11/16/02 - 2/07/03 |
| Ramsey, Jason E. | Facilities Management | 1/24/03 - 3/7/03 |
| Thompson, Wendy K. | Industrial and Engineering Tech. | 11/11/02 - 12/06/02* |
| Venable, Charles R. | Facilities Management | 10/05/02 - 12/6/02 |
| Vogle, Tressa | Facilities Management | 1/01/03 - 3/31/03 |
| Waller, Diana J. | Athletics - Football | 1/07/03 - 1/10/03 |
| Wright, Sharon S. | Breathitt Veterinary Center | 11/01/02 - 6/30/03 |
| Yerolemou-Hadji, Ellada | CEAO/Henderson Campus | 1/23/03 - 2/01/03 |

* Intermittent Leave

Motion carried.

C. Faculty Leaves of Absence Without Pay, approved

Mrs. Buchanon moved, seconded by Mr. Sparks, that the Board of Regents, upon the recommendation of the President of the University, grant the following faculty requests for leaves of absence without pay:

| | |
|---|---|
| Chekita Hall, English - Military LWOP | 8/1/03 - 5/31/04 |
| Viola Miller, Wellness & Therapeutic Sciences - Public Service LWOP | 1/1/03 - 12/31/03 |

Motion carried.

D. 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:

Thayle Anderson - Professor, Department of English
R. B. Barton - Professor, Department of Management & Marketing
J. Kenneth Purcell - Associate Professor, Department of Adolescent, Career & Special Education
Richard Steiger - Professor, Department of English

Motion carried.

E. Sabbaticals, granted

Mrs. Burr moved, seconded by Mr. Miller, that the Board of Regents, upon the recommendation of the President of the University, grant the following requests for sabbatical leaves for the periods indicated:

| | | |
|---|---|---|
| Sandra Miles, Management & Marketing | 8/1/03 - 12/31/03 | full salary/1 semester |
| Camille Serre, Art | 1/1/04 - 5/31/04 | full salary/1 semester |
| Mark Wattier, Government, Law & International Affairs | 8/1/03 - 12/31/03 | full salary/1 semester |
| Terry Strieter, History | 1/1/04 - 5/31/04 | full salary/1 semester |
| Brian Runnels, Music | 8/1/03 - 12/31/03 | full salary/1 semester |
| Howard Whiteman, Biological Sciences | 8/1/03 - 12/31/03 | full salary/1 semester |

Motion carried.

F. Appointment of Chair, Department of Geosciences, approved

Mr. Miller moved that the Board of Regents, upon the recommendation of the President of the University, approve the appointment of Thomas Kind, Professor of Geosciences, as Chair of the Department of Geosciences, effective January 1, 2003, at a fiscal year salary of $85,000.

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

**Committee Reports**

A. Academic Affairs - Mr. Lovett.

Faculty Handbook Changes

On behalf of the Academic Affairs Committee, Mr. Lovett moved, seconded by Dr. Strieter, that the Board of Regents, upon the recommendation of the President of the University, approve the following changes in the Faculty Handbook:

Changing Sections 1.6.1.3; 1.6.3.1; 1.6.3.2; 1.6.3.3; and 1.6.3.9 to reflect current organizational structure;
Change Sections 1.6.3.6 and 1.6.3.7 to indicate that the committees report to the Vice President for Student Affairs; and
Add Section 1.6.3.8 University Studies Committee as a new standing committee.

Motion carried.

Regents Teaching Excellence Awards, increased

On behalf of the Academic Affairs Committee, Mr. Lovett moved, seconded by Mr. Rabe, that the Board of Regents, upon the recommendation of the President of the University, approve changing the Regents' Teaching Excellence Award distribution to allow for the College of Humanities and Fine Arts to present two awards each year, to allow the College of Science, Engineering and Technology to present two awards every fourth year, and to allow the School of Agriculture to present an award every other year. Motion carried.

B. Athletic - No report.

C. Audit - Mrs. McCoy.

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

1. House Bill 622
2. Kentucky Institute for International Studies Program audit for the year ended 10/31/02
3. WKMS Radio Station audit for the year ended 6/30/02
4. WKMS Radio Station Corporation for Public Broadcasting Annual Report for the year ended 6/30/02
5. Independent Accountants' Report on Application of Agreed Upon Procedures for Intercollegiate Athletics for the year ended 6/30/02
6. Murray State University Athletic Foundation Audit Report and Management Letter for the year ended 6/30/02

Motion carried.

(See Attachments #3 - #8)

Audit Contract Renewal, authorized

On behalf of the Audit Committee, Mrs. McCoy moved that the Board of Regents, upon the recommendation of the President of the University, authorize the renewal of the contract with BKD LLP for the performance of the University's financial and compliance audits for the fiscal year ending June 30, 2003, at a cost of $69,615.

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

D. Buildings and Grounds - Mr. Miller.

Disposition of Property, approved

On behalf of the Buildings and Grounds Committee, Mr. Miller moved, seconded by Mrs. McCoy, that the Board of Regents, upon the recommendation of the President of the University, approve the attached resolution authorizing the disposition of the Laundry Storage Building (Building #129). Motion carried.

(See Attachment #9)

Mr. Easley requested that the record reflect that the Finance Committee concurred with the approval of this recommendation.

Capital Projects

1. West Region Center for Emerging Technology Building -

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 a capital project for the construction of a building to house the West Region Center for Emerging Technology with a project scope of $3,000,000 to be funded through Kentucky Economic Development Finance Authority ($1.5 million), the Tennessee Valley Authority ($500,000), and the U.S. Department of Commerce Economic Development Administration ($1.0 million).

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

Mr. Easley requested that the record reflect that the Finance Committee concurred with the approval of this recommendation.

2. Winslow Cafeteria Renovation -

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 a capital construction project for the renovation of Winslow Cafeteria with a project scope of $1,750,000 to be funded by Housing and Dining Revenue Bonds.

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

Mr. Easley requested that the record reflect that the Finance Committee concurred with the approval of this recommendation.

Naming Recommendation

On behalf of the Buildings and Grounds Committee, Mr. Miller moved, seconded by Mrs. McCoy, that the Board of Regents, upon the recommendation of the President of the University, approve the naming of a graduate research symposium which coincides with Scholars Week the Sandra J. Flynn Graduate Research Symposium. Motion carried.

E. Development/Investments - No report.

F. Equal Opportunity/Affirmative Action - No report.

G. Faculty/Staff Affairs - No report.

H. Finance - Mr. Easley.

Fees

1. Agriculture Course Fee Increases

On behalf of the Finance Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, approve increasing course fees for the following courses, effective 03-04, from $47.50 to $100:

AGR 101 - Animal Science
AGR 201 - Intermediate Horsemanship
AGR 304 - Advanced Stock Seat
AGR 306 - Advanced Forward Seat

Mrs. Buchanon seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Burr, yes; Mrs. Dial, yes; Mrs. Ford, yes; Mr. Lovett, yes; Mrs. McCoy, yes; Mr. Miller, yes; Mr. Rabe, no; Mr. Sparks, yes; Dr. Strieter, yes; and Mr. Easley, yes. Motion carried.

2. Deleting Art Course Fees

On behalf of the Finance Committee, Mr. Easley moved, seconded by Mrs. Burr, that the Board of Regents, upon the recommendation of the President of the University, approve deleting existing course fees from the following courses, effective 2003-04 academic year:

ART 505 - Weaving
ART 506 - Weaving
ART 507 - Surface Design
ART 508 - Surface Design
ART 605 - Weaving
ART 606 - Weaving
ART 698 - Practicum

Motion carried.

3. Housing Fee

On behalf of the Finance Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, approve a 1.5 percent board plan increase, effective with the 2003-04 Academic Year.

Mrs. Buchanon seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Burr, yes; Mrs. Dial, yes; Mrs. Ford, yes; Mr. Lovett, yes; Mrs. McCoy, yes; Mr. Miller, yes; Mr. Rabe, no; Mr. Sparks, yes; Dr. Strieter, yes; and Mr. Easley, yes. Motion carried.

4. Dining Fee

On behalf of the Finance Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, approve a rate increase of 3.5 percent for the residential colleges and a 2.5 percent increase for College Courts, effective with the 2003 Summer Session and the 2003-04 Academic Year.

Mrs. Burr seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Burr, yes; Mrs. Dial, yes; Mrs. Ford, yes; Mr. Lovett, yes; Mrs. McCoy, yes; Mr. Miller, yes; Mr. Rabe, no; Mr. Sparks, yes; Dr. Strieter, yes; and Mr. Easley, yes. Motion carried.

5. Parking Permit Fee

On behalf of the Finance Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, approve the increase in the parking permit fee for faculty, staff, and students to $35 for faculty, staff, and students who park their vehicle at the Stewart Stadium parking lot and $55 for all other locations, effective with the 2003-04 academic year.

Mrs. Ford seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Burr, yes; Mrs. Dial, no; Mrs. Ford, yes; Mr. Lovett, yes; Mrs. McCoy, yes; Mr. Miller, yes; Mr. Rabe, no; Mr. Sparks, yes; Dr. Strieter, yes; and Mr. Easley, yes. Motion carried.

6. BPA/TSM Web Program Fee

On behalf of the Finance Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, approve the establishment of a $10 per hour course fee for the TSM/BPA Business Web Program courses as outlined below:

| On-line Required | On-line Electives | |
|---|---|---|
| BPA 355 | COM 481 | JMC 391 |
| BPA 442 | | JMC 394 |
| BPA 499 | ECO 315 | |
| CIS 304 | ECO 330 | MGT 552 |
| CIS 307 | ECO 331 | MGT 553 |
| CIS 343 | ECO 345 | MGT 554 |
| CIS 430 | ECO 410 | MGT 555 |
| ECO 310 | ECO 460 | MGT 557 |
| ECO 335 | ECO 550 | MGT 559 |
| FIN 330 | ECO 570 | MGT 570 |
| MGT 350 | | MGT 572 |
| MGT 443 | FIN 331 | MGT 575 |
| MGT 590 | FIN 332 | MGT 577 |
| MKT 360 | FIN 333 | MGT 590 |
| MKT 475 | FIN 334 | |
| TSM 321 | FIN 421 | MKT 361 |
| TSM 322* | FIN 461 | MKT 369 |
| TSM 323* | FIN 520 | MKT 390 |
| TSM 340 | FIN 522 | MKT 460 |
| TSM 343 | FIN 533 | MKT 461 |
| TSM 352 | FIN 537 | MKT 462 |
| TSM 353* | | MKT 463 |
| TSM 424* | MGT 354 | MKT 470 |
| TSM 440 | MGT 358 | MKT 564 |
| TSM 443 | MGT 420 | MKT 565 |
| TSM 450* | MGT 490 | MKT 566 |
| | MGT 550 | MKT 567 |
| | MGT 551 | MKT 568 |

7 Business Electives to be chosen from the columns to the right.

* These courses do not currently exist, but are being proposed and will be routed through the Academic Council.

Mrs. Buchanon seconded and the roll was called with the following voting: Mrs. Buchanon, yes; Mrs. Burr, yes; Mrs. Dial, yes; Mrs. Ford, yes; Mr. Lovett, yes; Mrs. McCoy, yes; Mr. Miller, yes; Mr. Rabe, no; Mr. Sparks, yes; Dr. Strieter, yes; and Mr. Easley, yes. Motion carried.

Tuition Rates

1. Restructuring of Web Course Tuition

On behalf of the Finance Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, approve the following:

> Elimination of the current web course fee of $30 per credit hour effective with the end of the Summer 2003 semester;
>
> Establishment of tuition rates for all web courses (including Kentucky Virtual University courses) to be assessed at 130 percent of the in-state hourly tuition rate regardless of residence status for each hour enrolled, effective with the Fall 2003 semester; and
>
> Removal of the limit on the number of Web course hours assessed tuition and Mandatory Fees.

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

2. Regional Tuition Policy

On behalf of the Finance Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, approve the revision in the regional tuition rate policy for all current regional tuition participants and all new students from Illinois, Indiana, and Missouri and for students from Tennessee counties other than Henry, Montgomery, Obion, Stewart, or Weakley to modify the rate charged to be the average in-state tuition and mandatory fee rate charged by the revised expanded benchmark institutions in each respective state, effective with the Fall Semester of 2003.

| State | Current Benchmark | Revised Benchmarks |
|---|---|---|
| Illinois | Southern Illinois University-Carbondale | Southern Illinois University-Carbondale |
| | Eastern Illinois University | Eastern Illinois University |
| | Illinois State University | Illinois State University |
| | Northern Illinois University | Northern Illinois University |
| | Western Illinois University | Western Illinois University |
| | | University of Illinois-Champaign/Urbana |
| Indiana | Indiana State University | Indiana State University |
| | Ball State University | Ball State University |
| | | Indiana University-Purdue University-Indianapolis |
| | | Indiana University-Bloomington |
| Missouri | Southeast Missouri State University | Southeast Missouri State University |
| | Northwest Missouri State University | Northwest Missouri State University |
| | Southwest Missouri State University | Southwest Missouri State University |
| | Truman State University | Truman State University |
| | | University of Missouri-Columbia |
| Tennessee | Austin Peay State University | Austin Peay State University |
| | East Tennessee State University | East Tennessee State University |
| | Middle Tennessee State University | Middle Tennessee State University |
| | University of Tennessee-Martin | University of Tennessee-Martin |
| | | University of Tennessee-Knoxville |

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

3. Tuition Discussion - for information only

Due to the fiscal uncertainty of the outcome of the current legislative budgetary process, it is anticipated that the range for Murray State's tuition increases will be between 14.3 percent and 18.2 percent for the 2003-04 academic year.

Dr. Alexander shared information on tuition and fees at competing universities. He showed a chart of 22 Competitor Universities and Murray State ranked at the bottom of the tuition costs. Our students today are paying about 31 percent less than they did in 1996. What that means is that there is a lot of lobbying forces working against us and as they raise their tuition; they are getting more tuition support from their state and federal governments. This particularly hurts us in bad economies when we are at the bottom of the tuition rates when state money isn't helping us offset this.

Budget Preparation Guidelines

On behalf of the Finance Committee, Mr. Easley moved, seconded by Mrs. Ford, that the

Board of Regents, upon the recommendation of the President of the University, approve the Budget Preparation Guidelines and Priorities as presented in the attached document. Motion carried.

(See Attachment #10)

Capital Projects

1. Winslow Cafeteria Reimbursement Resolution

On behalf of the Finance Committee, Mr. Easley moved, seconded by Mrs. McCoy, that the Board of Regents, upon the recommendation of the President of the University, approve the attached reimbursement resolution declaring official intent to finance construction of a building project from proceeds of a proposed issue of revenue bonds. Motion carried.

(See Attachment #11)

2. Winslow Cafeteria Issuance of Bonds Series P

On behalf of the Finance Committee, Mr. Easley moved that the Board of Regents, upon the recommendation of the President of the University, adopt the attached Resolution authorizing the issuance of Murray State University Housing and Dining System Revenue Bonds, Series P, for the renovation of Winslow Cafeteria.

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

(See Attachment #12)

Appointment of Special Committee

On behalf of the Finance Committee, Mr. Easley moved, seconded by Mrs. Burr, that the Board of Regents, upon the recommendation of the President of the University, approve the following action:

> Sealed bids for the purchase of the Series P Bonds shall be opened by the President or his designee and considered on the date of the sale by a special committee of the Board hereby established and comprised of Mr. Sid Easley, Mrs. Beverly Ford, and Mrs. Lori Dial (the "Special Committee"), whereupon the Special Committee thereunto duly authorized shall, by resolution, accept the lowest and best bid as recommended by First Kentucky Securities Corporation, the Financial Advisor to the Board.

Motion carried.

I. Governmental Relations - No report.

J. International Relations - No report.

K. Student Life - Mr. Rabe.

Student Government Association Constitution, revised

On behalf of the Student Life Committee, Mr. Rabe moved, seconded by Mrs. Dial, that the Board of Regents, upon the recommendation of the President of the University, approve the attached change to Article III, Section 4, to the Student Government Association Constitution. Motion carried.

(See Attachment #13)

**Adjournment**

Mr. Sparks moved, seconded by Mrs. Ford, that the meeting adjourn. Adjournment was at 3:40 p.m.

Chair

Secretary

The remainder of this page is left blank due to the attachments to the Minutes of the Board of Regents meeting held on March 11, 2003.

Secretary

This page left blank due to the attachments to the Minutes of the Board of Regents meeting held on March 11, 2003.

Sandra Rogers

Secretary

Attachment #1

# Murray State University

FINANCIAL REPORT

FOR THE PERIOD

**July 1, 2002 - December 31, 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

February 18, 2003

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 December 31, 2002.

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Thomas W. Denton

Thomas W. Denton
Vice President for Finance and
Administrative Services

ahs

*Equal education and employment opportunities M/F/D, AA employer*

## MURRAY STATE UNIVERSITY
## BALANCE SHEET BY FUND (UNAUDITED)
December 31, 2002
With Comparative Unaudited Figures as of December 31, 2001

| | Current Funds | | | Plant | Loan | Endowment | Agency | Totals | |
|---|---|---|---|---|---|---|---|---|---|
| | E&G | Auxiliary | Restricted | Funds | Funds | Funds | Funds | 2003 | 2002 |
| **ASSETS** | | | | | | | | | |
| **Current Assets** | | | | | | | | | |
| Cash and cash equivalents | $ 25,775,122 | $ 1,013,668 | $ - | $ - | $ - | $ - | $ - | $ 26,788,790 | $ 23,887,614 |
| Inventories | 333,581 | 1,436,886 | - | - | - | - | - | 1,770,467 | 1,730,296 |
| Prepaid expenses | 24,877 | - | - | - | - | - | - | 24,877 | 7,692 |
| Receivable from City of Murray | - | - | - | 9,639,899 | - | - | - | 9,639,899 | - |
| Accounts receivable, net | 8,191,540 | 3,531,864 | 996,276 | 54,200 | - | - | - | 12,773,880 | 11,833,269 |
| Loans receivable | - | - | - | - | 810,282 | - | - | 810,282 | 683,049 |
| Interest receivable | 694,765 | 77,238 | - | 76,554 | - | - | - | 848,557 | 786,899 |
| Total current assets | 35,019,885 | 6,059,656 | 996,276 | 9,770,653 | 810,282 | - | - | 52,656,752 | 38,928,819 |
| **Noncurrent Assets** | | | | | | | | | |
| Restricted cash and cash equivalents | - | - | 3,001,745 | 14,384,561 | 587,895 | 1,036,799 | 42,590 | 19,053,590 | 25,355,053 |
| Restricted investments | - | - | - | 4,210,068 | - | - | - | 4,210,068 | 3,965,723 |
| Assets held by MSU Foundation | - | - | - | - | - | 7,193,121 | - | 7,193,121 | 5,672,888 |
| Loans receivable | - | - | - | 275,100 | 3,638,364 | - | - | 3,913,464 | 3,749,456 |
| Property, plant, and equipment | - | - | - | 218,589,379 | - | - | - | 218,589,379 | 209,868,717 |
| Accumulated depreciation | - | - | - | (113,306,910) | - | - | - | (113,306,910) | (107,329,180) |
| Bond issuance costs | - | - | - | 479,140 | - | - | - | 479,140 | 131,264 |
| Total noncurrent assets | - | - | 3,001,745 | 124,631,338 | 4,226,259 | 8,229,920 | 42,590 | 140,131,852 | 141,413,921 |
| Total assets | 35,019,885 | 6,059,656 | 3,998,021 | 134,401,991 | 5,036,541 | 8,229,920 | 42,590 | 192,788,604 | 180,342,740 |
| **LIABILITIES AND NET ASSETS** | | | | | | | | | |
| **Current Liabilities** | | | | | | | | | |
| Accounts payable | 566,905 | 29,993 | 24,227 | 7,725 | 32,526 | - | - | 661,376 | 365,287 |
| Self insured health liability | 931,013 | - | - | - | - | - | - | 931,013 | 919,149 |
| Accrued payroll | 1,723,570 | 106,234 | - | - | - | - | - | 1,829,804 | 1,594,375 |
| Interest payable | - | - | - | - | - | - | - | - | |
| Deposits | 6,216 | 206,264 | - | - | - | - | 42,590 | 255,070 | 234,049 |
| Deferred revenue | - | - | - | 6,158,841 | - | - | - | 6,158,841 | 6,901,651 |
| Current maturities of long term liabilities | - | - | - | 2,935,857 | - | - | - | 2,935,857 | 2,877,879 |
| Total current liabilities | 3,227,704 | 342,491 | 24,227 | 9,102,423 | 32,526 | - | 42,590 | 12,771,961 | 12,892,390 |

**MURRAY STATE UNIVERSITY**
**BALANCE SHEET BY FUND (UNAUDITED)**
December 31, 2002
With Comparative Unaudited Figures as of December 31, 2001

| | Current Funds | | | Plant | Loan | Endowment | Agency | Totals | |
|---|---|---|---|---|---|---|---|---|---|
| | E&G | Auxiliary | Restricted | Funds | Funds | Funds | Funds | 2003 | 2002 |
| **Noncurrent Liabilities** | | | | | | | | | |
| Deposits | $ - | 175,413 | $ - | $ - | $ - | $ - | $ - | $ 175,413 | $ 161,792 |
| Deferred revenue | - | - | - | 4,997,748 | - | - | - | 4,997,748 | 4,997,748 |
| Bonds payable | - | - | - | 16,559,452 | - | - | - | 16,559,452 | 18,805,018 |
| Payable to City of Murray | - | - | - | 10,000,000 | - | - | - | 10,000,000 | - |
| Capital leases | - | - | - | 1,866,132 | - | - | - | 1,866,132 | 2,024,588 |
| Masterlease payable | - | - | - | 801,352 | - | - | - | 801,352 | 944,503 |
| Notes payable | - | - | - | 11,368 | - | - | - | 11,368 | 36,233 |
| MSU Foundation payable | - | - | - | 89,574 | - | - | - | 89,574 | 122,767 |
| Total noncurrent liabilities | - | 175,413 | - | 34,325,626 | - | - | - | 34,501,039 | 27,092,649 |
| Total liabilities | 3,227,704 | 517,904 | 24,227 | 43,428,049 | 32,526 | - | 42,590 | 47,273,000 | 39,985,039 |
| **Net Assets** | | | | | | | | | |
| Invested in capital assets, net of related debt | - | - | - | 73,981,369 | - | - | - | 73,981,369 | 79,712,168 |
| Restricted for: | | | | | | | | | |
| Nonexpendable: | | | | | | | | | |
| University endowments | - | - | - | - | - | 8,229,920 | - | 8,229,920 | 6,668,384 |
| Expendable: | | | | | | | | | |
| Scholarships, research, instruction and other | - | - | 3,738,668 | - | - | - | - | 3,738,668 | 3,053,717 |
| Loans | - | - | - | - | 5,004,015 | - | - | 5,004,015 | 4,891,057 |
| Capital | - | - | - | 12,554,954 | - | - | - | 12,554,954 | 8,296,735 |
| Debt service | - | - | - | 3,436,426 | - | - | - | 3,436,426 | 3,191,911 |
| 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 | 24,513,700 | 4,985,959 | - | - | - | - | - | 29,499,659 | 26,413,022 |
| Reserve for self insurance | 900,000 | - | - | - | - | - | - | 900,000 | 900,000 |
| Total unrestricted net assets | 33,028,499 | 5,541,753 | 3,738,668 | 89,972,749 | 5,004,015 | 8,229,920 | - | 145,515,604 | 140,357,701 |
| Interaccount eliminations | (1,236,318) | (1) | 235,126 | 1,001,193 | - | - | - | - | - |
| Total net assets | 31,792,181 | 5,541,752 | 3,973,794 | 90,973,942 | 5,004,015 | 8,229,920 | - | 145,515,604 | 140,357,701 |
| Total liabilities and net assets | $ 35,019,885 | $ 6,059,656 | $ 3,998,021 | $ 134,401,991 | $ 5,036,541 | $ 8,229,920 | $ 42,590 | $ 192,788,604 | $ 180,342,740 |

**MURRAY STATE UNIVERSITY**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (UNAUDITED)**
For the year ended December 31, 2002
With Comparative Unaudited Figures as of December 31, 2001

| | Current Funds | | | Plant | Loan | Endowment | Totals | |
|---|---|---|---|---|---|---|---|---|
| | E&G | Auxiliary | Restricted | Funds | Funds | Funds | 2003 | 2002 |
| **REVENUES** | | | | | | | | |
| Operating revenues: | | | | | | | | |
| Student tuition and fees | $ 33,244,580 | $ - | $ - | $ 522,531 | $ - | $ - | $ 33,767,111 | $ 30,060,086 |
| Less: discounts and allowances | (7,952,183) | - | (3,297,350) | - | - | - | (11,249,533) | (9,374,832) |
| Net tuition and fees | 25,292,397 | - | (3,297,350) | 522,531 | - | - | 22,517,578 | 20,685,254 |
| Federal grants and contracts | 132,251 | - | 4,608,839 | - | | - | 4,741,090 | 4,905,907 |
| State grants and contracts | - | - | 3,645,944 | - | - | - | 3,645,944 | 2,709,739 |
| Local and private grants and contracts | - | - | 84,055 | - | - | - | 84,055 | 84,721 |
| Subtotal - Grants and contracts | 132,251 | - | 8,338,838 | - | - | - | 8,471,089 | 7,700,367 |
| Sales and services | 1,608,996 | - | - | - | - | - | 1,608,996 | 1,279,952 |
| Other operating revenues | 1,309,776 | - | - | - | - | - | 1,309,776 | 1,412,579 |
| Auxiliary revenues | - | 13,854,806 | - | - | - | - | 13,854,806 | 12,698,937 |
| Less: discounts and allowances | - | (865,073) | - | - | - | - | (865,073) | (885,246) |
| Net auxiliary revenue | - | 12,989,733 | - | - | - | - | 12,989,733 | 11,813,691 |
| Total operating revenues | 28,343,420 | 12,989,733 | 5,041,488 | 522,531 | - | - | 46,897,172 | 42,891,843 |
| **EXPENSES** | | | | | | | | |
| Operating expenses: | | | | | | | | |
| Instruction | 17,976,379 | - | 2,246,921 | - | - | - | 20,223,300 | 19,269,735 |
| Research | 404,799 | - | 660,034 | - | - | - | 1,064,833 | 956,947 |
| Public service | 2,039,810 | - | 521,552 | - | - | - | 2,561,362 | 2,448,824 |
| Libraries | 643,953 | - | 21,119 | - | - | - | 665,072 | 706,033 |
| Academic support | 2,448,383 | - | 112,151 | - | - | - | 2,560,534 | 2,142,270 |
| Student services | 3,970,880 | - | 495,905 | - | 52,450 | - | 4,519,235 | 4,388,181 |
| Institutional support | 4,503,774 | - | 54,579 | - | - | - | 4,558,353 | 4,344,163 |
| O&M | 4,879,820 | - | 695 | 3,365,936 | - | - | 8,246,451 | 5,452,963 |
| Student aid | 303,910 | - | 2,704,293 | - | - | - | 3,008,203 | 3,174,078 |
| Depreciation | - | - | - | 2,937,356 | - | - | 2,937,356 | 3,072,322 |
| Auxiliary expenditures | - | 7,240,976 | 19,626 | - | - | - | 7,260,602 | 6,808,417 |
| Total operating expenses | 37,171,708 | 7,240,976 | 6,836,875 | 6,303,292 | 52,450 | - | 57,605,301 | 52,763,933 |
| Operating income (loss) | (8,828,288) | 5,748,757 | (1,795,387) | (5,780,761) | (52,450) | - | (10,708,129) | (9,872,090) |

MURRAY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (UNAUDITED)
For the year ended December 31, 2002
With Comparative Unaudited Figures as of December 31, 2001

| | Current Funds | | | Plant | Loan | Endowment | Totals | |
|---|---|---|---|---|---|---|---|---|
| | E&G | Auxiliary | Restricted | Funds | Funds | Funds | 2003 | 2002 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | | | | |
| State appropriations | $ 27,331,678 | $ - | $ 1,070,522 | $ - | $ - | $ - | $ 28,402,200 | $ 27,810,400 |
| State endowment match | - | - | - | - | - | | - | |
| Gifts | | | 233,616 | | | 29,038 | 262,654 | 279,517 |
| Federal grants and contracts | - | - | 302,303 | - | - | - | 302,303 | 261,664 |
| State grants and contracts | - | - | 1,711,168 | - | - | - | 1,711,168 | 1,633,886 |
| Local and private grants and contracts | - | - | 499,578 | - | - | - | 499,578 | 617,825 |
| Subtotal - Grants and contracts | - | - | 2,513,049 | - | - | - | 2,513,049 | 2,513,375 |
| Investment income: | | | | | | | | |
| Interest income: | | | | | | | | |
| Operating fund interest | 62,300 | - | - | 74,042 | 53,544 | 4,159 | 194,045 | 258,169 |
| Consolidated educational revenue interest | 575,339 | 56,885 | - | 36,470 | - | - | 668,694 | 484,169 |
| Realized income - assets held by University | | - | 23,110 | (1,837) | - | | 21,273 | 6,052 |
| Unrealized income - assets held by University | - | - | - | 1,844 | - | - | 1,844 | 1,797 |
| Total investment income | 637,639 | 56,885 | 23,110 | 110,519 | 53,544 | 4,159 | 885,856 | 750,187 |
| Interest on capital asset-related debt | - | - | - | (304,435) | - | - | (304,435) | (333,314) |
| Loss on deletion and disposal of capital assets | - | - | - | (97,469) | - | - | (97,469) | (52,907) |
| Bond amortization | - | - | - | - | - | - | - | - |
| Net nonoperating revenues | 27,969,317 | 56,885 | 3,840,297 | (291,385) | 53,544 | 33,197 | 31,661,855 | 30,967,258 |
| Income before other revenues, expenses, gains, or losses | 19,141,029 | 5,805,642 | 2,044,910 | (6,072,146) | 1,094 | 33,197 | 20,953,726 | 21,095,168 |
| State capital appropriations | - | - | - | 742,810 | - | - | 742,810 | 995,198 |
| Capital gifts | - | - | - | 32,070 | - | - | 32,070 | - |
| Insurance proceeds on capital loss | - | - | - | - | - | - | - | - |
| Increase (decrease) in assets | 19,141,029 | 5,805,642 | 2,044,910 | (5,297,266) | 1,094 | 33,197 | 21,728,606 | 22,090,366 |

**MURRAY STATE UNIVERSITY**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (UNAUDITED)**
For the year ended December 31, 2002
With Comparative Unaudited Figures as of December 31, 2001

| | Current Funds | | | Plant | Loan | Endowment | Totals | |
|---|---|---|---|---|---|---|---|---|
| | E&G | Auxiliary | Restricted | Funds | Funds | Funds | 2003 | 2002 |
| **Transfers:** | | | | | | | | |
| Mandatory | (210,429) | (641,289) | - | 851,718 | - | - | - | - |
| Nonmandatory | (175,144) | (66,033) | (157,829) | 399,006 | - | - | - | - |
| Subtotal - transfers | (385,573) | (707,322) | (157,829) | 1,250,724 | - | - | - | - |
| Increase (decrease) in assets after transfers | 18,755,456 | 5,098,320 | 1,887,081 | (4,046,542) | 1,094 | 33,197 | 21,728,606 | 22,090,366 |
| 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 | 246,542,545 |
| 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 | 118,267,335 |
| Current year interaccount eliminations | (411,683) | (2) | 50,542 | 361,143 | - | - | - | - |
| Net Assets - end of year | $ 31,792,181 | $ 5,541,752 | $ 3,973,794 | $ 90,973,942 | $ 5,004,015 | $ 8,229,920 | $ 145,515,604 | $ 140,357,701 |

**MURRAY STATE UNIVERSITY**
**CURRENT UNRESTRICTED FUNDS**
**SCHEDULE OF BUDGET ADJUSTMENTS (UNAUDITED)**
For the Period July 1, 2002 through December 31, 2002
With Comparative Figures for the Period Ended December 31, 2001

| | 2002-03 | | | 2001-02 |
|---|---|---|---|---|
| **Revenues** | Original Budget | Adjustments/ Revisions | Current Budget Per Report | Budget Per Report |
| Educational and General | $ 83,655,636 | | | |
| Prior year carryovers | | $ 3,247,501 | | |
| Prior year encumbrances | | 640,069 | | |
| Budget increases and adjustments | | 2,098,233 | | |
| Total Educational and General | $ 83,655,636 | $ 5,985,803 | $ 89,641,439 | $ 90,646,252 |
| 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 | $ 15,034,947 |
| **Total Revenues** | $ 98,952,445 | $ 6,510,988 | $ 105,463,433 | $ 105,681,199 |
| **Expenditures** | | | | |
| Educational and General | $ 83,655,636 | | | |
| Prior year carryovers | | $ 3,247,501 | | |
| Prior year encumbrances | | 640,069 | | |
| Budget increases | | 2,098,233 | | |
| Total Educational and General | $ 83,655,636 | $ 5,985,803 | $ 89,641,439 | $ 90,646,252 |
| 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 | $ 15,034,947 |
| **Total Expenditures** | $ 98,952,445 | $ 6,510,988 | $ 105,463,433 | $ 105,681,199 |

**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 December 31, 2002
With Comparative Figures for the Period July 1, 2001 through December 31, 2001

| | | 2002-03 | | 2001-02 | |
|---|---|---|---|---|---|
| | Current Budget | Fiscal Year Actual | Actual % Budget | Fiscal Year Actual | Actual % Budget |
| **OPERATING REVENUES** | | | | | |
| Tuition and mandatory student fees | $ 37,592,574 | $ 33,244,580 | 88% | $ 30,060,086 | 93% |
| Less: discounts | (10,871,087) | (7,952,183) | 73% | (7,158,133) | 84% |
| Total tuition and fees, net of discounts | 26,721,487 | 25,292,397 | 95% | 22,901,953 | 96% |
| Indirect cost reimbursement | 227,021 | 132,251 | 0% | 140 | 0% |
| Sales and services of educational departments | 4,544,176 | 1,608,996 | 35% | 1,279,952 | 37% |
| Other sources | 3,002,467 | 1,309,776 | 44% | 1,409,569 | 44% |
| Prior year carryovers and encumbrances | 3,887,570 | - | N/A | - | N/A |
| Total operating revenues | 38,382,721 | 28,343,420 | 74% | 25,591,614 | 68% |
| **NONOPERATING REVENUES** | | | | | |
| State appropriation | 50,558,718 | 27,331,678 | 54% | 27,810,400 | 54% |
| Interest income: | | | | | |
| Operating fund interest | 100,000 | 62,300 | 62% | 100,155 | 100% |
| Consolidated educational revenue interest | 600,000 | 575,339 | 96% | 371,055 | 38% |
| Total nonoperating revenues | 51,258,718 | 27,969,317 | 55% | 28,281,610 | 54% |
| Total revenues | 89,641,439 | 56,312,737 | 63% | 53,873,224 | 59% |
| **EXPENSES** | | | | | |
| Instruction | 42,672,492 | 17,976,379 | 42% | 16,786,600 | 42% |
| Research | 1,051,889 | 404,799 | 38% | 234,824 | 22% |
| Public service | 4,515,491 | 2,039,810 | 45% | 1,862,749 | 40% |
| Library | 2,640,638 | 643,953 | 24% | 684,428 | 15% |
| Academic support | 4,792,064 | 2,448,383 | 51% | 2,038,257 | 74% |
| Student services | 7,869,798 | 3,970,880 | 50% | 3,938,617 | 49% |
| Institutional support | 11,270,466 | 4,503,774 | 40% | 4,307,687 | 30% |
| Operation and maintenance of plant | 10,569,044 | 4,879,820 | 46% | 4,265,493 | 38% |
| Student aid | 415,194 | 303,910 | 73% | 217,503 | 110% |
| Total expenses | 85,797,076 | 37,171,708 | 43% | 34,336,158 | 39% |
| **TRANSFERS IN (OUT) AND OTHER CHANGES** | | | | | |
| Mandatory transfers | | | | | |
| Consolidated educational bond sinking fund | (1,880,700) | (210,429) | N/A | (245,768) | N/A |
| Loan fund match | (4,819) | - | N/A | - | N/A |
| Non-mandatory transfers | | | | | |
| Transfers to CERR | (600,000) | - | N/A | (317,771) | N/A |
| Transfers from CERR | 70,000 | 239,845 | N/A | 563,492 | N/A |
| Transfers from unexpended plant fund | - | 80,258 | N/A | - | N/A |
| Transfers to unexpended plant fund | (1,016,774) | (469,903) | N/A | (564,550) | N/A |
| Transfers to auxiliaries | (5,040) | (30,000) | N/A | (9,578) | N/A |
| Transfers from auxiliaries | 77,320 | 89,810 | N/A | 366,649 | N/A |
| Transfers from restricted fund | | 157,829 | N/A | 33,700 | N/A |
| Transfers to retirement of indebtedness fund | (484,350) | (242,983) | N/A | (265,303) | N/A |
| Total transfers | (3,844,363) | (385,573) | N/A | (439,129) | N/A |
| Total expenses and transfers | $ 89,641,439 | $ 37,557,281 | 42% | $ 34,775,287 | 38% |
| **Increase (decrease) in assets after transfers** | | $ 18,755,456 | | $ 19,097,937 | |

**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 December 31, 2002
With Comparative Figures for the Period July 1, 2001 through December 31, 2001

| | 2002-03 | | | 2001-02 | |
|---|---|---|---|---|---|
| | Current Budget | Fiscal Year Actual | Actual % Budget | Fiscal Year Actual | Actual % Budget |
| **OPERATING REVENUES** | | | | | |
| Food services | $ 4,763,240 | $ 4,656,866 | 98% | $ 4,446,359 | 91% |
| Less: discounts | - | (32,509) | 0% | (23,561) | 0% |
| Housing services | 6,975,077 | 6,652,134 | 95% | 5,920,585 | 104% |
| Less: discounts | (832,000) | (832,564) | 100% | (861,685) | 0% |
| Bookstore | 3,738,338 | 2,437,734 | 65% | 2,234,895 | 59% |
| Curris Center | 450,986 | 15,719 | 3% | 7,250 | 16% |
| Racer card administration | - | 42,489 | 0% | 42,932 | 53% |
| Vending and manual commissions | 103,000 | 49,864 | 48% | 46,916 | 46% |
| Prior year carryovers and encumbrances | 525,185 | - | N/A | - | N/A |
| Total operating revenues | 15,723,826 | 12,989,733 | 83% | 11,813,691 | 79% |
| **NONOPERATING REVENUES** | | | | | |
| Interest income: | | | | | |
| Food services | - | 30,947 | 0% | 46,426 | 0% |
| Housing services | 17,243 | 2,497 | 14% | 3,102 | 0% |
| Bookstore | 8,097 | 22,235 | 275% | 27,214 | 0% |
| Curris Center | - | 92 | 0% | 321 | 0% |
| Racer card administration | 72,828 | 1,114 | 2% | 1,304 | 0% |
| Total nonoperating revenues | 98,168 | 56,885 | 58% | 78,367 | 0% |
| Total revenues | 15,821,994 | 13,046,618 | 82% | 11,892,058 | 79% |
| **EXPENSES** | | | | | |
| Food services | 4,721,160 | 2,398,661 | 51% | 2,211,622 | 49% |
| Housing services | 5,269,849 | 2,346,604 | 45% | 2,221,666 | 46% |
| Bookstore | 3,669,115 | 2,193,249 | 60% | 2,035,871 | 58% |
| Curris Center | 464,218 | 209,282 | 45% | 220,036 | 46% |
| Other | - | - | 0% | 13,839 | 0% |
| Racer card administration | 72,828 | 38,769 | 53% | 34,265 | 42% |
| Vending and manual commissions | 326,162 | 54,411 | 17% | 51,781 | 17% |
| Total expenses | 14,523,332 | 7,240,976 | 50% | 6,789,080 | 49% |
| **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 | 9,578 | N/A |
| To educational and general fund | (77,320) | (89,810) | N/A | (366,649) | N/A |
| To retirement of indebtedness fund | - | (6,223) | N/A | (12,141) | N/A |
| Total transfers and other changes | (1,298,662) | (707,322) | N/A | (856,597) | N/A |
| Total expenses, transfers and other changes | $ 15,821,994 | $ 7,948,298 | 50% | $ 7,645,677 | 51% |
| **Increase (decrease) in assets after transfers** | | $ 5,098,320 | | $ 4,246,381 | |

**MURRAY STATE UNIVERSITY**
**CURRENT UNRESTRICTED FUNDS - AUXILIARIES**
**SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES BY UNIT (UNAUDITED)**
For the Period July 1, 2002 through December 31, 2002
With Comparative Figures for the Period July 1, 2001 through December 31, 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 | 4,655,304 | 5,822,067 | 2,459,969 | 15,811 | 43,603 | 49,864 | - | - | 13,046,618 |
| Actual % Budget | 98% | 95% | 66% | 4% | 60% | 48% | 0% | N/A | 82% |
| **DISBURSEMENTS** | | | | | | | | | |
| Current Budget | $ 4,721,160 | $ 5,269,849 | $ 3,669,115 | $ 464,218 | $ 72,828 | $ 326,162 | $ - | $ - | $ 14,523,332 |
| Fiscal Year Actual | 2,398,661 | 2,346,604 | 2,193,249 | 209,282 | 38,769 | 54,411 | - | - | 7,240,976 |
| Actual % Budget | 51% | 45% | 60% | 45% | 53% | 17% | 0% | N/A | 50% |
| **TRANSFERS IN (OUT) AND OTHER CHANGES** | $ (45,468) | $ (578,311) | $ (77,320) | $ (6,223) | $ - | $ - | $ - | $ - | $ (707,322) |
| **NET CHANGE IN FUND BALANCE** | $ 2,211,175 | $ 2,897,152 | $ 189,400 | $ (199,694) | $ 4,834 | $ (4,547) | $ - | $ - | $ 5,098,320 |
| 2001-02 | | | | | | | | | |
| **REVENUES** | | | | | | | | | |
| Current Budget | $ 4,896,332 | $ 5,705,132 | $ 3,808,097 | $ 44,887 | $ 80,723 | $ 103,000 | $ - | $ 396,776 | $ 15,034,947 |
| Fiscal Year Actual | 4,469,224 | 5,062,002 | 2,262,109 | 7,571 | 44,236 | 46,916 | - | - | 11,892,058 |
| Actual % Budget | 91% | 89% | 59% | 17% | 55% | 46% | 0% | 0% | 79% |
| **DISBURSEMENTS** | | | | | | | | | |
| Current Budget | $ 4,520,917 | $ 4,805,928 | $ 3,493,616 | $ 477,524 | $ 80,723 | $ 311,316 | $ 43,425 | $ - | $ 13,733,449 |
| Fiscal Year Actual | 2,211,622 | 2,221,666 | 2,035,871 | 220,036 | 34,265 | 51,781 | 13,839 | - | 6,789,080 |
| Actual % Budget | 49% | 46% | 58% | 46% | 42% | 17% | 32% | 0% | 49% |
| **TRANSFERS IN (OUT) AND OTHER CHANGES** | $ (54,655) | $ (440,048) | $ (77,320) | $ (4,422) | $ - | $ - | $ (280,152) | $ - | $ (856,597) |
| **NET CHANGE IN FUND BALANCE** | $ 2,202,947 | $ 2,400,288 | $ 148,918 | $ (216,887) | $ 9,971 | $ (4,865) | $ (293,991) | $ - | $ 4,246,381 |
| **2002-03 INCREASE (DECREASE) IN FUND BALANCE** | $ 8,228 | $ 496,864 | $ 40,482 | $ 17,193 | $ (5,137) | $ 318 | $ 293,991 | $ - | $ 851,939 |

# 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 December 31, 2002
With Comparative Figures for the Period July 1, 2001 through December 31, 2001

| | 2002-03 | | | 2001-02 | |
|---|---|---|---|---|---|
| | Current Budget | Fiscal Year Actual | Actual % Budget | Fiscal Year Actual | Actual % Budget |
| **Revenues by Source** | | | | | |
| Federal funds | | | | | |
| Pell | $ 3,203,840 | $ 3,041,488 | 95% | $ 2,905,351 | 100% |
| Less: Discounts | - | (1,887,201) | 0% | (1,452,719) | 0% |
| SEOG | 229,515 | 159,545 | 70% | 121,512 | 34% |
| Less: Discounts | - | (3,564) | 0% | (34,963) | 0% |
| Workstudy | 470,124 | - | 0% | 180,672 | 120% |
| Grants and contracts | 4,679,946 | 1,710,109 | 37% | 1,960,036 | 37% |
| Less: Discounts | - | (295,167) | 0% | (135,969) | 0% |
| Total federal funds | 8,583,425 | 2,725,210 | 32% | 3,543,920 | 41% |
| State appropriations | 1,070,522 | 1,070,522 | 100% | 1,091,600 | 100% |
| State grants and contracts | 7,741,719 | 5,357,113 | 69% | 3,252,025 | 252% |
| Less: Discounts | - | (997,150) | 0% | (466,847) | 0% |
| Other grants and contracts | 656,467 | 583,633 | 89% | 702,546 | 32% |
| Less: Discounts | - | (114,268) | 0% | (126,201) | 0% |
| Gifts | - | 233,616 | 0% | 204,517 | 0% |
| Investment income | - | 23,110 | 0% | 6,052 | 0% |
| **Total revenues** | 18,052,133 | 8,881,786 | 49% | 8,207,612 | 62% |
| **Expenditures by Function** | | | | | |
| Instruction | 3,609,509 | 2,246,922 | 62% | 2,483,134 | 47% |
| Research | 1,651,865 | 660,034 | 40% | 722,123 | 39% |
| Public service | 1,526,707 | 521,552 | 34% | 586,074 | 43% |
| Library | - | 21,119 | 0% | 21,605 | 0% |
| Academic support | 1,243,253 | 112,151 | 9% | 104,013 | 181% |
| Student services | 437,300 | 495,905 | 113% | 422,137 | 45% |
| Institutional support | 25,584 | 54,579 | 213% | 36,476 | 32% |
| Operation and maintenance of plant | 2,401,020 | 695 | 0% | 450 | 2% |
| Scholarship and financial aid | 7,156,894 | 2,704,293 | 38% | 2,956,575 | 81% |
| Total educational and general | 18,052,132 | 6,817,250 | 38% | 7,332,587 | 55% |
| Auxiliary enterprises | - | 19,626 | 0% | 19,337 | 0% |
| **Total expenditures by function** | 18,052,132 | 6,836,876 | 38% | 7,351,924 | 55% |
| **Transfers In(Out) and Other Changes** | | | | | |
| Non-mandatory transfers | | | | | |
| To unexpended plant fund | - | (150,000) | N/A | (33,700) | 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 | - | (7,829) | N/A | - | N/A |
| Total transfers and other changes | - | (157,829) | N/A | (33,700) | N/A |
| Total expenditures, transfers and other changes | $ 18,052,132 | 6,994,705 | 39% | 7,385,624 | 56% |
| **Excess revenues over expenditures** | | $ 1,887,081 | | $ 821,988 | |

**MURRAY STATE UNIVERSITY**
**SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)**
For the Period July 1, 2002 through December 31, 2002
With Comparative Unaudited Figures as of December 31, 2001

| | 2002-03 | | | | 2001-02 |
|---|---|---|---|---|---|
| | Educational and General | Auxiliary | Restricted and Loan | Total | Total |
| **OPERATING REVENUES** | | | | | |
| Tuition and fees: | | | | | |
| Fall tuition | $ 16,093,957 | $ - | $ - | $ 16,093,957 | 14,466,812 |
| Spring tuition | 12,810,354 | - | - | 12,810,354 | 11,693,738 |
| Summer II tuition | 1,099,230 | - | - | 1,099,230 | 767,998 |
| Summer I tuition | 3,055 | - | - | 3,055 | 15,646 |
| Tuition discounts | (7,666,325) | - | (3,297,350) | (10,963,675) | (9,109,119) |
| Mandatory student fees | 3,237,984 | - | - | 3,237,984 | 3,115,892 |
| Mandatory student fees discounts | (285,858) | - | - | (285,858) | (265,713) |
| Net tuition and mandatory fees, net of discounts | $ 25,292,397 | $ - | $ (3,297,350) | $ 21,995,047 | $ 20,685,254 |
| Grants and contracts: | | | | | |
| Federal work study | $ - | $ - | $ - | $ - | $ 180,672 |
| Federal Pell | - | - | 3,041,488 | 3,041,488 | 2,905,351 |
| Federal SEOG | - | - | 159,545 | 159,545 | 121,512 |
| Grants and contracts - federal | 132,251 | - | 1,407,806 | 1,540,057 | 1,698,372 |
| Grants and contracts - state | - | - | 3,645,944 | 3,645,944 | 2,709,739 |
| Grants and contracts - other | - | - | 84,055 | 84,055 | 84,721 |
| Total grants and contracts | $ 132,251 | $ - | $ 8,338,838 | $ 8,471,089 | $ 7,700,367 |
| Sales and services of educational departments: | | | | | |
| American Humanics | $ - | $ - | $ - | $ - | $ - |
| Agriculture | 76 | - | - | 76 | 1,886 |
| Applied Science computer lab | 6,015 | - | - | 6,015 | 5,504 |
| Art auction | 8,231 | - | - | 8,231 | - |
| Art cash sales | 19,278 | - | - | 19,278 | 30,880 |
| Hancock biological station | 2,749 | - | - | 2,749 | 5,784 |
| Breathitt veterinary center | 102,479 | - | - | 102,479 | 80,411 |
| BPA computer lab | 1,215 | - | - | 1,215 | 712 |
| Chemical services | 779 | - | - | 779 | - |
| Child development center | - | - | - | - | - |
| Computer science workshop | 66 | - | - | 66 | 480 |
| Development and release of tobacco cultivars | 23,236 | - | - | 23,236 | - |
| Economics & Finance | - | - | - | - | 74 |
| Environmental education workshop | - | - | - | - | - |
| Fall business education conference | - | - | - | - | 580 |
| Hong Kong MBA | - | - | - | - | - |
| Institute for International Studies | 450,911 | - | - | 450,911 | 363,806 |
| Journalism and Mass Communication | - | - | - | - | - |
| Journalism workshop | 18 | - | - | 18 | 90 |
| Kentucky Institute for International Studies (KIIS) | 818,199 | - | - | 818,199 | 602,494 |
| Keyboard recruiting | 100 | - | - | 100 | - |
| MARC service center | - | - | - | - | - |
| MSU News | 25,249 | - | - | 25,249 | 6,357 |
| Nursing Continuing Education | - | - | - | - | 1,080 |
| Office systems and business ed copy account | - | - | - | - | - |
| Public relations book marketing | 35 | - | - | 35 | 387 |
| Psychology center | 1,706 | - | - | 1,706 | 984 |
| Recording studio | 1,801 | - | - | 1,801 | 1,564 |
| Regional Special Events Center | 23,810 | - | - | 23,810 | 33,309 |
| Shield yearbook | 34,665 | - | - | 34,665 | 34,254 |
| Special education clinic | 3,162 | - | - | 3,162 | 4,409 |
| University Press of Kentucky | - | - | - | - | - |
| University theater | 12,351 | - | - | 12,351 | 9,734 |
| University farms | 70,147 | - | - | 70,147 | 92,685 |
| Waterfield Center | - | - | - | - | - |

**MURRAY STATE UNIVERSITY**
**SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)**
For the Period July 1, 2002 through December 31, 2002
With Comparative Unaudited Figures as of December 31, 2001

| | 2002-03 | | | | 2001-02 |
|---|---|---|---|---|---|
| | Educational and General | Auxiliary | Restricted and Loan | Total | Total |
| Sales and services of educational departments: (Cont'd) | | | | | |
| Well water testing | 2,718 | - | - | 2,718 | 2,488 |
| Total sales and services of educational departments | $ 1,608,996 | $ - | $ - | $ 1,608,996 | $ 1,279,952 |
| Other Sources: | | | | | |
| African American Recruiting | $ 1,795 | $ - | $ - | $ 1,795 | $ - |
| Athena festival | - | - | - | - | - |
| Athletics | 256,201 | - | - | 256,201 | 244,284 |
| Athletics - concessions | 14,310 | - | - | 14,310 | 4,062 |
| Athletics - guarantees | 134,000 | - | - | 134,000 | 202,305 |
| Athletic camps - | | | | | |
| Athletic trainer | - | - | - | - | - |
| Baseball | 20 | - | - | 20 | 1,425 |
| Football | 300 | - | - | 300 | 760 |
| Distance runners | - | - | - | - | 3,333 |
| Golf | - | - | - | - | - |
| Mens' basketball | 430 | - | - | 430 | 2,330 |
| Women's basketball | - | - | - | - | 270 |
| Tennis camps | - | - | - | - | 2,135 |
| Soccer camp | 12,715 | - | - | 12,715 | 21,878 |
| Volleyball | 13,943 | - | - | 13,943 | 4,115 |
| Athletics - NCAA revenue | 6,104 | - | - | 6,104 | (19,231) |
| Regional high school tournaments | - | - | - | - | - |
| Bad debt expense recovery | 8,045 | - | - | 8,045 | 8,211 |
| Campus lights | - | - | - | - | 60 |
| Campus recreation | 5,648 | - | - | 5,648 | 4,818 |
| Celebrate women | - | - | - | - | - |
| Center for economic education | - | - | - | - | - |
| Center for gifted study | 925 | - | - | 925 | 1,100 |
| Choir International Tours | 179 | - | - | 179 | 1,223 |
| Ctr for Teaching and Technology Learning | 199 | - | - | 199 | 62 |
| Central stores | 196 | - | - | 196 | 637 |
| Chemistry breakage fees | 3,809 | - | - | 3,809 | 3,002 |
| Commonwealth Honors Academy | 402 | - | - | 402 | 94 |
| Continuing educations programs - | | | | | |
| Art workshops | - | - | - | - | - |
| Community education | - | - | - | - | - |
| Computer camp | - | - | - | - | - |
| Conferences and workshops | 77,292 | - | - | 77,292 | 95,139 |
| Music workshops | - | - | - | - | - |
| Paducah creativity | - | - | - | - | - |
| Robotics camp | 125 | - | - | 125 | 250 |
| Super Saturdays | 5,134 | - | - | 5,134 | 5,040 |
| Trumpet workshop | - | - | - | - | 150 |
| Young authors camp | - | - | - | - | - |
| Fixed price contract residuals | - | - | - | - | - |
| Career services | 8,390 | - | - | 8,390 | 10,585 |
| Counseling and testing center | 10,456 | - | - | 10,456 | 9,653 |
| Delinquent account collection fees | 79,409 | - | - | 79,409 | 72,634 |
| Early Childhood Elementary Education | 2,840 | - | - | 2,840 | 961 |
| Engineering institute | 10,650 | - | - | 10,650 | 32,535 |
| Environmental consortium of mid-america | 7,792 | - | - | 7,792 | 6,329 |
| Facilities Management | - | - | - | - | - |
| Festival of champions | 36,985 | - | - | 36,985 | 29,177 |
| Forensics team | - | - | - | - | - |
| Graphic arts technology | 1,976 | - | - | 1,976 | 2,140 |

**MURRAY STATE UNIVERSITY**
**SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)**
For the Period July 1, 2002 through December 31, 2002
With Comparative Unaudited Figures as of December 31, 2001

| | 2002-03 | | | | 2001-02 |
|---|---|---|---|---|---|
| | Educational and General | Auxiliary | Restricted and Loan | Total | Total |
| Other Sources: (Cont'd) | | | | | |
| Hazardous materials training | 29,590 | - | - | 29,590 | 33,485 |
| Health services | 241 | - | - | 241 | - |
| Intramural sports | - | - | - | - | - |
| KLEFPT supplemental salary reimbursement | 21,143 | - | - | 21,143 | 13,175 |
| Library - copy service | 14,350 | - | - | 14,350 | 17,168 |
| Library - fines and damages | 10,324 | - | - | 10,324 | - |
| Library - inter library loan | (338) | - | - | (338) | 211 |
| Library - other | 2,682 | - | - | 2,682 | 8,088 |
| Madrigal dinner | 8,306 | - | - | 8,306 | 7,748 |
| Meal management luncheons | 1,164 | - | - | 1,164 | 1,207 |
| Music recital | 510 | - | - | 510 | 527 |
| National student exchange | 200 | - | - | 200 | 200 |
| Networking and microcomputer services | 3,080 | - | - | 3,080 | - |
| Nursing continuing education | - | - | - | - | - |
| Organic Pasteurization | 3,014 | - | - | 3,014 | 1,952 |
| Other fees | 522,911 | - | - | 522,911 | 360,974 |
| Other fees discounts | (851,120) | - | - | (851,120) | (672,612) |
| Other revenue | (21,761) | - | - | (21,761) | 83,966 |
| Parking | 477,412 | - | - | 477,412 | 452,728 |
| Perkins loan recovery | 2,110 | - | - | 2,110 | - |
| Post office | 11,700 | - | - | 11,700 | 15,118 |
| Printing | 22,850 | - | - | 22,850 | 24,061 |
| Quad state choral festival | 4,700 | - | | 4,700 | - |
| Quad state band festival | 14,117 | - | - | 14,117 | 22,324 |
| Recycling program | 801 | - | - | 801 | 1,155 |
| Regensburg exchange | 51,040 | - | - | 51,040 | 84,726 |
| Facility rentals | 37,978 | - | - | 37,978 | 24,297 |
| Rodeo | 10,280 | - | - | 10,280 | 10,200 |
| Sale of surplus property | 1,574 | - | - | 1,574 | 2,888 |
| Senior breakfast | - | - | - | - | 155 |
| Shakespeare Festival | 6,350 | - | - | 6,350 | - |
| String prep program | 3,163 | - | - | 3,163 | 4,418 |
| Student government association | 16,844 | - | - | 16,844 | 80,477 |
| Student support for learning disabilities | 40,480 | - | - | 40,480 | 21,175 |
| Summer challenge | 455 | - | - | 455 | 3,200 |
| Summer orientation | 14,940 | - | - | 14,940 | 200 |
| Technology center | - | - | - | - | - |
| Telecommunications commission | 2,690 | - | - | 2,690 | 7,189 |
| Transportation | 749 | - | - | 749 | 3,202 |
| Welcome back program | - | - | - | - | - |
| West Kentucky environmental education consortium | - | - | - | - | - |
| West Kentucky livestock and exposition center | 28,507 | - | - | 28,507 | 26,377 |
| Wickliffe Mounds gift shop | 6,110 | - | - | 6,110 | 4,444 |
| Wickliffe Mounds research center | 12,356 | - | - | 12,356 | 11,831 |
| WKMS radio station | 17,155 | - | - | 17,155 | (4,519) |
| WQTV television station | 82,644 | - | - | 82,644 | 9,378 |
| Loan fund operating revenue | - | - | - | - | |
| Total other sources | $ 1,309,776 | $ - | $ - | $ 1,309,776 | $ 1,412,579 |

**MURRAY STATE UNIVERSITY**
**SCHEDULE OF OPERATING REVENUES BY FUND (UNAUDITED)**
For the Period July 1, 2002 through December 31, 2002
With Comparative Unaudited Figures as of December 31, 2001

| | 2002-03 | | | | 2001-02 |
|---|---|---|---|---|---|
| | Educational and General | Auxiliary | Restricted and Loan | Total | Total |
| AUXILIARY REVENUES | | | | | |
| Food services | $ - | $ 4,656,866 | $ - | $ 4,656,866 | $ 4,446,359 |
| Less: discount | - | (32,509) | - | (32,509) | (23,561) |
| Housing services | - | 6,652,134 | - | 6,652,134 | 5,920,585 |
| Less: discount | - | (832,564) | - | (832,564) | (861,685) |
| Bookstore | - | 2,437,734 | - | 2,437,734 | 2,234,895 |
| Curris center | - | 15,719 | - | 15,719 | 7,250 |
| Racer card administration | - | 42,489 | - | 42,489 | 42,932 |
| Vending and manual commissions | - | 49,864 | - | 49,864 | 46,916 |
| Federal workstudy | - | - | - | - | - |
| Total auxiliary operating revenues | $ - | $ 12,989,733 | $ - | $ 12,989,733 | $ 11,813,691 |
| Total operating revenues | $ 28,343,420 | $ 12,989,733 | $ 5,041,488 | $ 46,374,641 | $ 42,891,843 |

**MURRAY STATE UNIVERSITY**
**SCHEDULE OF TRANSFERS BY FUND (UNAUDITED)**
For the Period July 1, 2002 through December 31, 2002

| | E&G | Auxiliary | Restricted | Plant Funds | Loan Funds | Endowment Fund | Agency | Total |
|---|---|---|---|---|---|---|---|---|
| **TRANSFERS IN (OUT)** | | | | | | | | |
| **Mandatory transfers** | | | | | | | | |
| Consolidated educational bonds | $ (210,429) | $ - | $ - | $ 210,429 | $ - | $ - | $ - | $ - |
| 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 | - | - | - | - | - | - |
| Winslow-Hester Mall parking | 12,490 | (12,490) | - | | | | | - |
| **Transfer (to) from Restricted Fund** | | | | | | | | |
| BVC Chiller Unit | 7,829 | - | (7,829) | - | - | - | - | - |
| Hancock Station - Storage Facility | 150,000 | - | (150,000) | - | - | - | - | - |
| **Transfer from Unexpended Plant Fund** | | | | | | | | |
| RSEC - chiller/electrical upgrade | 80,258 | - | - | (80,258) | - | - | - | - |
| **Transfer to Unexpended Plant Fund** | | | | | | | | |
| Entrance at 15th and Olive Blvd. | (30,000) | - | - | 30,000 | - | - | - | - |
| 1602/1604 Olive property purchase | (10,471) | - | - | 10,471 | - | - | - | - |
| 503 North 16th Street property purchase | (150,012) | - | - | 150,012 | - | - | - | - |
| 1614 Calloway Avenue property purchase | (24,764) | - | - | 24,764 | - | - | - | - |
| 1612 Calloway Avenue property purchase | (33,014) | - | - | 33,014 | - | - | - | - |
| 1602 Calloway Avenue property purchase | (71,514) | - | - | 71,514 | - | - | - | - |
| 1406 Main Street parking | (25,000) | - | - | 25,000 | - | - | - | - |
| 1623 Hamilton Avenue property purchase | (42,614) | - | - | 42,614 | - | - | - | - |
| 1627 Hamilton Avenue property purchase | (82,514) | - | - | 82,514 | - | - | - | - |
| **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) | - | - | - | - |
| Pogue Library - projector screen | 20,000 | - | - | (20,000) | - | - | - | - |
| **Transfers to Retirement of Indebtedness** | (242,983) | (6,223) | - | 249,206 | - | - | - | - |
| Total transfers | $ (385,573) | $ (707,322) | $ (157,829) | $ 1,250,724 | $ - | $ - | $ - | $ - |

# MURRAY STATE UNIVERSITY
# NOTES TO FINANCIAL STATEMENTS
# DECEMBER 31, 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
## DECEMBER 31, 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:

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

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.

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.

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.

Note 6. **Current Year Encumbrances**

In addition to expenses, outstanding encumbrances as of December 31, 2002 consist of the following:

| Fund Group | |
|---|---|
| Educational and General | $ 1,186,426 |
| Auxiliary Enterprises | 10,164 |
| Grants and Contracts | 183,866 |
| Capital Construction | 11,183,805 |
| Total | $12,564,261 |

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 | 3,152,857 |
| Total | 104,256,858 |
| 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 | 23,595,799 |
| Adjustment to remove pledge receivable: | |
| Pledge receivable at June 30, 2001 | 422,553 |
| 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.

INVESTMENT REPORT

Attachment #2

# Murray State University

FOR THE PERIOD

**July 1, 2002 - December 31, 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

February 12, 2003

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 December 31, 2002.

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Thomas W. Denton

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 December 31, 2002

| | Current Funds | Endowment Funds | Plant Funds | Total |
|---|---|---|---|---|
| Investment Earnings to Date | $ 694,524 | $ (108,027) | $ 110,519 | $ 697,016 |
| University Composite Interest Rates | 4.91% | 5.99% | 6.44% | 5.78% |
| Foundation Composite Interest Rates | N/A | -2.39% | N/A | -2.39% |

Note:

The fiscal year to date Composite Interest Rate for the Endowment Funds for assets held by MSU Foundation includes an average effective yield (loss) from the MSU Foundation Investment Pool of (2.39)%. This yield is calculated as the net of the average realized loss of (3.92)% and the average unrealized gain of 1.53%.

MURRAY STATE UNIVERSITY
SUMMARY OF INVESTMENT EARNINGS
BY FUND AND FUND ACCOUNTS
For the Period July 1, 2002 through December 31, 2002
With Comparative Figures for Period Ended December 31, 2001

| | Earnings To Date 2002-03 | Earnings To Date 2001-02 |
|---|---|---|
| **CURRENT FUNDS** | | |
| Local bank accounts | $ 62,300 | $ 100,155 |
| Consolidated educational revenue fund | 575,339 | 371,055 |
| Housing and dining revenue fund | 56,885 | 67,281 |
| Total current funds | $ 694,524 | $ 538,491 |
| **ENDOWMENT FUNDS** | $ (108,027) | $ 168,222 |
| **PLANT FUNDS** | | |
| Unexpended plant fund | $ 17,777 | $ 30,688 |
| Consolidated educational renewal and replacement fund | 18,960 | 15,146 |
| Retirement of indebtedness fund | 71,938 | 95,505 |
| Unrealized gains on investments | 1,844 | - |
| Total plant funds | $ 110,519 | $ 141,339 |

**MURRAY STATE UNIVERSITY**
**CURRENT FUNDS**
**SCHEDULE OF INVESTMENT ACTIVITIES**
For the Period July 1, 2002 through December 31, 2002

| Type of Investment | Maturity | Term | Fiscal YTD Annualized Yield | Fiscal YTD Average Balance | 2002-03 Local Interest Earnings | State Bond Pool | MSU Foundation Investment Pool | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| **EDUCATIONAL AND GENERAL** | | | | | | | | | |
| US Bank | 365 days | continuous | 1.420% | $ 6,595,430 | $ 62,300 | $ - | $ - | $ - | $ 62,300 |
| State Bond Pool | 365 days | continuous | 5.990% | $ 22,256,738 | - | 575,339 | - | - | 575,339 |
| Total educational and general interest earnings to date | | | | | 62,300 | 575,339 | - | - | 637,639 |
| **AUXILIARY ENTERPRISES** | | | | | | | | | |
| State Bond Pool | 365 days | continuous | 4.650% | $ 2,799,506 | - | 56,885 | - | - | 56,885 |
| Total auxiliary enterprises interest earnings to date | | | | | - | 56,885 | - | - | 56,885 |
| Total current fund interest earnings to date | | | | | $ 62,300 | $ 632,224 | $ - | $ - | $ 694,524 |

**MURRAY STATE UNIVERSITY**
**ENDOWMENT FUNDS**
**SCHEDULE OF INVESTMENT ACTIVITIES**
For the Period July 1, 2002 through December 31, 2002

| | | | | | 2002-03 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Type of Investment | Maturity | Term | Fiscal YTD Realized Yield | Balance 12/31/02 | Local Interest Earnings | State Bond Pool | MSU Foundation Investment Pool | Other | Total |
| Endowed Chair for Ecosystems Studies | 365 days | continuous | 5.990% | $ 821,995 | $ - | $ 23,110 | $ - | $ - | $ 23,110 |
| Regional University Endowment Trust | 365 days | continuous | -3.920% | 5,259,695 | - | - | (50,635) | - | (50,635) |
| Smith Scholarhip Endowment | 365 days | continuous | -3.920% | 907,804 | - | - | (17,765) | - | (17,765) |
| Other endowment funds - University | 365 days | continuous | 5.990% | 211,694 | - | 4,159 | - | - | 4,159 |
| Other endowment funds - Foundation | 365 days | continuous | -3.920% | 847,124 | - | - | (66,896) | - | (66,896) |
| Total endowment investment earnings (losses) to date | | | | $ 8,048,312 | $ - | $ 27,269 | $ (135,296) | $ - | $ (108,027) |

**MURRAY STATE UNIVERSITY**
**PLANT FUNDS**
**SCHEDULE OF INVESTMENT ACTIVITIES**
For the Period July 1, 2002 through December 31, 2002

| Type of Investment | Maturity | Term | Fiscal YTD Annualized Yield | Fiscal YTD Average Balance | 2002-03 Local Interest Earnings | 2002-03 State Bond Pool | 2002-03 MSU Foundation Investment Pool | 2002-03 Other | 2002-03 Total |
|---|---|---|---|---|---|---|---|---|---|
| **UNEXPENDED PLANT FUND** | | | | | | | | | |
| Series G Bonds - Consolidated Educational Bonds Proceeds | 365 days | continuous | 6.200% | $ 88,397 | $ - | $ 2,966 | $ - | $ - | $ 2,966 |
| Series N Bonds - Housing and Dining Proceeds | 365 days | continuous | 5.940% | $ 391,198 | - | 11,611 | - | - | 11,611 |
| Series O Bonds - Housing and Dining Proceeds | 365 days | continuous | 6.220% | $ 85,259 | - | 3,200 | - | - | 3,200 |
| Total unexpended plant fund earnings to date | | | | | - | 17,777 | - | - | 17,777 |
| **CONSOLIDATED EDUCATIONAL RENEWAL AND REPLACEMENT FUND (CERR)** | | | | | | | | | |
| State Bond Pool | 365 days | continuous | 7.350% | $ 599,294 | | 18,960 | - | - | 18,960 |
| Total CERR Fund earnings to date | | | | | - | 18,960 | - | - | 18,960 |
| **RETIREMENT OF INDEBTEDNESS FUND** | | | | | | | | | |
| Consolidated Educational Bond Reserve Sinking Fund: | | | | | | | | | |
| Money market | 365 days | continuous | Various | $ 1,295 | - | - | - | 80 | 80 |
| Repurchase agreement | 07/01/04 | 10 years | 6.500% | $ 2,003,615 | - | - | - | 65,127 | 65,127 |
| Consolidated Educational Series G Arbitrage Rebate Fund | 365 days | continuous | Various | $ 434 | - | - | - | 2 | 2 |
| Housing and Dining Bond Reserve Sinking Fund | 365 days | continuous | Various | $ 1,277,897 | - | - | - | 4,345 | 4,345 |
| Housing and Dining Repair and Maintenance Reserve Fund | 365 days | continuous | Various | $ 926,828 | - | - | - | 2,384 | 2,384 |
| Total retirement of indebtedness fund earnings to date | | | | | - | - | - | 71,938 | 71,938 |
| Total plant fund realized earnings to date | | | | | - | 36,737 | - | 71,938 | 108,675 |
| Unrealized investment earnings to date | | | | | - | - | - | 1,844 | 1,844 |
| Total plant fund investment income to date | | | | | $ - | $ 36,737 | $ - | $ 73,782 | $ 110,519 |

**MURRAY STATE UNIVERSITY**
**NOTES TO INVESTMENT REPORT**
**DECEMBER 31, 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.

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 that $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:

| | 12/31/2002 Carrying Amount | 12/31/2001 Carrying Amount |
|---|---|---|
| U. S. Government Securities | $ 4,210,070 | $ 2,966,959 |
| Investment in State Investment Pool | 27,345,314 | 20,984,883 |
| MSU Foundation Pool | 7,014,623 | 5,917,124 |
| Total Investments | $ 38,570,007 | $ 29,868,966 |

Note 4. **CURRENT FUNDS - LOCAL BANK ACCOUNT**

Effective June 1, 2001, the University entered into a banking contract with Firstar 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.

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.

## 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
DECEMBER 31, 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.

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# Independent Accountants' Report on Compliance with Specified Requirements of Commonwealth of Kentucky House Bill 622

President F. King Alexander and
Board of Regents of
Murray State University
Murray, Kentucky
and
Secretary for Finance and
Administration Cabinet
Frankfort, Kentucky

We have examined management's assertions that Murray State University complied with the requirements of Commonwealth of Kentucky House Bill 622 regarding the University's accounting, auditing and payroll procedures; investments and interest income procedures and purchasing procedures; and the financial reporting, accounting and purchasing procedures of affiliated corporations during the year ended June 30, 2002. Management is responsible for the University's compliance with those requirements. Our responsibility is to express an opinion on the University's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the University's compliance with specified requirements.

In our opinion, Murray State University complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2002, based on the criteria set forth in Commonwealth of Kentucky Finance and Administration Cabinet Minimum Audit Scope for Compliance with House Bill 622 dated August 1983.

This report is intended solely for the information and use of the Board of Regents, University management and the Secretary for Finance and Administration Cabinet and is not intended to be and should not be used by anyone other than these specified parties.

Solutions for Success

BKD, LLP

September 19, 2002

Attachment #4

# Kentucky Institute for International Studies

Accountants' Report and Financial Statements

October 31, 2002

BKD LLP

# Kentucky Institute for International Studies

**October 31, 2002**

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**KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES**
**Management's Discussion and Analysis**
**October 31, 2002**

## Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Kentucky Institute for International Studies (KIIS) for the year ended October 31, 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 Kentucky Institute for International Studies is a consortium comprised of fifteen full member institutions and one affiliate member institution, dedicated to providing quality international education. The consortium members are Murray State University (which administers the program), Eastern Kentucky University, Western Kentucky University, Morehead State University, Northern Kentucky University, the University of Kentucky, Berea College, Union College, Transylvania University, Bellarmine College, the University of Louisville, Georgetown College, Ball State University, Antioch College, Middle Tennessee State University and Midway College. KIIS is located on the campus of Murray State University in Murray, Kentucky.

KIIS also seeks to develop new opportunities for international experiences which meet the needs of students, faculty, academic institutions and community organizations, always taking into consideration the changing times and shifting demands of a global society.

## Governmental Accounting Standards

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

> Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - For Public State and Local Governments
>
> 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.

**Kentucky Institute for International Studies**
**Management's Discussion and Analysis**
**October 31, 2002**

**Balance Sheet**

The Balance Sheet presents a financial picture of KIIS 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 KIIS at the end of the fiscal year were $803,549, of which cash represented the largest portion. This group of assets totaled $611,461 or 76% of total assets.

***Liabilities***
Total liabilities of KIIS were $272,348. Deferred revenues totaled $266,096 or 98% of total liabilities.

***Net Assets***
Net assets of KIIS were $531,201 and can be divided into three major categories, defined as follows:

- Invested in capital assets - This category represents KIIS's equity in equipment.
- Restricted - This category represents those assets restricted by an individual or entity external to KIIS and may include 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 KIIS, but must be spent for purposes as defined by the donor or external entity.
- Unrestricted - This category represents the net assets held by KIIS that have no formal restrictions placed upon them.

**Kentucky Institute for International Studies**
**Management's Discussion and Analysis**
**October 31, 2002**

Condensed Balance Sheet

| | 2002 |
|---|---|
| Assets: | |
| Current assets | $ 799,842 |
| Capital assets | 3,707 |
| Total assets | $ 803,549 |
| Liabilities: | |
| Current liabilities | $ 272,348 |
| Total liabilities | 272,348 |
| Net assets: | |
| Invested in capital assets | 3,707 |
| Unrestricted | 527,494 |
| Total net assets | 531,201 |
| Total liabilities and net assets | $ 803,549 |

**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 KIIS and expenses (operating and nonoperating) paid and owed by KIIS and income or loss from operations for the current fiscal year.

***Revenues***
Total operating revenues, which exclude University appropriations, of KIIS for the fiscal year were $1,468,949. The primary source of operating revenues was from program fees of $1,431,699.

KIIS received $5,000 of Murray State University appropriations. These funds were used to support KIIS operating activities.

*Expenses*
Total operating expenses of KIIS for the fiscal year were $1,441,024. Total program expenses were $1,150,698.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

| | 2002 |
|---|---|
| Operating revenues: | |
| Program fees | $ 1,431,699 |
| Consortium fees | 37,250 |
| Total operating revenues | 1,468,949 |
| Operating expenses: | |
| Program expenses | 1,150,698 |
| General and administrative expenses | 289,708 |
| Depreciation | 618 |
| Total operating expenses | 1,441,024 |
| Operating income | 27,925 |
| Nonoperating revenues (expenses): | |
| General appropriations from Murray State University | 5,000 |
| Total nonoperating revenues | 5,000 |
| Increase in net assets | 32,925 |
| Net assets - beginning of year, as originally reported | 537,285 |
| Cumulative effect of change in accounting principle | (39,009) |
| Net assets - beginning of year, as restated | 498,276 |
| Net assets - end of year | $ 531,201 |

**Kentucky Institute for International Studies**
**Management's Discussion and Analysis**
**October 31, 2002**

**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 KIIS cash receipts and payments during the year and to help assess KIIS ability to generate future net cash flows and meet obligations as they become due.

The major source of cash from operating activities was program fees of $1,620,152. The most significant uses of cash for operating activities were payments to suppliers of $1,334,481.

The cash flows from noncapital financing activities include $5,000 received as general appropriations from Murray State University.

**Capital Assets and Debt Administration**

Revisions to asset capitalization limits and useful lives were made to KIIS's capitalization policy during the fiscal year. These revisions resulted in a reduction in the recorded value of capital assets of $37,155. As required by GASB No. 34, KIIS began to record depreciation expense for assets for the fiscal year. Depreciation expense applicable to prior fiscal years, or accumulated depreciation, totaled $1,854. The effect of accumulated depreciation was presented as a decrease in KIIS net assets at the beginning of the current fiscal year.

KIIS did not acquire debt during the fiscal year.

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## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Kentucky Institute
for International Studies
Murray, Kentucky

We have audited the accompanying balance sheet of Kentucky Institute for International Studies (Company) as of October 31, 2002, and the related statement of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company'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. 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.

As explained in Note 4, the organization has adopted GASB No. 34 & 35 *Basic Financial Statements-and Management's Discussion and Analysis – for State and Local Governments.*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Institute for International Studies as of October 31, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Solutions for Success**

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

BKD, LLP

January 15, 2003

**KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES**
**BALANCE SHEET**
**October 31, 2002**

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $ | 611,461 |
| Prepaid travel expenses for next program year | | 126,603 |
| Prepaid overhead expenses | | 61,778 |
| Total current assets | | 799,842 |
| Noncurrent assets: | | |
| Capital assets | | 6,179 |
| Accumulated depreciation | | (2,472) |
| Total noncurrent assets | | 3,707 |
| Total assets | $ | 803,549 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenditures | $ | 6,252 |
| Deferred revenue | | 266,096 |
| Total liabilities | | 272,348 |
| **NET ASSETS** | | |
| Invested in capital assets | | 3,707 |
| Unrestricted | | 527,494 |
| Total net assets | | 531,201 |
| Total liabilities and net assets | $ | 803,549 |

*See notes to financial statements*

**KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES**
**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**
**For the Year Ended October 31, 2002**

| | |
|---|---|
| **REVENUES** | |
| Operating revenues: | |
| Program fees | $ 1,445,949 |
| Less discounts and allowances | (14,250) |
| Program fees, net of discounts and allowances | 1,431,699 |
| Consortium fees | 37,250 |
| Total operating revenues | 1,468,949 |
| **EXPENSES** | |
| Operating expenses: | |
| Student and faculty food and lodging | 458,601 |
| Student and faculty travel | 368,401 |
| Faculty expense | 184,412 |
| Other | 139,284 |
| Total program expenses | 1,150,698 |
| General and administrative expenses | 289,708 |
| Depreciation | 618 |
| Total operating expenses | 1,441,024 |
| Operating income | 27,925 |
| **NONOPERATING REVENUES (EXPENSES)** | |
| General appropriation from Murray State University | 5,000 |
| Net nonoperating revenues | 5,000 |
| Increase in net assets | 32,925 |
| **NET ASSETS** | |
| Net assets - beginning of year, as originally reported | 537,285 |
| Cumulative effect of change in accounting principle | (39,009) |
| Net assets - beginning of year, as restated | 498,276 |
| Net assets - end of year | $ 531,201 |

*See notes to financial statements*

## KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES
## STATEMENT OF CASH FLOWS
### For the Year Ended October 31, 2002

| | | |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Program fees | $ | 1,620,152 |
| Consortium fees | | 37,250 |
| Payments to employees | | (120,615) |
| Payments to suppliers | | (1,334,481) |
| Net cash provided by operations | | 202,306 |
| **Cash Flows from Noncapital Financing Activities** | | |
| General appropriation from Murray State University | | 5,000 |
| Net cash provided by noncapital financing | | 5,000 |
| **Net Increase in Cash** | | 207,306 |
| **Cash, beginning of year** | | 404,155 |
| **Cash, end of year** | $ | 611,461 |
| **Reconciliation of operating income to net cash used by operating activities** | | |
| Operating income | $ | 27,925 |
| Depreciation | | 618 |
| Changes in assets and liabilities: | | |
| Prepaid expenses | | (15,609) |
| Accounts payable | | 919 |
| Deferred revenue | | 188,453 |
| Net cash provided by operating activities | $ | 202,306 |

*See notes to financial statements*

## KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES
## NOTES TO FINANCIAL STATEMENTS
## OCTOBER 31, 2002

### Note 1. Summary of Significant Accounting Policies

**Nature of Organization**

The Kentucky Institute for International Studies (KIIS) is a consortium comprised of fifteen full member institutions and one affiliate member institution, organized to provide study-abroad programs for students of the member institutions. Murray State University (University) administers the program.

**Basis of Accounting and Financial Statement Presentation**

KIIS prepared its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Effective for the fiscal year ended October 31, 2002, the financial statement presentation required by GASB, Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and Statement no. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, provides a comprehensive, entity-wide perspective of the Institute's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows and replaces the fund-group perspective previously required. Accordingly, the 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.

**Revenue Recognition**

Program fees are recorded as operating revenues in the accompanying statement of revenues, expenses, and changes in net assets. Total support from Murray State University for the year was $5,000.

**Cash**

For administrative purposes, cash balances of KIIS are included in bank accounts maintained by the University. Details of accounting transactions affecting cash are maintained by the University.

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.

**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.

**Deferred Revenue**

Deferred revenues include amounts received from program participants for future programs that have not yet been completed.

**Use of Estimates**

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

## Note 2. Capital Assets

Capital assets activity for the year ended October 31, 2002 was:

| | Balance October 31, 2001 | Cumulative Effect of Change in Accounting Principle (Note 4) | Additions | Transfers | Deletions Retirements | Balance June 30, 2002 |
|---|---|---|---|---|---|---|
| Equipment | $ 43,334 | $ (37,155) | $ - | $ - | $ - | $ 6,179 |
| Total capital assets before depreciation | 43,334 | (37,155) | - | - | - | 6,179 |
| Less accumulated depreciation: | | | | | | |
| Equipment | - | 1,854 | 618 | - | - | 2,472 |
| Total accumulated depreciation | - | $ 1,854 | $ 618 | $ - | $ - | 2,472 |
| Capital assets - net | $ 43,334 | | | | | $ 3,707 |

## Note 3. Natural Expense Classifications

KIIS's operating expenses by natural classification were as follows:

| | Year ended October 31, 2002 | | | | |
|---|---|---|---|---|---|
| | Natural Classification | | | | |
| | Compensation & Benefits | Operations | Non Capitalized Property | Depreciation | Total |
| Operating expenses | $ 164,826 | $ 1,272,618 | $ 2,962 | $ - | $ 1,440,406 |
| Depreciation | - | - | - | 618 | 618 |
| Total operating expenses | $ 164,826 | $ 1,272,618 | $ 2,962 | $ 618 | $ 1,441,024 |

## Note 4. Change in Accounting Principle

As discussed in Note 1, KIIS 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 November 1, 2001.

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

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

| | |
|---|---|
| Recognition of accumulated depreciation on capital assets | $ 1,854 |
| Deletion of previously recognized capital assets due to revised capitalization threshold | 37,155 |
| Cumulative effect of change in accounting principle | $ 39,009 |

# Supplementary Information

KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES AND EXPENSES
For the year ended October 31, 2002

| | Summer Austria Breqenz | Summer Austria Salzburg | Summer Equador | Summer France | Summer Germany | Summer Italy | Summer Mexico | Summer Spain | Summer Spain Faculty | Summer Spain for Teachers |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating revenues:** | | | | | | | | | | |
| Program fees,net of discounts | $ 103,597 | $ 74,186 | $ 66,555 | $ 135,278 | $ 43,070 | $ 63,485 | $ 85,453 | $ 110,845 | $ 30,801 | $ 27,049 |
| Management fee | (17,279) | (11,725) | (9,187) | (19,611) | (7,712) | (7,875) | (17,836) | (19,415) | - | (11,406) |
| Consortium fees | - | - | - | - | - | - | - | - | - | - |
| Total revenue | 86,318 | 62,461 | 57,368 | 115,667 | 35,358 | 55,610 | 67,617 | 91,430 | 30,801 | 15,643 |
| **Operating expenses:** | | | | | | | | | | |
| Program expenses: | | | | | | | | | | |
| Student and faculty food and lodging | 24,482 | 25,754 | 30,910 | 59,675 | 7,301 | 30,108 | 22,585 | 33,459 | 12,271 | 8,802 |
| Student and faculty travel | 32,689 | 16,832 | 17,207 | 29,881 | 9,438 | 19,161 | 28,519 | 37,532 | 12,798 | 2,361 |
| Faculty expense | 12,989 | 10,152 | 4,756 | 10,946 | 4,770 | 7,408 | 9,457 | 6,940 | 3,500 | 3,000 |
| Other | 8,160 | 4,865 | 3,658 | 2,641 | 4,590 | 507 | 10,277 | 5,450 | 1,774 | 2,364 |
| Total program expenses | 78,320 | 57,603 | 56,531 | 103,143 | 26,099 | 57,184 | 70,838 | 83,381 | 30,343 | 16,527 |
| General and administrative expenses: | | | | | | | | | | |
| Salary and remuneration of directors | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total general and administrative expenses | - | - | - | - | - | - | - | - | - | - |
| Total expenses | 78,320 | 57,603 | 56,531 | 103,143 | 26,099 | 57,184 | 70,838 | 83,381 | 30,343 | 16,527 |
| **Operating income** | $ 7,998 | $ 4,858 | $ 837 | $ 12,524 | $ 9,259 | $ (1,574) | $ (3,221) | $ 8,049 | $ 458 | $ (884) |

KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUE AND EXPENSES (CONT'D)
For the year ended October 31, 2002

| | Summer China | Summer Athens Rome | Semester Mexico Morelia | Semester Spain Segovia | Summer Brazil | Summer Bregenz Environmental | Summer Costa Rica | Summer Japan | Summer Denmark | Summer Egypt |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating revenues:** | | | | | | | | | | |
| Program fees,net of discounts | $ 62,061 | $ 62,306 | $ 68,419 | $ 132,938 | $ 38,590 | $ 54,125 | $ 64,251 | $ 66,343 | $ 26,715 | $ - |
| Management fee | (7,786) | (8,985) | (10,458) | (13,336) | (6,176) | (11,686) | (14,163) | (11,656) | (4,197) | - |
| Consortium fees | - | - | - | - | - | - | - | - | - | - |
| Total revenue | 54,275 | 53,321 | 57,961 | 119,602 | 32,414 | 42,439 | 50,088 | 54,687 | 22,518 | - |
| **Operating expenses:** | | | | | | | | | | |
| Program expenses: | | | | | | | | | | |
| Student and faculty food and lodging | 27,381 | 35,173 | 23,468 | 53,355 | 14,959 | 7,465 | 8,004 | 15,778 | 6,511 | - |
| Student and faculty travel | 19,347 | 18,958 | 12,914 | 10,704 | 11,371 | 23,587 | 19,353 | 25,117 | 10,810 | - |
| Faculty expense | 4,500 | 6,000 | 11,785 | 21,830 | 4,050 | 2,312 | 8,000 | 4,500 | 3,549 | 1,076 |
| Other | 4,296 | 2,453 | 12,026 | 22,696 | 294 | 5,204 | 13,521 | 3,643 | 1,180 | - |
| Total program expenses | 55,524 | 62,584 | 60,193 | 108,585 | 30,674 | 38,568 | 48,878 | 49,038 | 22,050 | 1,076 |
| General and administrative expenses: | | | | | | | | | | |
| Salary and remuneration of directors | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total general and administrative expenses | - | - | - | - | - | - | - | - | - | - |
| Total expenses | 55,524 | 62,584 | 60,193 | 108,585 | 30,674 | 38,568 | 48,878 | 49,038 | 22,050 | 1,076 |
| **Operating income** | $ (1,249) | $ (9,263) | $ (2,232) | $ 11,017 | $ 1,740 | $ 3,871 | $ 1,210 | $ 5,649 | $ 468 | $ (1,076) |

KENTUCKY INSTITUTE FOR INTERNATIONAL STUDIES
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUE AND EXPENSES (CONT'D)
For the year ended October 31, 2002

| | Total Mexico PRO Programs | Summer Puerto Rico | Fall/Spring Washington D.C. | Home Office | Total Program |
|---|---|---|---|---|---|
| **Operating revenues:** | | | | | |
| Program fees,net of discounts | $ 100,242 | $ 12,240 | $ 3,150 | $ - | $ 1,431,699 |
| Management fee | (12,770) | (3,227) | (4,224) | 230,710 | - |
| Consortium fees | - | - | - | 37,250 | 37,250 |
| Total revenue | 87,472 | 9,013 | (1,074) | 267,960 | 1,468,949 |
| **Operating expenses:** | | | | | |
| Program expenses: | | | | | |
| Student and faculty food and lodging | 9,628 | 1,532 | - | - | 458,601 |
| Student and faculty travel | 7,482 | 2,340 | - | - | 368,401 |
| Faculty expense | 41,492 | 1,400 | - | - | 184,412 |
| Other | 24,994 | 3,980 | 711 | - | 139,284 |
| Total program expenses | 83,596 | 9,252 | 711 | - | 1,150,698 |
| General and administrative expenses: | | | | | |
| Salary and remuneration of directors | - | - | - | 121,078 | 121,078 |
| Other | - | - | - | 169,248 | 169,248 |
| Total general and administrative expenses | - | - | - | 290,326 | 290,326 |
| Total expenses | 83,596 | 9,252 | 711 | 290,326 | 1,441,024 |
| **Operating income** | $ 3,876 | $ (239) | $ (1,785) | $ (22,366) | $ 27,925 |

Attachment #5

# Murray State University
# WKMS-FM Radio

Accountants' Report and Financial Statements

June 30, 2002

BKD LLP

Murray State University

WKMS-FM Radio

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# Murray State University
# WKMS-FM Radio
# 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 WKMS-FM Radio Station (Station) 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 Station is located on the campus of Murray State University (University). WKMS broadcasts National Public Radio and local programs that inform, enrich, and entertain in concert with the mission of the University. WKMS skilled staff, students, and volunteers serve listeners with comprehensive music and information programs that reflect current affairs, history, and cultures.

## 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 Station'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 Station at the end of the fiscal year were $393,344, of which cash and investments represented the largest portion. This group of assets totaled $326,415 or 83% of total assets.

### *Liabilities*

Liabilities of the Station totaled $36,934. Amounts payable to vendors and for payroll related obligations totaled $29,934 or 81% of total liabilities.

### *Net Assets*

Net assets of the Station were $356,410 and were divided into three major categories, defined as follows:

- Invested in capital assets, net of related debt - This category represents the Station's equity in equipment.

- Restricted - This category represents those assets restricted by an individual or entity external to the Station and may include 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 Station, but must be spent for purposes as defined by the donor or external entity.

- Unrestricted - This category represents the net assets held by the Station that have no formal restrictions placed upon them.

Condensed Balance Sheet

| | |
|---|---|
| Assets: | |
| Current assets | $ 210,595 |
| Noncurrent assets | 173,159 |
| Capital assets | 9,590 |
| Total assets | $ 393,344 |
| Liabilities: | |
| Current liabilities | $ 36,934 |
| Noncurrent liabilities | - |
| Total liabilities | 36,934 |
| Net assets: | |
| Invested in capital assets, net of related debt | 9,590 |
| Restricted for: | |
| Expendable: | |
| Instruction and other | 157,768 |
| Unrestricted | 189,052 |
| Total net assets | 356,410 |
| Total liabilities and net assets | $ 393,344 |

**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 Station and expenses (operating and nonoperating) paid and owed by the Station and income or loss from operations for the current fiscal year.

***Revenues***

Total operating revenues, which exclude University appropriations, of the Station for the fiscal year were $118,531. The primary source of operating revenues was from business and industry underwriting of $84,569.

Nonoperating revenues from grants and contracts totaled $150,486. The primary source of grant revenues was community service grants from the Corporation for Public Broadcasting of $145,486. Grant and contract revenues related to nonexchange type agreements are classified as nonoperating revenues. In a nonexchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange.

The Station received $285,664 of University appropriations and $160,570 of facilities and administrative support from the University, which are classified as nonoperating revenues. These funds were used to support Station operating activities.

***Expenses***

Total operating expenses of the Station for the fiscal year were $840,580. Total program services expenses were $465,064 and total supporting services expenses were $360,693. Depreciation expense was not allocated to each program group, but is presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled $14,823 or 2% of total operating expenses.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

| | |
|---|---|
| Operating revenues: | |
| Business and industry | $ 84,569 |
| In-kind contributions | 33,522 |
| Other | 440 |
| Total operating revenues | 118,531 |
| Operating expenses: | |
| Program services | 465,064 |
| Supporting services | 360,693 |
| Depreciation | 14,823 |
| Total operating expenses | 840,580 |
| Operating loss | (722,049) |
| Nonoperating revenues (expenses): | |
| General appropriations from Murray State University | 285,664 |
| Donated facilities and administrative support from Murray State University | 160,570 |
| Community service grants from Corporation for Public Broadcasting | 145,486 |
| Other nonoperating revenues (expenses) | 155,557 |
| Total nonoperating revenues (expenses) | 747,277 |
| Increase in net assets | 25,228 |
| Net assets - beginning of year, as originally reported | 777,379 |
| Cumulative effect of change in accounting principle | (446,197) |
| Net assets - beginning of year, as restated | 331,182 |
| Net assets - end of year | $ 356,410 |

**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 Station's cash receipts and payments during the year and to help assess the Station's ability to generate future net cash flows and meet obligations as they become due.

The major source of cash from operating activities was business and industry underwriting of $77,995. The most significant uses of cash for operating activities were payments to employees of $412,739 and to vendors for $213,144.

The cash flows from noncapital financing activities include $285,663 received as general appropriations from the University, which is the largest source of cash for the fiscal year.

The cash flows from investing activities represent the cash activities of investments related to restricted investments.

**Capital Assets and Debt Administration**

Revisions to asset capitalization limits and useful lives were made to the Station's capitalization policy during the fiscal year. These revisions resulted in a reduction in the recorded value of capital assets of $172,223. As required by GASB No. 34, the Station began to record depreciation expense for assets for the fiscal year. Depreciation expense applicable to prior fiscal years or accumulated depreciation totaled 273,974. The effect of accumulated depreciation was presented as a decrease in the Station's net assets at the beginning of the current fiscal year.

The Station did not acquire significant debt during the fiscal year.

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## Independent Accountants' Report

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

We have audited the accompanying balance sheet of WKMS-FM Radio, a public telecommunications entity operated by Murray State University, as of June 30, 2002, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Station'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. 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 WKMS-FM Radio as of June 30, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5, in 2002 the Station changed its method of financial statement presentation and disclosure by retroactively restating prior years' financial statements.

Solutions for Success

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.

BKD, LLP

October 30, 2002

**MURRAY STATE UNIVERSITY**
**WKMS - FM RADIO**
**BALANCE SHEET**
**June 30, 2002**

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash | $ 153,256 |
| Accounts receivable, net of allowance of $5,170 | 24,020 |
| Prepaid expenses | 33,319 |
| Total current assets | 210,595 |
| Noncurrent assets: | |
| Restricted cash | 108,548 |
| Restricted investments | 64,611 |
| Capital assets | 298,387 |
| Accumulated depreciation | (288,797) |
| Total noncurrent assets | 182,749 |
| Total assets | $ 393,344 |
| **LIABILITIES AND NET ASSETS** | |
| Current liabilities: | |
| Accounts payable and accrued expenses | $ 29,934 |
| Deferred revenue | 7,000 |
| Total liabilities | 36,934 |
| Net assets | |
| Invested in capital assets, net of related debt | 9,590 |
| Restricted for: | |
| Expendable: | |
| Instruction and other | 157,768 |
| Unrestricted | 189,052 |
| Total net assets | 356,410 |
| Total liabilities and net assets | $ 393,344 |

See notes to financial statements.

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

| | |
|---|---|
| **REVENUES** | |
| Operating revenues: | |
| Business and industry underwriting | $ 84,569 |
| In-kind | 33,522 |
| Other | 440 |
| Total operating revenues | 118,531 |
| **EXPENSES** | |
| Operating expenses: | |
| Program services: | |
| Programming and production | 380,313 |
| Broadcasting | 60,152 |
| Program information | 24,599 |
| Total program services | 465,064 |
| Supporting services: | |
| Management and general | 310,807 |
| Fund-raising | 24,943 |
| Underwriting and grant support | 24,943 |
| Total supporting services | 360,693 |
| Depreciation | 14,823 |
| Total operating expenses | 840,580 |
| Operating income (loss) | (722,049) |
| **NONOPERATING REVENUES (EXPENSES)** | |
| General appropriation from Murray State University | 285,664 |
| Donated facilities and administrative support from Murray State University | 160,570 |
| Community service grants from Corporation for Public Broadcasting | 145,486 |
| Subscriptions and memberships | 152,163 |
| Private grants and contracts | 2,000 |
| State grants and contracts | 3,000 |
| Investment income | 3,338 |
| Decrease in fair value of investments | (4,944) |
| Net nonoperating revenues | 747,277 |
| Increase in net assets | 25,228 |
| **NET ASSETS** | |
| Net assets - beginning of year, as originally reported | 777,379 |
| Cumulative effect of change in accounting principle | (446,197) |
| Net assets - beginning of year, as restated | 331,182 |
| Net assets - end of year | $ 356,410 |

See notes to financial statements.

MURRAY STATE UNIVERSITY
WKMS - FM RADIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

| | |
|---|---|
| **Cash Flows from Operating Activities** | |
| Business and industry underwriting received | $ 77,995 |
| Payments to employees | (412,739) |
| Payments to suppliers | (213,144) |
| Other operating revenues | 440 |
| Net cash used in operating activities | (547,448) |
| **Cash Flows from Noncapital Financing Activities** | |
| General appropriation from Murray State University | 285,663 |
| Nonoperating grants and contracts | 157,485 |
| Subscriptions/memberships | 144,904 |
| Net cash provided by noncapital financing activities | 588,052 |
| **Cash Flows from Investing Activities** | |
| Interest receipts on investments | 3,338 |
| Net cash provided by investing activities | 3,338 |
| **Net Increase in Cash and Cash Equivalents** | 43,942 |
| **Cash, Beginning of Year** | 217,862 |
| **Cash, End of Year** | $ 261,804 |
| ***Reconciliation of operating loss to net cash used by operating activities*** | |
| Operating income (loss) | $ (722,049) |
| Donated facilities and administration | 160,570 |
| Depreciation | 14,823 |
| Bad debt | 433 |
| Changes in assets and liabilities: | |
| Receivables, net | (7,005) |
| Prepaid expenses | (2,401) |
| Accounts payable and accrued expenses | 8,181 |
| Net cash used in operating activities | $ (547,448) |

See notes to financial statements.

# MURRAY STATE UNIVERSITY
# WKMS - FM RADIO
# NOTES TO FINANCIAL STATEMENTS
# JUNE 30, 2002

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

**Nature of Organization**

WKMS – FM (Station) is operated by and receives support from Murray State University (University), Murray Kentucky. The Station is included in the financial statements of the University.

**Basis of Accounting and Financial Statement Presentation**

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

Pursuant to GASB Statement No. 20, the Station has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict or contradict GASB pronouncements.

When an expense is incurred for which both restricted and unrestricted net assets are available, the Station's policy is to allow for 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 Recognition**

Contributions, pledges, and grants are recorded as revenues in the accompanying statement of revenues, expenses, and changes in net assets. In-kind contributions, other than the contribution from the University, are recognized as revenue at the estimated fair market value at the date of the gift.

The portion of the University's indirect costs attributable to the Station's operations and the value of space provided to the Station by the University are included as revenues and expenses, and are computed in accordance with guidelines established by the Corporation for Public Broadcasting. Total donated facilities and administrative support from the University and in-kind contributions received in the year ended June 30, 2002 was $194,092.

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

**Classification of Revenues**
The Station 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 business and industry underwriting.

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 No. 0, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as appropriations and investment income.

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

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.

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

**Investments**
The Station 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.* The Station's investments are held at the Murray State University Foundation, Inc. (Foundation).

The Foundation is a Kentucky not-for-profit corporation formed to receive and invest funds for the enhancement and improvement of the University. The Foundation is a fund raising organization which administers certain funds on behalf of the University. The Foundation coordinates the receipt of contributions and disbursements of those receipts by the Station.

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

**Accounts Receivable**
Accounts receivable consists of business and industry and subscription and membership activities. Accounts receivable are recorded net of estimated uncollectible amounts.

**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.

**Deferred Revenue**
Deferred revenues include amounts received from grant and contract sponsors for which eligibility requirements have not been fully satisfied or that have not yet been earned.

**Restricted Cash and Investments**
Cash and investments that are externally restricted are classified as restricted assets. These assets are used to purchase capital or other noncurrent assets, or for other restricted purposes.

**Use of Estimates**
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accompanying financial statements include estimates for items such as allowance for doubtful accounts and accrued expenses. Actual results could differ from these estimates.

Note 2. **Investments**

The Station participates in an investment pool with the Foundation. Interest is allocated to the Station each calendar quarter based on the Station's balance in the pool at the beginning of the quarter. The assets in the pool are invested as follows: securities of the U.S. Government and its agencies, 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
WKMS - FM RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 2. **Investments (cont'd)**

Investments consisted of:

| | June 30, 2002 Fair Value | June 30, 2002 Cost Basis |
|---|---|---|
| Investment pool | $ 64,611 | $ 63,845 |
| Total Investments | $ 64,611 | $ 63,845 |

Note 3. **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 5) | Additions | Transfers | Deletions/ Retirements | Balance June 30, 2002 |
|---|---|---|---|---|---|---|
| Equipment | $ 470,610 | $ (172,223) | $ - | $ - | $ - | $ 298,387 |
| Total capital assets before depreciation | 470,610 | $ (172,223) | $ - | $ - | $ - | 298,387 |
| Less accumulated depreciation: | | | | | | |
| Equipment | - | $ 273,974 | $ 14,823 | $ - | $ - | 288,797 |
| Total accumulated depreciation | - | $ 273,974 | $ 14,823 | $ - | $ - | 288,797 |
| Capital assets - net | $ 470,610 | | | | | $ 9,590 |

MURRAY STATE UNIVERSITY
WKMS - FM RADIO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

Note 4. **Natural Expense Classifications**

The Station's operating expenses by natural classification were as follows:

| | Year ended June 30, 2002 | | | | | |
|---|---|---|---|---|---|---|
| | Natural Classification | | | | | |
| | Compen- sation & Benefits | Other | Non Capitalized Property | Scholarships | Depreciation | Total |
| Program and supporting services | $ 416,547 | $ 404,643 | $ 4,567 | $ - | $ - | $ 825,757 |
| Depreciation | - | - | - | - | 14,823 | 14,823 |
| Total operating expenses | $ 416,547 | $ 404,643 | $ 4,567 | $ - | $ 14,823 | $ 840,580 |

Note 5. **Change in Accounting Principle**

As discussed in Note 1, the Station 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 the GASB Nos. 34 and 35, the Station did not record depreciation on capital assets. To comply with the requirements of these statements, the Station 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 Station raised the threshold above which capital assets are recognized and deleted previously recorded capital assets with a cost below the revised threshold.

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

| | |
|---|---|
| Recognition of accumulated depreciation on capital assets | $ 273,974 |
| Deletion of previously recognized capital assets due to revised capitalization threshold | 172,223 |
| Cumulative effect of change in accounting principle | $ 446,197 |

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## Independent Accountants' Report

Board of Regents
Murray State University
Murray, Kentucky

We have examined management's assertion, included in the accompanying Corporation for Public Broadcasting (CPB) Schedule of Non-Federal Financial Support, that WKMS-FM Radio (Station), a public broadcasting entity operated by Murray State University, complied with CPB's Fiscal Year 2002 Financial Reporting Guidelines governing the amounts reported as Non-Federal Financial Support (NFFS) during the year ended June 30, 2002. Management is responsible for the Station's compliance with those requirements. Our responsibility is to express an opinion on the Station's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Station's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Station's compliance with specified requirements.

In our opinion, the Station complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2002.

This report is intended solely for the information and use of the board of regents and management of Murray State University, the management of WKMS-FM Radio and the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Solutions for Success

November 23, 2002

# Murray State University
# Intercollegiate Athletics Department

Independent Accountants' Report on Application of Agreed-upon Procedures

June 30, 2002

# Murray State University
# Intercollegiate Athletics Department
June 30, 2002

## Contents


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**Exhibit 1**

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# Independent Accountants' Report on Application of Agreed-Upon Procedures

Dr. F. King Alexander, President
Murray State University
Murray, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Murray State University (University) as of and for the year ended June 30, 2002. The financial statements and our report dated September 19, 2002, were issued separately.

At your request, we have also performed certain agreed-upon procedures, as discussed below, to selected accounting records and system of internal accounting control of the University as of June 30, 2002, solely to assist the University in complying with the National Collegiate Athletic Association (NCAA) Constitution 6.2.3.1. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding the sufficiency of the procedures described in this report for the purpose for which this report has been requested or for any other purpose.

## *Statement of Current Funds, Revenues and Expenditures – Agreed-upon Substantive Procedures*

Our procedures and findings are as follows:

a. We obtained the statement of current funds, revenues and expenditures of the Intercollegiate Athletics Department for the year ended June 30, 2002, as prepared by management and included in Exhibit 1. We recalculated the addition of the amounts on the statement, traced the amounts on the statement to management's worksheets and agreed the amounts on management's worksheets to the University's general ledger.

b. We also obtained a classification breakdown of the expenditures for the year ended June 30, 2002, as prepared by management and included in Exhibit 1. We recalculated the addition of the expenditures and agreed total expenditures to the amounts shown in Exhibit 1.

c. We obtained a schedule of the booster organizations and their related financial activities for the year ended June 30, 2002, from the University which indicated that the Murray State University Athletic Foundation Inc. (Racer Foundation) is the only booster organization that contributes directly to the University. All other booster organizations contribute directly to the Racer Foundation.

Solutions for Success

Dr. F. King Alexander, President
Murray State University
Page Two

d. We inquired of Racer Foundation management as to whether there were any cash contributions disbursed to the University for the year ended June 30, 2002. We obtained a schedule of cash contributions from the Foundation to the University for the benefit of the Intercollegiate Athletics programs during the year ended June 30, 2002, totaling $463,981 which showed $38,553 for the football program; $100,082 for the men's basketball program; $1,268 for the women's basketball program; $38,734 for other sports programs and $285,344 for non-program specific.

   We inquired of Racer Foundation management as to whether there were any expenditures made on behalf of the University Intercollegiate Athletics Programs for the year ended June 30, 2002. We obtained a schedule of expenditures by the Racer Foundation on behalf of the University's Intercollegiate Athletics Programs totaling $463,981which showed $37,219 for the football program; $100,082 for the men's basketball program; $1,268 for the women's basketball program; $45,298 for other sports programs and $280,114 for non-program specific activities.

e. The Murray State University Foundation, Inc. (Foundation) is the only independent foundation that maintains grant-in-aid or scholarship funds, gifts and endowments to be utilized in part by the University's Intercollegiate Athletics Program. We obtained the Foundation's audited financial statements and management letter as of and for the year ended June 30, 2002, reviewed the reports for recommended improvements for internal control and noted that management has taken corrective action in response to the one internal control comment.

f. We requested a list of contributions received by the Foundation and Racer Foundation for the University's Intercollegiate Athletics Program and inspected it noting that there were no individual contributions received that constituted more than 10% of all such contributions received.

g. We compared all other revenue sources that changed from the previous year by an amount greater than 1% of total revenues and obtained management's explanation for those changes.

h. For each athletic activity within the University's Department of Athletics, we compared actual expenditures to budget for the year ended June 30, 2002. We obtained management's explanations for variances greater than 1% of total expenditures.

i. For each athletic activity within the University's Department of Athletics, we compared actual expenditures to prior year expenditures. We obtained management's explanations for those changes greater than 1% of total expenditures.

Because above procedures a. through i. do not constitute an audit made in accordance with auditing standards generally accepted in the United States of America, we do not express an opinion on any of the accounts or items referred to above or in Exhibit 1. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

### *Agreed-upon Procedures – Internal Control Structure Polices and Procedures*

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

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate. Our procedures and findings are as follows:

j. We identified and documented aspects of the University's internal control structure unique to the Intercollegiate Athletics Department such as ticket sales and receipts and athletic department expenditures. Additionally, we discussed the University's budgetary controls over expenditures relating to intercollegiate athletics.

k. We judgmentally selected five Department of Athletics cash disbursements from throughout the year and examined related purchase orders, vendor invoices, receiving reports and canceled checks. We compared purchase orders and vendor invoices to receiving reports, noting agreement of delivery date, vendor name, description of goods, quantity and approval for payment. We examined purchase orders for indication of approval, compared vendor invoices to canceled checks noting agreement of vendor names and amounts, compared check signers with a list of authorized signers, inspected invoices for cancellation, determined that the expenditures were charged to the proper account codes, determined that bid or price contracts were properly let and awarded, if applicable, and determined that the University had the authority to make the expenditures as evidenced by authorization numbers on each purchase order.

l. We discussed internal control over Department of Athletics ticket sales with appropriate personnel and then compared ticket sales recorded in Exhibit 1 to detail schedules of ticket sales by group obtained from the University's ticket office for men's basketball and men's football. Differences of $946 and $2580 were noted, respectively.

Agreed-upon procedures j. through l. applied to certain aspects of the University's internal control structure were more limited than would be necessary to express an opinion on the internal control structure taken as a whole. Because our study and evaluation was limited to applying agreed-upon procedures to certain aspects of the internal control structure, we do not express an opinion on the effectiveness of the internal control structure of the University for the year ended June 30, 2002.

* * * * * *

This report is intended solely for the use of the management of the University and any authorized representative of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these parties.

BKD, LLP

October 30, 2002

**Exhibit 1**

# Murray State University
# Intercollegiate Athletics Department
## Statement of Current Funds, Revenues and Expenditures
## Year Ended June 30, 2002

| | Football | Men's Basketball | Women's Basketball | Other Sports | Non-Program Specific | Total |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Ticket sales (Note 1) | $ 150,600 | $ 492,643 | $ - | $ 2,093 | $ - | $ 645,336 |
| Concessions | - | - | - | - | 32,364 | 32,364 |
| Guarantees | 450,000 | 72,500 | 8,800 | 8,000 | - | 539,300 |
| NCAA revenue distribution | - | 72,363 | - | 17,963 | 222,537 | 312,863 |
| Other revenue | 1,077 | 1,563 | - | 19,032 | 136,152 | 157,824 |
| Gifts and contributions (Note 4) | - | - | - | 9,278 | 5,574 | 14,852 |
| Contributions from Racer Foundation (Note 2) | 38,553 | 100,082 | 1,268 | 38,734 | 285,344 | 463,981 |
| Total Revenues | $ 640,230 | $ 739,151 | $ 10,068 | $ 95,100 | $ 681,971 | $ 2,166,520 |
| Expenditures: | | | | | | |
| Salaries and benefits: | | | | | | |
| Coaches (Note 3) | $ 406,651 | $ 269,158 | $ 162,690 | $ 466,814 | $ 47,214 | $ 1,352,527 |
| Other | 70,272 | 33,448 | 1,128 | 17,141 | 801,120 | 923,109 |
| Films, books and subscriptions | 320 | 3,729 | 649 | 2,050 | 32,930 | 39,678 |
| Travel: | | | | | | |
| Recruiting | 37,996 | 23,687 | 23,711 | 15,596 | - | 100,990 |
| Team | 102,732 | 110,873 | 60,802 | 208,801 | 13,896 | 497,104 |
| Other | 6,226 | 11,636 | 826 | 1,549 | 16,192 | 36,429 |
| Financial aid | 703,062 | 158,424 | 144,283 | 678,697 | 47,014 | 1,731,480 |
| Athletic subsistence | 27,730 | 1,956 | 263 | 11,671 | 41,420 | 83,040 |
| Maintenance and administration | 111,570 | 185,367 | 371 | 11,873 | 65,112 | 374,293 |
| Equipment purchases | 103,785 | 26,590 | 8,143 | 88,308 | 29,311 | 256,137 |
| Athletic medical expense | - | - | - | - | 33,955 | 33,955 |
| Athletic officials | 11,590 | 21,434 | 9,500 | 24,503 | - | 67,027 |
| Athletic guarantees | - | 40,800 | 1,500 | 1,000 | - | 43,300 |
| Miscellaneous expense | 24 | (938) | 2,630 | (303) | 8,203 | 9,616 |
| Publicity | - | - | - | 134 | 28,297 | 28,431 |
| Car leases | 17,224 | 6,000 | - | - | 748 | 23,972 |
| Insurance | 5,316 | 3,029 | - | - | 37,538 | 45,883 |
| Office equipment and supplies | 16,454 | 4,756 | 1,737 | 10,914 | 35,879 | 69,740 |
| Concession food resale | - | - | - | 2,178 | 203 | 2,381 |
| Total Expenditures | $ 1,620,952 | $ 899,949 | $ 418,233 | $ 1,540,926 | $ 1,239,032 | $ 5,719,092 |
| Revenues Under Expenditures | $ (980,722) | $ (160,798) | $ (408,165) | $ (1,445,826) | $ (557,061) | $ (3,552,572) |

*See Note to Statement of Current Funds, Revenues and Expenditures*

# Murray State University
# Intercollegiate Athletics Department
## Notes to Statement of Current Funds, Revenues and Expenditures
## Year Ended June 30, 2002

### Note 1: Ticket Sales

Complimentary tickets totaling $261,254 were provided to other University departments for the use of University guests, student recruits and administrative use.

### Note 2: Contributions from the Racer Foundation

The Murray State University Athletic Foundation, Inc. (Racer Foundation) is an outside organization whose purpose is to support Murray State University athletic excellence and the success of its student athletes in the classroom and on the playing field. Included in contributions from the Racer Foundation are expenditures on behalf of the University athletics programs totaling $95,633. A like amount has been included in expenditures.

### Note 3: Coaches' Compensation

Coaches' compensation does not include any amounts the coaches may have received for making radio and television appearances on the coaches' shows produced by the Racer Foundation. Fees for appearing on the coaches' shows are negotiated by each individual coach with the Racer Foundation.

### Note 4: Gifts and Contributions

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

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Board of Directors
Murray State University Athletic Foundation, Inc.
Murray, Kentucky

As part of our audit of the financial statements of Murray State University Athletic Foundation, Inc. for the year ended June 30, 2002, we studied and evaluated the Foundation's internal control structure. Because the study and evaluation was only part of the overall audit plan regarding the financial statements, it was not intended to be a complete review of all your accounting procedures and, therefore, would not necessarily disclose all reportable conditions or opportunities for improvement. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Foundation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We observed the following matters and offer these comments and suggestions.

## Segregation of Duties

Segregation of accounting duties is an essential element of effective internal control, involving the separation of custody of assets from related recording and monitoring of transactions. Segregation of conflicting duties within the Foundation's accounting department is difficult because of the limited number of personnel. However, there are compensating controls management could implement to reduce the possibility of errors or fraud going undetected in the normal course of business. We encourage you to limit to the extent possible, performance of incompatible duties. Consider implementing the following changes to improve controls:

Where review procedures have been implemented to reduce the risk from lack of segregation, *i.e.*, having the secretary/treasurer and the bookkeeper review each other's work, demonstrate written evidence of this review process, either on the item being reviewed or on a daily review log.

### Management's Response

*Review procedures continue to play an integral role in the Foundation's internal control structure. In a continuing effort to strengthen these procedures, management of the Foundation will implement steps to demonstrate written evidence of review procedures on items being reviewed (i.e., initials on account reconciliations).*

Solutions for Success

Limit access to actual cash deposits by the employee posting cash receipts to the general ledger by having the employee use a cash receipts listing for posting rather than handling daily receipts.

<u>Management's Response</u>

*Management of the Foundation is implementing a mitigating control procedure with regard to access to deposits. The Foundation's director receives all daily receipts on behalf of the Foundation. To further document this procedure, a listing of these receipts will be prepared by the director prior to recording and deposit by the Foundation's controller. The director's listing of receipts will be verified against the controller's listing prior to deposit.*

Require employees to take vacations and require other personnel to be cross-trained and able to assume daily responsibilities of absent employees.

<u>Management's Response</u>

*Employees of the Foundation are encouraged to take vacations allowing other staff members to perform the function of absent employees. The assistant treasurer of the Foundation has received sufficient training to allow them to perform routine operating functions necessary to the Foundation in the absence of its key accounting personnel.*

Consider the purchase of a fidelity bond to cover those employees with access to assets.

<u>Management's Response</u>

*The MSU Athletic Foundation annually purchases an employee dishonesty bond/insurance policy. This policy, which has been renewed annually since May 1998, provides $250,000 of coverage with no deductible.*

* * * * * *

We appreciate the opportunity to present these comments and suggestions. This letter does not express an opinion on the Foundation's overall internal control structure; it does, however, include items which we believe merit your consideration. We can discuss these matters further at your convenience and provide any implementation assistance for changes or improvements you may require.

This letter is intended solely for the information and use of the board of directors and management and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

August 23, 2002

# Murray State University
# Athletic Foundation, Inc.

Accountants' Report and Financial Statements

June 30, 2002 and 2001

BKD LLP

# Murray State University
# Athletic Foundation, Inc.
**June 30, 2002 and 2001**

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## Independent Accountants' Report on Financial Statements

Board of Directors
Murray State University Athletic Foundation, Inc.
Murray, Kentucky

We have audited the accompanying statement of financial position of Murray State University Athletic Foundation, Inc. (Foundation) as of June 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Murray State University Athletic Foundation, Inc. as of and for the year ended June 30, 2001, were audited by other accountants whose report dated November 27, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 2002 financial statements referred to above present fairly, in all material respects, the financial position of Murray State University Athletic Foundation, Inc. as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

August 23, 2002

BKD, LLP

Solutions for Success

# Murray State University
# Athletic Foundation, Inc.
## Statements of Financial Position
## June 30, 2002 and 2001

## Assets

| | 2002 | 2001 |
|---|---|---|
| Cash | $ 14,302 | $ 162,311 |
| Investments | 62,944 | 47,929 |
| Contributions receivable, net of allowance; 2002 and 2001 - $40,000 | 99,509 | 149,168 |
| Equipment, net of accumulated depreciation; 2002 - $4,645, 2001 - $3,250 | 4,413 | 5,807 |
| Real estate held for sale | 1,830,571 | 2,057,685 |
| Other receivables | 57,489 | 10,320 |
| Total assets | $ 2,069,228 | $ 2,433,220 |

## Liabilities and Net Assets

| | 2002 | 2001 |
|---|---|---|
| **Liabilities** | | |
| Note payable to bank | $ 168,500 | $ 58,500 |
| Accounts payable and accrued expenses | 29,390 | 30,796 |
| Deposit on real estate held for sale | — | 143,400 |
| Long-term debt | 2,694,417 | 2,699,116 |
| Total liabilities | 2,892,307 | 2,931,812 |
| **Net Assets** | | |
| Unrestricted | (1,009,175) | (673,461) |
| Temporarily restricted | 186,096 | 174,869 |
| Total net assets | (823,079) | (498,592) |
| Total liabilities and net assets | $ 2,069,228 | $ 2,433,220 |

# Murray State University
# Athletic Foundation, Inc.
## Statements of Activities
## Years Ended June 30, 2002 and 2001

| | 2002 | | |
|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total |
| **Revenues, Gains and Other Support** | | | |
| Contributions | $ 107,608 | $ 235,624 | $ 343,232 |
| Sponsorships and promotions | 581,456 | — | 581,456 |
| Fund raising events | 88,672 | 11,335 | 100,007 |
| Investment return | 8,249 | — | 8,249 |
| Loss on sale of real estate held for sale | (106,764) | — | (106,764) |
| Other | 27,019 | 180 | 27,199 |
| Net assets released from restrictions | 235,912 | (235,912) | 0 |
| Total revenues, gains and other support | 942,152 | 11,227 | 953,379 |
| **Expenses** | | | |
| Sponsorships and promotions | 368,540 | — | 368,540 |
| Contributions to Murray State University | | | |
| Athletic Department | 463,981 | — | 463,981 |
| General operations | — | — | 0 |
| General and administrative | 381,258 | — | 381,258 |
| Fund raising events | 48,035 | — | 48,035 |
| Contributions to Murray State University Foundation | — | — | 0 |
| Membership activities | 16,052 | — | 16,052 |
| Total expenses | 1,277,866 | 0 | 1,277,866 |
| **Change in Net Assets** | (335,714) | 11,227 | (324,487) |
| **Net Assets, Beginning of Year** | (673,461) | 174,869 | (498,592) |
| **Net Assets, End of Year** | $ (1,009,175) | $ 186,096 | $ (823,079) |

*See Notes to Financial Statements*

| 2001 | | |
|---|---|---|
| Unrestricted | Temporarily Restricted | Total |
| $ 116,718 | $ 319,164 | $ 435,882 |
| 580,104 | — | 580,104 |
| 38,986 | 21,306 | 60,292 |
| 20,401 | — | 20,401 |
| (30,120) | — | (30,120) |
| 24,997 | 36,949 | 61,946 |
| 417,751 | (417,751) | 0 |
| 1,168,837 | (40,332) | 1,128,505 |
| 402,443 | — | 402,443 |
| 516,063 | — | 516,063 |
| 660,137 | — | 660,137 |
| 295,638 | — | 295,638 |
| 61,529 | — | 61,529 |
| 7,879 | — | 7,879 |
| 19,616 | — | 19,616 |
| 1,963,305 | 0 | 1,963,305 |
| (794,468) | (40,332) | (834,800) |
| 121,007 | 215,201 | 336,208 |
| $ (673,461) | $ 174,869 | $ (498,592) |

# Murray State University
# Athletic Foundation, Inc.
## Statements of Cash Flows
## Years Ended June 30, 2002 and 2001

| | 2002 | 2001 |
|---|---|---|
| **Operating Activities** | | |
| Change in net assets | $ (324,487) | $ (834,800) |
| Items not requiring (providing) cash flows | | |
| Contributions of investments | (14,315) | (11,161) |
| Loss on sale of real estate held for sale | 106,764 | 30,120 |
| Net realized and unrealized (gains) losses on investments | 606 | (752) |
| Contribution of real estate to Murray State University | — | 326,723 |
| Contribution of equipment to Murray State University | — | 333,414 |
| Depreciation | 1,395 | 11,630 |
| Changes in | | |
| Contributions receivable | 49,659 | 36,957 |
| Other receivables | (47,169) | 20,439 |
| Accounts payable and accrued expenses | (1,406) | (10,424) |
| Net cash used in operating activities | (228,953) | (97,854) |
| **Investing Activities** | | |
| Purchase of investments | (1,306) | (833) |
| Proceeds from sale of real estate held for sale | 120,350 | 148,780 |
| Deposit on real estate held for sale | — | 143,400 |
| Return of deposit on real estate held for sale | (143,400) | — |
| Purchase of equipment | — | (46,252) |
| Net cash provided by (used in) investing activities | (24,356) | 245,095 |
| **Financing Activities** | | |
| Net borrowings (payments) under line-of-credit agreement | 110,000 | (131,500) |
| Principal payments on long-term debt | (4,700) | — |
| Net cash provided by (used in) financing activities | 105,300 | (131,500) |
| **Increase (Decrease) in Cash** | (148,009) | 15,741 |
| **Cash, Beginning of Year** | 162,311 | 146,570 |
| **Cash, End of Year** | $ 14,302 | $ 162,311 |
| **Supplemental Cash Flows Information** | | |
| Interest paid | $ 151,341 | $ 179,227 |

# Murray State University
# Athletic Foundation, Inc.
## Notes to Financial Statements
## June 30, 2002 and 2001

## Note 1: Nature of Operations and Summary of Significant Accounting Policies

### *Nature of Operations*

Murray State University Athletic Foundation, Inc. (Foundation) is a Kentucky not-for-profit corporation formed to provide assistance to worthy young men and women in obtaining an education at Murray State University (University) and to aid, strengthen and expand the educational purposes of the University, with particular emphasis on assistance to the intercollegiate athletic program. The Foundation generates revenues through sales of sponsorships of the University athletic coaches' radio and TV shows and sales of University athletic promotional materials. In addition, the Foundation solicits contributions to support various University athletic programs.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

### *Investments and Investment Return*

Investments in equity securities having a readily determinable fair value are carried at fair value.

### *Equipment*

Equipment is stated at cost and depreciated on a straight-line basis over the estimated useful life of each asset.

### *Temporarily Restricted Net Assets*

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose.

### *Contributions*

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

### *Promises to Give*

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### *In-kind Contributions*

In addition to receiving cash contributions, the Foundation receives in-kind contributions of securities and other property from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount. For the years ended June 30, 2002 and 2001, $7,000 and $0, respectively, were received as in-kind contributions.

### *Income Taxes*

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

### *Self-Insurance*

Employees of the Foundation are covered under the same insurance plan as the University. The University has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The University has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to $100,000.

### *Reclassifications*

Certain reclassifications have been made to the 2001 financial statements to conform to the 2002 financial statement presentation. These reclassifications had no effect on the change in net assets.

# Murray State University
# Athletic Foundation, Inc.
## Notes to Financial Statements
## June 30, 2002 and 2001

### Note 2: Investments and Investment Return

Investments at June 30 consisted of the following:

| | | 2002 | | 2001 |
|---|---|---|---|---|
| Equity securities | $ | 60,445 | $ | 46,736 |
| Money market fund | | 2,499 | | 1,193 |
| | $ | 62,944 | $ | 47,929 |

Total investment return is comprised of the following:

| | | 2002 | | 2001 |
|---|---|---|---|---|
| Interest and dividend income | $ | 8,855 | $ | 19,649 |
| Net realized and unrealized gains (losses) on investments reported at fair value | | (606) | | 752 |
| | $ | 8,249 | $ | 20,401 |

### Note 3: Contributions Receivable

Contributions receivable consisted of the following:

| | 2002 | | | | | |
|---|---|---|---|---|---|---|
| | | Unrestricted | | Temporarily Restricted | | Total |
| Due within one year | $ | 56,388 | $ | 19,581 | $ | 75,969 |
| Due in one to five years | | 56,577 | | 14,808 | | 71,385 |
| | | 112,965 | | 34,389 | | 147,354 |
| Less | | | | | | |
| Allowance for uncollectible contributions | | (30,665) | | (9,335) | | (40,000) |
| Unamortized discount | | (6,448) | | (1,397) | | (7,845) |
| | | (37,113) | | (10,732) | | (47,845) |
| | $ | 75,852 | $ | 23,657 | $ | 99,509 |

| | 2001 | | |
|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total |
| Due within one year | $ 69,586 | $ 31,517 | $ 101,103 |
| Due in one to five years | 73,524 | 26,427 | 99,951 |
| | 143,110 | 57,944 | 201,054 |
| Less | | | |
| Allowance for uncollectible contributions | (28,472) | (11,528) | (40,000) |
| Unamortized discount | (8,917) | (2,969) | (11,886) |
| | (37,389) | (14,497) | (51,886) |
| | $ 105,721 | $ 43,447 | $ 149,168 |

The rate used to discount pledges receivable was 5% for 2002 and 2001.

## Note 4: Line of Credit

The Foundation has a $350,000 bank line of credit expiring in June 2004 and due on demand. At June 30, 2002 and 2001, there was $168,500 and $58,500, respectively, borrowed against this line. Interest varies with the prime rate minus 1%, which was 3.75% and 6.00% at June 30, 2002 and 2001, respectively, and is payable monthly.

## Note 5: Long-term Debt

| | 2002 | 2001 |
|---|---|---|
| Note payable, bank (A) | $ 2,694,417 | $ 2,699,116 |

(A) Due May 2004; interest payable annually at the one-year treasury bill rate plus 3.00% (5.57% and 6.50% at June 30, 2002 and 2001, respectively); secured by real estate held for sale.

# Murray State University Athletic Foundation, Inc.



## Note 6: Related Party Transactions

The University provides office space, computer and other administrative services to the Foundation. The estimated fair value of services provided to the Foundation by the University (approximately $6,000 in 2002 and 2001) is included in revenues and in general and administrative expenses in the accompanying financial statements.

During 2002 and 2001, the Foundation paid various University coaches and other University employees approximately $120,000 and $115,000, respectively, for appearing on coaches' radio and television shows and for providing other promotional services to the Foundation.

During 2002, the Foundation made contributions of various office furniture and equipment to the University. These assets were donated to the Foundation during the fiscal year by various individuals for the benefit of the University's athletic department. The fair value of these items at the time of contribution was $31,881.

During 2001, the Foundation made contributions of certain long-lived assets and real estate to the University. These contributions included real estate held for sale having a cost basis of $326,723 and equipment with a book value of approximately $333,414. Contributed equipment included scoreboards and other improvements to the University's Regional Special Events Center (RSEC) and other athletic facilities.

In connection with the contribution of the scoreboards and other improvements, the Foundation entered into an agreement with the University whereby the University assigned its rights to market sponsorship of the scoreboards, rotating billboards, back-lit wall signs in the RSEC, wall signs in Stewart Stadium and Reagan Field as well as other athletic venues to the Foundation at no charge. The agreement is for a period of 10 years. The Foundation has recorded a charge for the annual fair value of the right to market these sponsorships (approximately $30,000) in sponsorship and promotions expense and a similar amount as contribution revenue from the University in the accompanying statements of activities for the years ended June 30, 2002 and 2001.

The University pays the audit fees related to the audit of the Foundation.

## Note 7: Interest Expense

Interest expense was $151,546 and $175,600 for the years ended June 30, 2002 and 2001, respectively.

## Note 8: Pension Plan

Through the University, the Foundation participates in a multi-employer pension plan maintained by the state of Kentucky. The plan provides defined benefits to eligible employees of the Foundation. The Foundation reimburses the University for the Foundation's share of the actuarially determined contributions to the plan, which are currently established set at 13.84% of the covered payroll of eligible employees.

# RESOLUTION AND ORDER

**WHEREAS**, there is a structure known as the Laundry Storage Building (Building #129), and

**WHEREAS**, the Administration of Murray State University has made written request that the Board of Regents authorize the disposition of the above mentioned structure, and

**WHEREAS**, said building should, in the judgment of this Board of Regents, pursuant to its duties and functions set out in KRS 164A.575(7), be sold or razed as the structure is not needed and the property on which it is located will then be more suitable for public use.

**NOW, THEREFORE**, it is hereby determined that said building be disposed of, in the manner deemed in the best interest of the University by the President, for the reasons as indicated above and in the recommendation of the Administration and the background thereto.

THIS, the 11th day of March, 2003.

Sid Easley, Chairman
Board of Regents
Murray State University

## Certification

I, Sandra M. Rogers, Secretary of the Board of Regents of Murray State University, hereby certify that the above resolution was adopted by the Board of Regents at its meeting held on March 11, 2003.

Witness my hand and seal, this 11th day of March, 2003.

Sandra M. Rogers, Secretary
Board of Regents
Murray State University
Murray, KY 42071

# MURRAY STATE UNIVERSITY

**BUDGET PREPARATION**
**FY 03/04**
**March 11, 2003**

## REVENUE INCREASES

### Appropriations:

Murray State University, as well as the other state public universities, is faced with the prospect of appropriations reductions in the current fiscal year (2002-03) and in the second year of the Biennium (2003-04). As a result of the state's economic condition, in particular the revenue shortfall resulting from the current economic downturn, general operations funding cannot be sustained at current levels. The only prospect for increasing revenues would be through raising taxes and all indications are that the General Assembly is not prepared to take that approach. Maintenance and Operations (M&O) and new construction are also virtually certain to receive no funding support along with other facets of Postsecondary Reform such as trust funds for enrollment growth and retention. All in all it is the bleakest outlook for state support of public universities in a decade. Financial planning is further hindered by not knowing the extent of the appropriations cuts that seem inevitable. The range of proposed cuts has been from 2.6% to 9.2%. It is hoped that a state budget for the current biennium will be enacted during the current short legislative session. The University has set aside contingency reserves to handle any prospective cuts that might occur in 2002-03 and is developing contingency budget reduction plans to deal with permanent cuts.

### Tuition:

At its meeting on October 8, 2001, the Board of Regents approved a tentative tuition increase of 7.5% for 2003-04 subject to reconsideration at a later time if funding conditions substantially changed. As a result of the state's budgetary condition, the administration was faced with the need to increase tuition rates in order to sustain operations and maintain quality academic programs. The proposed tuition increase of ______percent though greater than originally proposed, balances those conflicting objectives while continuing to make attendance at Murray State economical when compared to other state and regional institutions.

## EXPENDITURE PRIORITIES

### 1. Salaries for Faculty and Staff:

To maintain and enhance the quality of instruction and service to the region and to be competitive in the market place, salaries for faculty and staff remain the highest institutional priority. In spite of the grim state revenue picture detailed above, every effort will be made to minimize any reduction in force. This should be manageable as long as the anticipated cuts in state appropriations stay in the lower range of those that have so far been mentioned.

**2. Recruitment and Retention:**

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

A major factor in recruitment and retention is the availability of scholarships and tuition waivers. Various initiatives implemented over the past several fiscal years will continue to require increases in scholarship and tuition waiver programs. In addition, annual tuition and fee increases require funding for existing general, minority and athletic scholarships. As the university develops its plans for managing cuts in its appropriations, every effort will be made to diminish the impact on scholarships and tuition waivers.

**3. Fixed Costs:**

Certain unavoidable or mandated costs will increase and these increased costs will have to be funded. Examples include utilities, maintenance contracts, property insurance, job audits and academic promotions.

**4. Technology:**

As the University experiences increased demand for a wide range of technology services, Murray State should consider several initiatives to address these needs, including online centralized data access (data warehousing), a 100 MB upgrade to the desktop, introduction of a Gigabit campus backbone, and upgrade of the campus communications infrastructure.

The introduction of an enterprise-wide relational database and data warehouse model will eliminate the institution's existing segmented system and will provide quick access to current and historical data. Upgrading the network to FastEthernet (100MB) will ensure faster access and exchange of research data with other institutions, enhance the quality of course delivery, provide a means to incorporate video into Murray State's on-line courses, and provide Public Safety with the ability to leverage leading edge security monitoring and surveillance equipment technology. A Gigabit upgrade will enable Murray State to become a participant in Internet2 and will support several Public Safety technology initiatives. A three-phase communication distribution system replacement involving a multi-stranded fiber optic ring will provide added capacity, redundancy, and reliability to our fiber optic network infrastructure for enhanced on-line course delivery and other instructional activities.

**5. Other Priorities:**

Funding requests from Academic Affairs, Student Affairs, Institutional Advancement, Finance and Administrative Services and the President's areas have been identified in the budget priority review process. Many of these items, including expenditures for recruitment and retention of students, library holdings, and accreditation fall into the priority categories previously identified.

Further review will allow for prioritization of the requests to be included for possible funding. Given the current fiscal consideration, only the most essential priorities are likely to receive consideration.

## SALARY GUIDELINES:

### 1. Base/Merit Increases:

The previous Board of Regents policy on allocating salary increases between base salary increments and merit increments was changed at the June 18, 1999 meeting to stipulate that in the future the structure of the allocation will be determined by the Board on a year-by-year basis. In the event that a salary pool allocation were to prove possible, the allocations may include components for base salary and merit increments.

### 2. Equity Increases above Base/Merit Increases:

The university will continue to provide funding to remedy salary inequities or to reflect major changes in responsibilities to the extent possible.

### 3. Promotions and Reclassifications:

Funds will be allocated for promotion stipends for professors, associate professors, assistant professors and non-exempt position reclassifications for the 2003-04 fiscal year.

RESOLUTION OF OFFICIAL INTENT OF THE BOARD OF REGENTS OF THE MURRAY STATE UNIVERSITY TO FINANCE CONSTRUCTION OF A BUILDING PROJECT FROM PROCEEDS OF A PROPOSED ISSUE OF REVENUE BONDS

WHEREAS, Treasury Regulations § 1.150-2 (the "Reimbursement Regulations"), issued pursuant to §150 of the Internal Revenue Code of 1986, as amended, (the "Code") prescribes certain requirements by which proceeds of tax-exempt bonds, notes, certificates or other obligations included in the meaning of "bonds" under §150 of the Code ("Obligations") used to reimburse advances made for Capital Expenditures (as hereinafter defined) paid before the issuance of such Obligations may be deemed "spent" for purposes of §§ 103 and 141 to 150 of the Code therefore, not further subject to any other requirements or restrictions under those sections of the Code; and

WHEREAS, such Reimbursement Regulations require that the Borrower (as hereinafter defined) make a Declaration of Official Intent (as hereinafter defined) to reimburse any Capital Expenditure paid prior to the issuance of the Obligations intended to fund such Capital Expenditure and require that such Declaration of Official Intent be made no later than sixty (60) days after payment of the Capital Expenditure and further require that the Allocation (as hereinafter defined) of the proceeds of such Obligations to reimburse such Capital Expenditures paid on the date the property acquired with the Capital Expenditure was placed in service, except that any such Allocation must be made no later than three years after such Capital Expenditure was paid; and

WHEREAS, Murray State University (the "Borrower") wishes to ensure compliance with the Reimbursement Regulations;

NOW, THEREFORE, be it resolved as follows by the Board of Regents of Murray State University as follows:

SECTION 1. <u>Definitions.</u> The following definitions apply to the terms used herein:

*"Allocation"* means written evidence that proceeds of the Obligations issued subsequent to the payment of a Capital Expenditure are to effect the reimbursement of the Borrower for such payments.

*"Borrower"* means Murray State University.

*"Capital Expenditures"* means any expense for an item that is properly depreciable or amortizable or is otherwise treated as a capital expenditure for purposes of the Code, as well as costs of issuing Reimbursement Bonds.

*"Declaration of Official Intent"* means a written declaration that the Borrower intends to fund a Capital Expenditure with an issue of Reimbursement Bonds and reasonably expects to be reimbursed from the proceeds of such an issue.

*"Reimbursement"* means the restoration to the Borrower of money temporarily advanced from other funds of the Borrower to pay for Capital Expenditures before the issuance of Obligations intended to fund such Capital Expenditures. "To reimburse" means to make such a restoration.

*"Reimbursement Bonds"* means Obligations that are issued to reimburse the Borrower for Capital Expenditures previously paid by or for the Borrower.

"*Reimbursement Regulations*" means Treasury Regulations §1.150-2 and any amendments thereto or superseding regulation, whether in proposed, temporary or final form, as applicable, prescribing conditions under which the proceeds of Obligations when allocated or applied to a reimbursement will be treated as "spent" for purposes of §§103 and 141 to 150 of the Code.

SECTION 2. Declaration of Official Intent.

(a) The Borrower declares that it reasonably expects that the Capital Expenditures described in Section (b), which will be paid prior to the issuance of any Obligations intended to fund such Capital Expenditures, will be reimbursed with the proceeds of Obligations, representing a borrowing by the Borrower in the maximum principal amount for such reimbursements, funding of a debt service reserve and payment of costs of issuance of approximately $1,650,000; and

(b) The Capital Expenditures to be reimbursed are to be used for the renovation of Winslow Hall.

SECTION 3. Reasonable Expectations. The Borrower does not expect any other funds (including the money advanced to make the Capital Expenditures that are to be reimbursed), to be reserved, allocated on a long-term basis, or otherwise set aside by the Borrower or any other entity affiliated with the Borrower, with respect to the Capital Expenditures described in 2(b).

SECTION 4. Effective Date. This Resolution shall be effective from and after its date of adoption.

Adopted at a duly convened meeting of the Board of Regents of Murray State University on the 11th day of March, 2003.

MURRAY STATE UNIVERSITY

Attest:

By: ______________________
Chairman, Board of Regents

By: ______________________
Secretary

# CERTIFICATE

I, the undersigned Secretary of the Board of Regents of Murray State University, certify that the foregoing is a true and correct copy of a Resolution passed at a duly convened meeting of the Board of Regents of Murray State University held on the 11th day of March, 2003, at which a quorum was present, and that said Resolution has not been amended, modified, revoked or repealed and is now in full force and effect, all as appears from the official records of the Board of Regents of Murray State University in my custody and under my control.

Witness my hand as Secretary of the Board of Regents of Murray State University this 11th day of March, 2003.

______________________________

Secretary

**A RESOLUTION OF THE BOARD OF REGENTS OF MURRAY STATE UNIVERSITY AUTHORIZING THE ISSUANCE OF SAID BOARD'S HOUSING AND DINING SYSTEM REVENUE BONDS, SERIES P, TO BE DATED THE FIRST DAY OF THE MONTH IN WHICH SOLD; AUTHORIZING PROPER PROCEEDINGS RELATIVE TO THE PUBLIC SALE OF THE BONDS AND THE DISPOSITION OF THE PROCEEDS THEREOF; AUTHORIZING EXECUTION OF A SIXTH SUPPLEMENTAL TRUST INDENTURE BETWEEN THE BOARD AND J.P. MORGAN, NATIONAL ASSOCIATION, AS TRUSTEE, IN COMPLIANCE WITH THE PROVISIONS OF THE TRUST INDENTURE DATED SEPTEMBER 1, 1965.**

WHEREAS, the Board has heretofore determined and does hereby confirm that certain renovations and fire safety and maintenance improvements to Winslow Cafeteria, together with appurtenant facilities (collectively, the "Project") for housing and dining purposes are necessary, which improvements shall be a part of the University's Housing and Dining System established in the Trust Indenture between the Board with the J.P. Morgan, National Association (as successor in interest to Citizens Fidelity Bank & Trust Company), dated September 1, 1965 the "Trust Indenture"); and

WHEREAS, the issuance of revenue bonds for the purpose of financing the costs of said Project is authorized under the Trust Indenture; and

WHEREAS, the Board has determined that it is appropriate at this time that the Board proceed with financing said Project through the issuance of Murray State University Housing and Dining System Revenue Bonds, Series P (the "Series P Bonds"), said Series P Bonds to be dated the first day of the month in which the Series P Bonds are sold, all in accordance with the right reserved in said Trust Indenture; and

WHEREAS, to proceed with the issuance of the Series P Bonds, it is necessary for the Board to enter into a Sixth Supplemental Trust Indenture in the form attached hereto.

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

<u>Section 1</u>. This Board hereby authorizes the issuance of its "Murray State University Housing and Dining System Revenue Bonds, Series P (the "Series P Bonds"), in an aggregate principal amount not to exceed $1,750,000, according to statutory authority as set forth in KRS 162.340 to 162.380, inclusive, and in accordance with the terms, provisions, conditions and restrictions set forth in the Trust Indenture, wherein the present Housing and Dining System of the University was created and established, and a certain Sixth Supplemental Trust Indenture to be dated as of the date of the Series P Bonds (the "Sixth Supplemental Trust Indenture"); said Series P Bonds to rank on a basis of parity and equality as to security and source of payment with the Board's previously issued and outstanding "Housing and Dining System Revenue Bonds," Series E, F, H, I, J, K, L, M, N and O.

<u>Section 2</u>. In order to assure the purchasers of the Series P Bonds that interest thereon will be excludable from gross income for federal income tax purposes and exempt from Kentucky income taxation, the Board agrees that (1) the Board will take all actions necessary to comply with

the provisions of the Internal Revenue Code of 1986 (the "Code"), (2) the Board will take no actions which will violate any of the provisions of the Code, or that would cause the Series P Bonds to become "private activity bonds" within the meaning of the code, (3) none of the proceeds of the Series P Bonds will be used for any purpose which would cause the interest on the Series P Bonds to become subject to federal income taxation, and that the Board will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Series P Bonds.

The Board has been advised by Bond Counsel, Peck, Shaffer & Williams LLP, Covington, Kentucky, and therefore believes, that the Series P Bonds are not "private activity bonds" within the meaning of the Code, and that interest on the Series P Bonds is not included as an item of tax preference in calculating the alternative minimum tax for individuals.

The Board, including all subordinate entities thereof, does not reasonable anticipate issuing tax-exempt obligations during calendar year 2003 in excess of $10,000,000, and, therefore the Board designates the Series P Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

Prior to or at the time of delivery of the Series P Bonds, the Chairman of the Board and/or the chief financial officer of the University shall execute the appropriate certifications with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by applicable Treasury Regulations in order to assure that interest on the Series P Bonds will be exempt from all federal income taxes and that the Series P Bonds will not be treated as arbitrage bonds.

Section 3. The Board of Regents hereby agrees, to comply with the provisions of Rule 15c2-12, as amended and interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934. In order to comply with the Rule, the Continuing Disclosure Agreement dated the dated date for the Series P Bonds between the Board and the Trustee is hereby authorized and approved, substantially in the form presented or described to the Board, with such modifications and additions as may be approved by the officer of the University executing the same. The Chairman and the Secretary of the Board and the President of the University are each separately authorized to execute and deliver the Continuing Disclosure Agreement.

Section 4. In order to implement the issuance of said Series P Bonds, and to make provision for all details relating to said Series P Bonds, including the date thereof, the disposition thereof, respective conditions and limitations applicable to the public offering thereof, maturities, redemption provisions and security and source of payment thereof, and in order to comply with the requirements of the aforementioned Trust Indenture dated September 1, 1965, in connection therewith, this Board shall execute the Sixth Supplemental Trust Indenture with J.P. Morgan, National Association, as Trustee. A proposed form of such Sixth Supplemental Trust Indenture having been prepared in advance by Bond Counsel, Peck, Shaffer & Williams LLP, Covington, Kentucky, with the approval of the President of the University, and First Kentucky Securities Corporation, the University's financial advisor (the "Financial Advisor"), and such proposed form having been submitted to and examined by this Board, such form is hereby approved and shall be executed substantially in the submitted form, with permissible modifications and corrections which, in the opinion of Bond Counsel and the President of the University, do not change the import thereof in any material respect. The form of the Sixth Supplemental Trust Indenture is hereby approved, is incorporated in full as a part of this Resolution, and shall be substantially in the form attached hereto.

Section 5. Provisions as to Sale of Series P Bonds. The sale of the Series P Bonds shall be held on such date and time as shall be established by the President of the University. In the event the President of the University shall, following establishment of a sale date for the Series P Bonds, determine that the conditions in the marketplace are not favorable for the sale of the Series P Bonds on such date, the President of the University is hereby authorized to direct that said Series P Bonds be sold at a later date.

The forms of Notice of Bond Sale, Official Terms and Conditions of Sale of Bonds, Bid Form and Official Statement, shall be in such form as approved by Bond Counsel, by the Financial Advisor and by the President of the University.

The Board authorizes the publication of the Notice of Bond Sale in accordance with Chapter 424 of the Kentucky Revised Statutes and the Financial Advisor is authorized to disseminate copies of the Official Statement.

Sealed bids for the purchase of the Series P Bonds shall be opened by the President or his designee and considered on the date of the sale by a special committee of the Board hereby established and comprised of Sid Easley, Beverly Ford and Lori Dial (the "Special Committee"), whereupon the Special Committee thereunto duly authorized shall, by resolution, accept the lowest and best bid as recommended by the Financial Advisor.

Section 6. Certificate of Chief Facilities Officer and Associate Vice President. The Board hereby acknowledges and approves the Certification of the Chief Facilities Officer and Associate Vice President in the form attached hereto.

Dated: March 11, 2003

(SEAL)

____________________________

Chairman

____________________________

Secretary

## CERTIFICATE OF SECRETARY

I, Sandra Rogers, Secretary of the Board of Regents of Murray State University, Murray, Kentucky, hereby certify that the foregoing Resolution was adopted by the Board of Regents at its meeting held on March 11, 2003, and has been duly recorded in the official minutes and records of this Board of Regents.

Witness my signature this ____ day of ______________, 2003.

______________________________
Secretary, Board of Regents

24120\1

# CERTIFICATE OF CHIEF FACILITIES OFFICER

Re: Murray State University Housing and Dining System Revenue Bonds, Series P

CERTIFICATE WITH REFERENCE TO THE ISSUANCE OF HOUSING AND DINING SYSTEM REVENUE BONDS, SERIES P, CONFORMING TO THE REQUIREMENTS OF SECTION 1101(C) OF ARTICLE XI OF THE TRUST INDENTURE DATED SEPTEMBER 1, 1965, BETWEEN THE BOARD OF REGENTS OF MURRAY STATE UNIVERSITY AND J.P. MORGANTRUST COMPANY (AS SUCCESSOR IN INTEREST TO CITIZENS FIDELITY BANK & TRUST COMPANY), LOUISVILLE, KENTUCKY, AS TRUSTEE, SHOWING COMPLIANCE WITH CONDITIONS FOR ISSUANCE OF PARITY BONDS

The undersigned, G. Dewey Yeatts, Chief Facilities Officer of Murray State University, Murray, Kentucky, hereby makes the following certification for the purpose of showing compliance by said University with the requirements of Section 1101(c) of ARTICLE XI of the Trust Indenture dated September 1, 1965, made by the Board of Regents of Murray State University with J.P. Morgan Trust Company, National Association (as successor in interest to Citizens Fidelity Bank & Trust Company), Louisville, Kentucky, as Trustee (the "Trust Indenture" or the "Indenture"), with reference to the issuance of said Board's "Housing and Dining System Revenue Bonds, Series P" in an aggregate principal amount not to exceed $1,750,000 in order to qualify the Series P Bonds to rank on a basis of parity and equality as to security and source of payment with the previously issued and outstanding Housing and Dining System Revenue Bonds, Series E, F, H, I, J, K, L, M, N and O, inclusive:

In my capacity as the employee of the Board and the University at this time principally charged with responsibility for the maintenance and repair of the housing and dining buildings and appurtenant facilities comprising the presently existing housing and dining facilities of the System, I certify that a physical inspection of said housing and dining buildings and appurtenant facilities of the System has been made, and that the same are in a good and current state of tenantability and repair there being no exceptions or reservations in this connection.

IN TESTIMONY WHEREOF, witness my signature as Chief Facilities Officer, this 11th day of March, 2003.

Chief Facilities Officer

APPROVED:

President
Murray State University

Certified to have been submitted to and approved by the Board of Regents at a meeting held on March 11, 2003.

Secretary, Board of Regents
Murray State University

241371\1

**SIXTH SUPPLEMENTAL TRUST INDENTURE**

MADE BY

BOARD OF REGENTS OF MURRAY STATE UNIVERSITY
Murray, Kentucky

TO

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION
Louisville, Kentucky
as Trustee

---

DATED AS OF APRIL 1, 2003

---

SECURING

$_________
MURRAY STATE UNIVERSITY
HOUSING AND DINING SYSTEM REVENUE BONDS, SERIES P BONDS

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**SIXTH SUPPLEMENTAL TRUST INDENTURE**
SECURING
MURRAY STATE UNIVERSITY HOUSING
AND DINING SYSTEM REVENUE BONDS

ISSUED BY BOARD OF REGENTS OF
MURRAY STATE UNIVERSITY,
MURRAY, KENTUCKY,

CONSISTING OF

SERIES P BONDS $________

Dated as of April 1, 2003

AND

MURRAY STATE UNIVERSITY HOUSING
AND DINING SYSTEM REVENUE BONDS

CONSISTING OF

| | |
|---|---|
| SERIES E BONDS | 390,000 |
| SERIES F BONDS | 1,290,000 |
| SERIES H BONDS | 1,845,000 |
| SERIES I BONDS | 2,250,000 |
| SERIES J BONDS | 510,000 |
| SERIES K BONDS | 3,280,000 |
| Dated as of September 1, 1965 | |
| SERIES L BONDS | 2,000,000 |
| Dated as of September 1, 1968 | |
| SERIES M BONDS | 825,000 |
| Dated as of June 1, 1997 | |
| SERIES N BONDS | 6,370,000 |
| Dated as of April 1, 1999 | |
| SERIES O BONDS | 1,610,000 |
| Dated as of June 1, 2001 | |

THIS SIXTH SUPPLEMENTAL TRUST INDENTURE, dated as of April 1, 2003, made by and between BOARD OF REGENTS OF MURRAY STATE UNIVERSITY, a public body corporate, and an educational institution and agency of the Commonwealth of Kentucky, at Murray, Kentucky (hereinafter called the "Board"), party of the first part, and J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION (successor in interest to Chase Manhattan Trust Comapny, successor to Citizens Fidelity Bank and Trust Company), a national banking association duly organized and existing according to the laws of the United States of America, having full powers to act as a corporate Trustee, and having a corporate trust office and place of business in the City of Louisville, County of Jefferson, Commonwealth of Kentucky, as Trustee (hereinafter called the "Trustee"), party of the second part;

WITNESSETH

That by reason of the circumstances, in order to accomplish the purposes, and for the mutual considerations hereinafter set forth, the Board and the Trustee hereby agree as follows:

## ARTICLE I - RECITALS

Section 101. Authorization of Outstanding Bonds. The Board has heretofore authorized, issued and has outstanding its "Murray State University Housing and Dining System Revenue Bonds," Series E, Series F, Series H, Series I, Series J, Series K, Series L, Series M, Series N and Series O, in the following respective amounts:

| | |
|---|---|
| SERIES E BONDS | 390,000 |
| SERIES F BONDS | 1,290,000 |
| SERIES H BONDS | 1,845,000 |
| SERIES I BONDS | 2,250,000 |
| SERIES J BONDS | 510,000 |
| SERIES K BONDS | 3,280,000 |
| SERIES L BONDS | 2,000,000 |
| SERIES M BONDS | 825,000 |
| SERIES N BONDS | 6,370,000 |

Section 102. Security and Source of Payment of Bonds. In order to provide for the security and source of payment of said outstanding Bonds of Series E, Series F, Series H, Series I, Series J, Series K, Series L, Series M, Series N and Series O, together with additional Series of said Bonds permitted to be issued in the future subject to certain prescribed terms and conditions, the Board entered into a certain Trust Indenture with the Trustee dated as of September 1, 1965, as supplemented by a First Supplemental Trust Indenture dated as of September 1, 1968, a Second Supplemental Trust Indenture dated as of September 1, 1968, a Third Supplemental Trust Indenture dated as of June 1, 1997, a Fourth Supplemental Trust Indenture dated as of April 1, 1999 and a Fifth Supplemental Trust Indenture dated as of June 1, 2001 (hereinafter collectively referred to as the "Trust Indenture"). Provisions were therein made, inter alia, for future execution by the Board and the Trustee of Supplemental Trust Indentures to evidence the authorization of, and to provide additional security for, additional Series of such "Housing and Dining System Revenue Bonds," and to evidence compliance with the conditions and restrictions prescribed in the Trust Indenture in that connection.

Section 103. Compliance with Trust Indenture. All provisions of the Trust Indenture relating to the authorization and issuance of the aforesaid outstanding Bonds of Series E, Series F, Series H, Series I, Series J, Series K, Series L, Series M, Series N and Series O; the public sale of certain of said Series, the exchange of certain of said Series for outstanding previously issued Bonds held by an Agency of the United States Government; payment and/or redemption of previously issued Bonds held by private investors; and otherwise relating to custody and application of Bond proceeds have been fully performed, or are currently being carried forward, in strict compliance with the applicable requirements of said Trust Indenture.

## ARTICLE II - PURPOSES

Section 201. Authorization of Series P Project. The Board has heretofore been authorized to undertake renovations and certain fire safety and maintenance improvements to Winslow Cafeteria, together with appurtenant facilities for housing and dining purposes (collectively, the "Series P Project").

Section 202. Purpose. It is the purpose of the Board and the Trustee to provide, in and by the terms, provisions, conditions and limitations of this Sixth Supplemental Trust Indenture, for the issuance by the Board of $________ of "Murray State University Housing and Dining System Revenue Bonds, Series P," for the purpose of financing the aforementioned Series P Project, in the particular manner and upon the terms and conditions set forth in the aforesaid Trust Indenture.

## ARTICLE III - DEFINITIONS

This Sixth Supplemental Trust Indenture is executed in accordance with ARTICLE XII of the Trust Indenture between the parties. Wherever the following words, designations, phrases and clauses are used, the same, unless the context shall clearly indicate another or different meaning or intent, shall be construed, are used, and are intended to have the meanings, and to be inclusive, as follows:

"Agent Member" means a member of, or participant in, the Securities Depository.

"Bonds" (without further identification) refers to the "Murray State University Housing and Dining System Revenue Bonds" authorized or permitted to be issued by the Board pursuant to the terms, provisions, conditions and limitations set forth herein and in the Trust Indenture dated as of September 1, 1965, the First Supplemental Trust Indenture dated as of September 1, 1968, the Second Supplemental Trust Indenture dated as of September 1, 1968, the Third Supplemental Trust Indenture dated as of June 1, 1997, the Fourth Supplemental Trust Indenture dated as of April 1, 1999, the Fifth Supplemental Trust Indenture dated as of June 1, 2001 and this Sixth Supplemental Trust Indenture between the parties hereto.

"Book-Entry Form" means, with respect to the Series P Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in the Series P Bonds and bond service charges may be transferred only through a book entry, and (ii) physical Series P Bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as owner, with the physical Series P Bond certificates in the custody of a Securities Depository.

"Code" refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations pertaining thereto.

"Sixth Supplemental Indenture," "Sixth Supplemental Trust Indenture," or "Supplemental Indenture" refers to this instrument;

"Memorandum of Instructions" means the Memorandum of Instructions Regarding Rebate delivered to the Board and the Trustee at the time of the issuance and delivery of the Series P Bonds as the same may be amended or supplemented in accordance with its terms.

"Murray State University Housing and Dining System," "Housing and Dining System," and "System" refers to the housing and dining buildings, appurtenant facilities and related auxiliary enterprises located in Murray, Calloway County, Kentucky, comprising portions of the University, identified as Woods Hall, Waterfield Student Union Building, Richmond Hall, Clark Hall, College Court I, Franklin Hall and Winslow Cafeteria, College Court II, Elizabeth Hall, Springer Hall, Wells Hall, Ordway Hall, Hart Hall, College Court III, Hester Hall, Regents Hall and the Series P Project, and as the same may be added to in the future by including therein any other housing and dining facilities or related auxiliary enterprises and in accordance with the provisions of the Trust Indenture and this Supplemental Indenture.

"Record Date" shall mean, with respect to any interest payment date, the close of business on February 15 and August 15, as the case may be, next preceding such interest payment date, whether or not such February 15 or August 15 is a business day.

"Securities Depository" means any securities depository that is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

"Series P Bonds" refers to the "Murray State University Housing and Dining System Revenue Bonds, Series P, dated as of the first day of the month in which sold.

"Series P Construction Fund" refers to the Construction Fund or Account for which provision is made in this Sixth Supplemental Indenture for the Series P Project intended to be financed, in part, through the issuance of the Series P Bonds.

"Series P Project" refers to renovations and certain fire safety and maintenance improvements to Winslow Cafeteria, together with appurtenant facilities, the foregoing to be used for housing and dining purposes.

ARTICLE IV - AUTHORIZATION OF SERIES P BONDS

Section 401. Authorization and Designation of Series O Bonds. Pursuant to the provisions of the Trust Indenture there is hereby authorized to be issued by the Board, in its corporate capacity, a Series of Bonds in the aggregate principal amount of $________. Such Series P Bonds shall be designated as "Murray State University Housing and Dining System Revenue Bonds, Series P." Said Series P Bonds are hereby declared to have been authorized hereunder and under the Trust Indenture in conformity with the provisions of ARTICLE XI thereof. The Board hereby represents that the conditions prescribed in Section 1101 of the Trust Indenture will have been complied with prior to the issuance of the Series P Bonds, and that the Series P Bonds are issued on a basis of parity with the Series E, Series F, Series H, Series I, Series J, Series K, Series L, Series M Bonds, Series N Bonds and Series O Bonds, and such subsequent parity bonds as may hereafter be authorized subject to the prescribed limitations.

Section 402. Description of Series P Project. Said Series P Bonds are being issued for the purpose of paying the costs (to the extent not otherwise provided) of renovations and certain fire safety and maintenance improvements to Winslow Cafeteria, together with appurtenant facilities, all of the foregoing to be used for housing and dining purposes, being the Series P Project, which constitutes a part of the Housing and Dining System of said University.

Section 403. Series P Bonds Issued As Fully Registered Bonds; Interest Payment Dates and Maturities. The Series P Bonds shall be issued as fully registered bonds as to both principal and interest in denominations of $5,000 or any multiple thereof within a single maturity, shall be dated the first day of the month in which sold, shall mature serially, or be subject to mandatory sinking fund redemption, on September 1 in each of the years 2004 through 2023 in such principal amounts and shall bear interest semiannually on March 1 and September 1 of each year, payable commencing September 1, 2001, at such rate or rates of interest fixed as a result of an advertised sale and competitive bidding for said Series P Bonds, as hereinafter provided.

Each Series P Bond shall bear interest from the interest payment date to which interest has been paid next preceding the date on which such Series P Bond is authenticated by the Trustee, unless such Series P Bond is authenticated on an interest payment date to which interest has been paid, in which event it shall bear interest from such date, or if such Series P Bond is authenticated prior to the first interest payment date, such Series P Bond shall bear interest from the date of original issue, and shall be numbered consecutively from R-1 and upward.

Section 404. Registered Owners; Payment of Principal and Interest; Authentication of Series P Bonds; Mutilated, Lost, Stolen or Destroyed Series P Bonds. So long as any Series P Bonds remain outstanding, the Trustee shall keep at its designated office a Bond Register showing and recording a register of the owners of the Series P Bonds and shall provide for the registration and transfer of Series P Bonds in accordance with the terms of this Supplemental Indenture, subject to such reasonable regulations as the Trustee may prescribe.

The person in whose name any Series P Bond is registered on the Bond Register maintained by the Trustee, on the Record Date next preceding the following interest payment date shall be entitled to receive the interest payable on such interest payment date (unless such Series P Bond shall have been called for redemption on a redemption date which is prior to such interest payment date) notwithstanding the cancellation of such Series P Bond upon any registration of transfer or exchange thereof subsequent to such Record Date and prior to such interest payment date.

The principal of (redemption price, if redeemed prior to maturity) and interest on the Series P Bonds shall be payable in lawful money of the United States of America as same, respectively become due. The principal of each Series P Bond is payable upon surrender of same at the designated office of the Trustee. Interest on the Series P Bonds shall be paid by check mailed by the Trustee on or before each interest payment date to the owners of the Series P Bonds shown on the Bond Register as of the end of business on the Record Date, at the respective addresses appearing on the Bond Register.

The Series P Bonds shall be executed on behalf of the Board, as permitted by Section 61.390 of the Kentucky Revised Statutes, with the duly authorized reproduced facsimile signature of the Chairman, and the reproduced facsimile of its corporate seal shall be imprinted thereon and attested by the reproduced facsimile signature of the Secretary; and said officials, by the execution of appropriate certifications, shall adopt as and for their own proper signatures, their respective facsimile signatures on said Series P Bonds; provided the Authentication Certificate of Trustee must be executed by the manual signature of the Trustee on each Series P Bond before such Series P Bond shall be valid.

At least five (5) business days prior to the date for payment of the purchase price for the Series P Bonds, the purchasers of the Series P Bonds shall furnish to the Trustee the name, address, social security number or taxpayer identification number, of each party to whom the Series P Bonds shall have been resold and in whose name the Series P Bonds are to be registered, and the principal amounts and maturities thereof. The Trustee shall then issue and deliver to each respective purchaser, on the closing date, fully registered Series P Bonds for each registered owner so designated in substantially the form as that set out in Section 902 hereof.

The Trustee shall have the right to order the preparation of whatever number of Series P Bond certificates as, in the sole discretion of the Trustee, shall be deemed necessary in order to enable the Trustee to maintain an adequate reserve supply of such Series P Bond certificates to effect properly the continuing transfers and exchanges of ownership of Series P Bond certificates as same are sold, exchanged and/or otherwise surrendered in the future. No further action regarding the authorization or execution of additional Series P Bond certificates shall be required by the Board, and all expenses incident thereto shall be borne by the Board.

All Series P Bonds shall be exchangeable and transferable upon presentation and surrender thereof at the office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the owner or his authorized representative, for a Series P Bond or Series P Bonds of the same maturity and interest rate and in any authorized denomination of $5,000 and/or a multiple thereof within a single maturity, in an aggregate principal amount or amounts equal to the unpaid principal amount of the Series P Bond or Series P Bonds presented for exchange and transfer. The Trustee shall be and is hereby authorized to (authenticate and) deliver exchange Series P Bonds in accordance with the provisions of this Section. Each exchange Series P Bond delivered in accordance with this Section shall constitute an original contractual obligation of the Board and shall be entitled to the benefits and security of the Trust Indenture and this Supplemental Indenture to the same extent as the Series P Bond or Series P Bonds in lieu of which such exchange Series P Bond is delivered.

No Series P Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of the Trust Indenture or this Supplemental Indenture unless and until such Series P Bond has been duly authenticated by the Trustee by the execution of the Authentication Certificate of Trustee appearing on such Series P Bond. Such Certificate appearing on any Series P Bond shall be deemed to have been duly executed by the Trustee if manually signed by an authorized officer of the Trustee. It shall not be required that the same officer of the Trustee sign such Certificate on all of the Series P Bonds.

If any Series P Bond shall be mutilated, lost, stolen or destroyed, the Trustee may execute, authenticate and deliver a new Series P Bond of like maturity and tenor in lieu of and in substitution for the Series P Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Series P Bond, such mutilated Series P Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Series P Bond, there shall be first furnished to the Trustee satisfactory evidence of the ownership of such Series P Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Trustee. If any such Series P Bond shall have matured, the Trustee may pay the same instead of issuing a new Series P Bond. The Trustee may charge the owner of such Series P Bond its reasonable fees and expenses in this connection.

Section 405. Securities Depository; Ownership of Series P Bonds. Except as provided in paragraph (b) below, the Series P Bonds shall be registered in the name of the Securities Depository or the Securities Depository Nominee, and ownership thereof shall be maintained in Book-Entry Form by the Securities Depository for the account of the Agent Members of the Securities Depository. Initially, the Series P Bonds shall be registered in the name of Cede & Co., as the nominee of The Depository Trust Company. Except as provided in paragraph (b) below, the Series P Bonds may be transferred, in whole but not in part, only to the Securities Depository or the Securities Depository Nominee, or to a successor Securities Depository selected or approved by the Board or to a nominee of such successor Securities Depository. As to any Series P Bond, the person in whose name such Series P Bond shall be registered shall be the absolute owner thereof for all purposes, and payment of or on account of the principal of and premium, if any, and interest on any such Series P Bond shall be made only to or upon the order of the registered owner thereof or his legal representative.

(a) Neither the Board nor the Trustee shall have any responsibility or obligation with respect to:

(1) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the Series P Bonds;

(2) the delivery to any Agent Member, any beneficial owner of the Series P Bonds or any other person, other than the Securities Depository, of any notice with respect to the Series P Bonds or the Trust Indenture; or

(3) the payment to any Agent Member, any beneficial owner of the Series P Bonds or any other person, other than the Securities Depository, of any amount with respect to the principal of, premium, if any, or interest on the Series P Bonds.

So long as any Series P Bonds are registered in Book-Entry Form, the Board and the Trustee may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such Series P Bonds for all purposes whatsoever, including without limitation:

(i) the payment of principal of, premium, if any, and interest on the Series P Bonds;

(ii) giving notices of redemption and other matters with respect to the Series P Bonds;

(iii) registering transfers with respect to the Series P Bonds;

(iv) the selection of Series P Bonds for redemption;

(v) for purposes of obtaining consents under the Trust Indenture; and

(vi) notwithstanding the definition of the terms "bondholder" or "holder" or "owner" in the Trust Indenture as referencing the registered owners of the Series P Bonds, the Trustee shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Series P Bonds with reference to consent, if any, required from the owners of the Series P Bonds pursuant to the terms of the Trust Indenture.

(b) If at any time the Securities Depository notifies the Board that it is unwilling or unable to continue as Securities Depository with respect to the Series P Bonds, or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Securities Depository is not appointed by the Board within 90 days after the Board receives notice or becomes aware of such condition, as the case may be, then this Section shall no longer be applicable, and the Board shall execute and the Trustee shall authenticate and deliver certificates representing the Series P Bonds to the owners of the Series P Bonds as otherwise provided in Section 404 hereof.

(c) Payment of the principal of, premium, if any, and interest on any Series P Bonds not registered in Book-Entry Form shall be made as provided in Section 404 hereof.

(d) The principal of, premium, if any, and interest on the Series P Bonds registered in Book-Entry Form in the name of the Securities Depository or the Securities Depository Nominee shall be payable by wire transfer from the Trustee to the Securities Depository or the Securities Depository Nominee, as the case may be.

## ARTICLE V - SERIES P BONDS TO BE OFFERED AT PUBLIC SALE

The Series P Bonds shall be sold at public sale immediately after public advertising as required by KRS Chapter 424. Bids shall be received in the office of the Treasurer of the University until a day and hour designated by the President of the University. The Board or the Executive Committee of the Board, upon the advice of the financial advisor to the Board, is authorized and directed to determine and accept, by resolution on behalf of the Board, the successful bid for the Series P Bonds, and the principal maturities and interest rates of said Series P Bonds shall be automatically fixed at the principal maturities and interest rates set out in said successful bid accepted in said resolution, without the necessity of any further action by the

Board fixing said principal maturities and interest rates. The proceeds of the sale of said Series P Bonds shall be used only for the purposes herein described.

## ARTICLE VI - CUSTODY AND APPLICATION OF BOND PROCEEDS.

Section 601. Creation of Series P Construction Fund. A special fund is hereby created and designated the "Murray State University Housing and Dining System Construction Fund, Series P" (the "Series P Construction Fund"), to the credit of which there shall be deposited, as received, the proceeds of the Series P Bonds, with the exception of (i) the accrued interest to be deposited in the System Sinking Fund, (ii) capitalized interest on the Series P Bonds during construction of the Project to be deposited to the System Sinking Fund (iii) amounts required under Section 606 hereof to be deposited in the Debt Service Reserve and (iv) the expenses of issuance of the Series P Bonds, to be deposited in the "Costs of Issuance Account" hereinafter created. The moneys for the Series P Construction Fund shall be paid to the State Treasurer of the Commonwealth of Kentucky, with its separate designation, and shall be held in trust by the State Treasurer (together with any supplemental funds provided from other sources) and applied on orders of the Board to the payment of the costs of the Series P Project, in accordance with and subject to the provisions of this Article, and, pending such application, shall be subject to a lien and charge in favor of the owners of the Series P Bonds, as issued and outstanding under the Trust Indenture and this Supplemental Indenture, and shall be held for the further security of such owners until paid out as herein provided.

Section 602. Creation of the "Costs of Issuance Account." A special account is hereby created and designated the "Murray State University Housing and Dining System Costs of Issuance Account, Series P" (the "Series P Costs of Issuance Account"), which is a temporary account to be established by the Trustee, to the credit of which there shall be deposited, as received, the proceeds of the Series P Bonds to be used to pay the costs of issuance of the Series P Bonds on and after the date of issuance of the Series P Bonds. After all costs of issuance of the Series P Bonds shall have been paid, any funds remaining in the Series P Costs of Issuance Account shall be transferred and deposited to the System Sinking Fund and used for the purposes thereof.

Section 603. Application of Proceeds of Series P Construction Fund. For the purposes of this Article, the costs of the Series P Project intended to be financed through the issuance of the Series P Bonds shall include, without intending thereby to limit or restrict or extend any proper definition of such costs under any applicable laws or under the Trust Indenture and this Supplemental Indenture, disbursements for, or reimbursement to the Commonwealth and the University for advances made for, the following:

(a) obligations incurred for labor and to contractors, builders and materialmen in connection with the construction of said Series P Project;

(b) fees and expenses of engineers and architects for surveys and estimates and other preliminary investigations, preparation of plans, drawings and specifications and supervising construction, as well as for the performance of all other duties of engineers and architects in relation to the planning and construction of the Series P Project or in connection with the issuance of the Series P Bonds; and

(c) to the extent of any surplus remaining after payment of all of the costs of the Series P Project, toward the cost of movable furnishings and fixtures for said Series P Project.

Section 604. Application of Excess Proceeds after Completion of Series P Project. When the Series P Project shall have been completed and audited, any balance remaining in the Series P Construction Fund and not necessary, in the opinion of the Board, to be reserved for the payment of any remaining part of the costs of the Series P Project, may, upon order of the Board, be applied, in whole or in part, to (i) deposit with the Trustee for credit to the System Debt Service Reserve, or (ii) the cost of constructing, reconstructing or completing educational buildings for housing or dining purposes upon the campus of the University in Calloway County, Kentucky, including necessary appurtenant facilities, furnishings and equipment, if the same will, when completed, constitute part of the Housing and Dining System, or (iii) retention in the Series P Construction Fund for the purpose of reducing the amount of a subsequent Series Pf the Board's Housing and Dining System Revenue Bonds issued under the Trust Indenture and in accordance with the conditions and restrictions therein prescribed.

Section 605. Investment of Moneys in Series P Construction Fund. If it be determined at any time by the Board that the moneys on deposit in the Series P Construction Fund exceed the estimated disbursements on account of said Series P Project for the ensuing three (3) months, such excess may be invested by the State Treasurer upon orders of the Board in (i) direct obligations of the United States of America or obligations which are fully guaranteed by the United States of America, or (ii) negotiable or non-negotiable certificates of deposit issued by any bank, trust company or national banking association (including the Trustee or any of its affiliates) which is insured by the Federal Deposit Insurance Corporation; provided that if any certificate of deposit shall exceed the amount of such insurance, the amount of any certificate of deposit in excess of that covered by such insurance must be secured by a first and prior pledge of obligations described in clause (i) above having market values of not less than 100% of the excess, or (iii) as provided in KRS 42.500(8). Such investments shall be selected in such manner as to mature according to estimates of Architects charged with supervision of construction, not later than the time or times when it is anticipated that cash will be required for authorized purposes and all such investments, as well as all income therefrom, shall be carried to the credit of said Series P Construction Fund.

Section 606. Debt Service Reserve. There shall be deposited to the credit of the System Debt Service Reserve, from the proceeds of the sale of the Series P Bonds, such amount as shall be necessary so that the amount then on deposit in the Debt Service Reserve shall be equal to the maximum amount of principal and interest which will become due in any Fiscal Year hereafter on all Bonds then outstanding; provided that in no event shall such deposit from the proceeds of the Series P Bonds exceed an amount equal to 10% of the principal amount of the Series P Bonds.

Section 607. Reimbursement of Advances. In the event the Board has obtained advances of funds from any source to defray all or any part of the costs of constructing the Series P Project, in anticipation of the receipt of proceeds of these Series P Bonds, such advances may be repaid from the Series P Bond proceeds after deposit thereof in the Series P Construction Fund; and interest on such advances may likewise be so paid if the Board has agreed to pay interest thereon, and at whatever rate or rates the Board may have agreed to pay; provided, however, that if advances have been received from the Commonwealth of Kentucky or from other funds available to the Board itself, any repayment thereof shall take into account the agreement of the Board to provide and contribute to the costs of said Series P Project a sum equal to the difference between the proceeds of the Series P Bonds and the total cost of erecting, completing and furnishing the same.

## ARTICLE VII - REDEMPTION PROVISIONS

With respect to the Series P Bonds, the Board reserves certain options or privileges of redemption, as follows:

(a) Series P Bonds shall be subject to redemption from the proceeds of insurance, in the event of damage or destruction of properties constituting parts of the Housing and Dining System, as provided in ARTICLE XIV of the Trust Indenture;

(b) The Board reserves the right to call for redemption, subject to the redemption provisions of the respective Bond Series, any and all outstanding Bonds which may be called and redeemed at par or face value, prior to calling for redemption any Bonds that are callable at a premium;

(c) The Series P Bonds maturing on and after September 1, 2013, shall be subject to redemption prior to their stated maturities in whole (alone or with any other Series of Bonds outstanding under the Indenture as the Board may designate, in its sole discretion without regard to priority of issue, alphabetical designation or otherwise) from any moneys which may be made available from any source for such purpose, or in part, in any order of maturity (less than all of a single maturity to be selected by lot) from Revenues accumulated in the System Sinking Fund and properly available for such purpose, on any date on and after September 1, 2013, at a redemption price equal to the principal amount of the Series P Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

(d) The Series P Bonds maturing on September 1, 20__, are subject to mandatory redemption, at 100% of the principal amount redeemed plus accrued interest to the date of redemption, on the dates and in the principal amounts to be selected by lot by the Trustee, as follows:

| Date | Amounts |
|---|---|
| September 1, 20__ | $______ |
| September 1, 20__ | $______* |

* Final Maturity

In the event that a Series P Bond subject to redemption is in a denomination larger than $5,000, a portion of such Series P Bond may be redeemed, but only in a principal amount equal to $5,000 or an integral multiple thereof. Upon surrender of any Series P Bond for redemption in part, the Trustee shall authenticate and deliver an exchange Series P Bond or Series P Bonds in an aggregate principal amount equal to the unredeemed portion of the Series P Bond so surrendered.

ARTICLE VIII - THE HOUSING AND DINING SYSTEM; REVENUES; SEGREGATION; SPECIAL FUNDS

Section 801. Confirmation of Existence and Continuance of System. The Board hereby re-establishes and confirms the existence and continuance of its "Housing and Dining System," comprising and including all of the housing and dining buildings, appurtenant facilities and auxiliary enterprises identified in the Trust Indenture, specifically including (but not by way of limiting the generality of the foregoing), the facilities constituting the Series P Project.

Section 802. Reaffirmation of Provisions of Section 904 of Trust Indenture. The Board reaffirms the provisions of Section 904 of ARTICLE IX of the Trust Indenture, and without limiting the generality of the foregoing, covenants and agrees:

(a) upon the sale of the Series P Bonds, to deposit to the System Sinking Fund the accrued interest, if any, received from the purchaser at the time of the delivery of the Series P Bonds;

(b) commencing August 1, 2001 and on each February 1 and August 1 thereafter, to increase the semiannual transfers heretofore provided by the Trust Indenture to be made from the System Revenue Fund and deposited to the credit of the System Sinking Fund for the purpose of paying interest to such amount (subject to credit for the amount deposited under [a] above) as will be sufficient to provide for the payment of interest accruing on all then outstanding bonds on the next ensuing interest payment date;

(c) commencing August 1, 2001, and on each February 1 and August 1 thereafter, to increase the transfers heretofore provided by the Trust Indenture to be made from the System Revenue Fund to the System Sinking Fund for payment of maturing principal to an amount equal to one-half of the principal of all then outstanding Series P Bonds which will mature on the next ensuing September 1; and

(d) commencing with the February 1 or August 1 next following the issuance of the Series P Bonds, the Board shall transfer, semiannually, from the System Revenue Fund for deposit to the credit of the System Sinking Fund, an amount in addition to the semiannual payments required to be made under subsections (a), (b) and (c) of Section 904(5) of ARTICLE IX of the Trust Indenture, on an annual basis, equal to twenty-five percent (25%) of the average annual debt service requirements of principal and interest on the Series P Bonds; the same to be continued so long as the funds and/or investments in the System Debt Service Reserve shall be less than an amount sufficient to pay the maximum amount which will become due in any Fiscal Year thereafter for the principal of and interest on all then outstanding Bonds.

Section 803. Reaffirmation of Section 907 of Trust Indenture. The Board reaffirms the provisions of Section 907 of ARTICLE IX of the Trust Indenture. Without limiting the generality of the foregoing, the Board further covenants and agrees to the adjustment of annual payments to be made into the System Repair and Maintenance Reserve, beginning with the Fiscal Year during which the Series P Bonds are issued, to the extent that at the close of each Fiscal Year it will transfer from the System Revenue Fund and deposit in the System Repair and Maintenance Reserve the sum of $_______, or so much thereof as may be available for transfer, until the funds and/or investments therein aggregate $________, and thereafter such sums in the maximum amount which may be available for transfer at the close of each Fiscal Year, to maintain the balance of $_________.

## ARTICLE IX - FORMS; FULLY REGISTERED BONDS; TRUSTEE'S AUTHENTICATION CERTIFICATE; REGISTRATION; ASSIGNMENT; ETC.

Section 901. Variations In Bond Form Permitted By Trust Indenture. The Series P Bonds shall be issued in fully registered form substantially as set forth in ARTICLE X of the Trust Indenture with appropriate insertions, omissions and variations as in the Trust Indenture provided or permitted.

Section 902. Bond Form. The Series P Bonds, the Certification of the Secretary, Finance and Administration Cabinet to appear thereon, the form of the Authentication Certificate of Trustee and provisions for registration as to principal, shall be substantially as follows:

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
MURRAY STATE UNIVERSITY
HOUSING AND DINING SYSTEM REVENUE BOND
SERIES P

NO. R-1

$______

DATE OF ORIGINAL ISSUE:

INTEREST RATE: MATURITY DATE: CUSIP:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

KNOW ALL MEN BY THESE PRESENTS: That the Board of Regents of the Murray State University, at Murray, Kentucky, a public body corporate and educational institution and agency of the Commonwealth of Kentucky (hereinafter called the "Board"), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns or legal representatives, as herein provided, solely from the special fund hereinafter identified, upon presentation and surrender of this Series P Bond, the Principal Amount specified above, on the Maturity Date specified above, and to pay interest on said sum at the per annum Interest Rate specified above, from the interest payment date to which interest has been paid next preceding the date on which this Series P Bond is authenticated, unless this Series P Bond is authenticated on an interest payment date to which interest has been paid, in which event this Series P Bond shall bear interest from such date, or if this Series P Bond is authenticated prior to the first interest payment date, this Series P Bond shall bear interest from the Date of Original Issue set out above, semiannually on March 1 and September 1 of each year, commencing September 1, 2001, until payment of the Principal Amount, except as the provisions hereinafter set forth with regard to redemption prior to maturity may be and become applicable hereto. The principal amount of this Series P Bond (or redemption price, if redeemed prior to maturity) is payable upon surrender of this Series P Bond, at maturity or at earlier redemption prior to maturity, in lawful money of the United States of America at the principal office of J.P. Morgan Trust Company, National Association, Louisville, Kentucky (the "Trustee"). Interest due on this Series P Bond shall be paid by check or draft mailed by regular United States mail, postmarked no later than the due date thereof, by the Trustee to the Registered owner and at the address shown as of the 15th day of the month preceding such interest payment date on the Bond Register kept by the Trustee, which is also the Bond Registrar.

This Series P Bond and the issue of which it is a part is issued on the basis of parity and equality as to security and source of payment with the Series E, Series F, Series H, Series I, Series J, Series K, Series L, Series M, Series N and Series O Bonds heretofore issued and outstanding under and pursuant to a Trust Indenture dated as of September 1, 1965, as supplemented by a First Supplemental Trust Indenture dated as of September 1, 1968, a Second Supplemental Trust Indenture dated as of September 1, 1968, a Third Supplemental Trust

Indenture dated as of June 1, 1997, a Fourth Supplemental Trust Indenture dated as of April 1, 1999 and a Fifth Supplemental Trust Indenture dated as of June 1, 2001, between the Board and the Trustee.

This Series O Bond is part of an authorized issue of ONE MILLION ____________ HUNDRED ____________ THOUSAND DOLLARS ($________) principal amount of bonds (hereinafter collectively referred to as the "Series P Bonds") authorized to be issued by the Board for financing the costs, not otherwise provided, of the renovation and construction and installation of certain fire safety and maintenance improvements to Winslow Cafeteria, together with appurtenant facilities for housing and dining purposes, constituting a part of the Housing and Dining System of Murray State University, consisting of (a) initially, all the student housing facilities and related auxiliary enterprises existing on the campus of said University in Murray, Calloway County, Kentucky, as of September 1, 1965, (b) the housing and dining buildings and appurtenant facilities financed through application of the proceeds of the Series A through O Bonds, (c) any other housing and dining facilities or related auxiliary enterprises, including such as may be added to the said Housing and Dining System at future dates in accordance with the conditions and restrictions provided in connection with the permissive issuance of parity bonds, and (d) any such facilities as may be added to the Housing and Dining System as additional security for the Bonds (hereinafter sometimes referred to as the "Housing and Dining System," or the "System"), under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including among others, Sections 162.350 and 162.380, inclusive, of the Kentucky Revised Statutes now in full force and effect.

The Series P Bonds are issued under and pursuant to the Trust Indenture, dated as of September 1, 1965, as heretofore supplemented, and a Sixth Supplemental Trust Indenture, dated as of April 1, 2003 (said indenture, together with all indentures supplemental thereto as therein permitted, being hereinafter called the "Indenture"), executed by and between said Board and the Trustee, an executed counterpart of which is on file at the office of said Trustee in the City of Louisville, Kentucky. Reference is hereby made to the Indenture for a more specific identification of the Housing and Dining System and for the provisions, among others, with respect to the custody and application of the proceeds of the Series P Bonds; the collection and disposition of the defined Revenues; the fund charged with and pledged to the payment of the interest on and the principal of said Series P Bonds; the nature and extent of the security; the reserved right of the Board to issue in the future certain additional Series of Bonds which will rank on a basis of parity as to security and source of payment with the Bonds theretofore authorized, subject to conditions and restrictions which are specifically set forth in the Indenture; the rights, duties and obligations of said Board and of the Trustee; and the rights and limitation of rights of the owners of the Bonds; and, by the acceptance of this Series P Bond, the owner hereof assents to all of the provisions of said Indenture.

The owner of this Series P Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. The Indenture provides for fixing, charging and collecting rentals and other charges for the use of said Housing and Dining System, which rents and charges will be sufficient to pay the principal of and interest on said Bonds as the same become due, and to provide reserves for such purposes and also to pay the cost of maintenance, operations and repair of the said Housing and Dining System, to the extent not otherwise provided. The Indenture provides for the creation of a special fund designated "Murray State University Housing and Dining System Revenue Bond and Interest Sinking Fund Account" (hereinafter called the "System Sinking Fund"), and for the deposit to the credit of said System Sinking Fund of a fixed amount of the defined Revenues of said Housing and Dining System sufficient to pay the principal of and interest on the Bonds as the same become due, and to provide a reserve for such purpose, which System Sinking Fund is pledged to and charged with the payment of said principal and interest.

The Series P Bonds are issuable as fully registered Series P Bonds in the denomination of $5,000 and any authorized multiple thereof within a single maturity.

This Series P Bond is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the designated office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Series P Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his authorized representative. Upon such transfer being made, a new registered Series P Bond or Series P Bonds of the same series and the same maturity of authorized Denomination, for the same aggregate principal amount, will be issued to the transferee in exchange for this Series P Bond.

The Board and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of principal hereof (redemption price, if redeemed prior to maturity) and interest due hereon and for all other purposes, and neither the Board nor the Trustee shall be affected by any notice to the contrary.

With respect to the Series P Bonds, the Board has reserved certain options or privileges of redemption, as follows:

(a) Series P Bonds shall be subject to redemption from the proceeds of insurance, in the event of damage or destruction of properties constituting parts of the Housing and Dining System, as provided in ARTICLE XIV of the Trust Indenture;

(b) The Board reserves the right to call for redemption, subject to the redemption provisions of the respective Bond Series, any and all outstanding Bonds which may be called and redeemed at par or face value, prior to calling for redemption any Bonds that are callable at a premium;

(c) The Series P Bonds maturing on and after September 1, 2014, shall be subject to redemption prior to their stated maturities in whole (alone or with any other Series of Bonds outstanding under the Indenture as the Board may designate, in its sole discretion without regard to priority of issue, alphabetical designation or otherwise) from any moneys which may be made available from any source for such purpose, or in part, in any order of maturity (less than all of a single maturity to be selected by lot) from Revenues accumulated in the System Sinking Fund and properly available for such purpose, on any date on and after September 1, 2013, at a redemption price equal to the principal amount of the Series P Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

(d) The Series P Bonds maturing on September 1, ____, are subject to mandatory redemption, at 100% of the principal amount redeemed plus accrued interest to the date of redemption, on the dates and in the principal amounts to be selected by lot by the Trustee, as follows:

| Date | Amounts |
| --- | --- |
| September 1, ____ | $______ |
| September 1, ____ | $______* |

* Final Maturity

In the event that a Series P Bond subject to redemption is in a denomination larger than $5,000, a portion of such Series P Bond may be redeemed, but only in a principal amount equal to $5,000 or an integral multiple thereof. Upon surrender of any Series P Bond for redemption in part, the Trustee shall authenticate and deliver an exchange Series P Bond or Series P Bonds in an aggregate principal amount equal to the unredeemed portion of the Series P Bond so surrendered.

If the Board, at its option, undertakes to prepay outstanding Bonds in advance of scheduled maturity, it is agreed and understood that (1) except for the prepayment of Series P Bonds through application of surplus moneys in the Construction Fund (and as similar conditions may be prescribed, in the discretion of the Board, in connection with the issuance of any future Series of Bonds), calls of Bonds from surplus Revenues accumulated in the System Sinking Fund and available for such purpose shall be on a pro rata basis reflecting the relationship between the Bonds of each Series at such time outstanding, and (2) calls of Bonds of each Series shall be in accordance with the prepayment provisions of each Series; provided, however, as aforesaid, that the Board shall have the right to call, in accordance with the prepayment provisions of the respective Series, any or all outstanding, Bonds which are subject to prepayment at par prior to calling any Bonds which are callable at a premium.

The Trustee shall give notice of any optional redemption by sending such notice by United States mail, first class, postage prepaid, not less than thirty (30) and not more than sixty (60) days prior to the date fixed for redemption, to the Registered Owner of this Series P Bond at the address shown on the Bond Register as of the date of mailing of such notice.

A statutory mortgage lien, which is hereby recognized as valid and binding on the buildings and appurtenant facilities of said Housing and Dining System, those portions of the sites physically occupied thereby, and all necessary appurtenances, including adequate provisions for ingress, egress and the rendering of necessary services, is created and granted to and in favor of the Registered owner of this Series P Bond and the issue of which it is a part, and said Housing and Dining System, including such housing and dining buildings, appurtenant facilities and related auxiliary enterprises, as may hereafter be added to and made a part of said System according to the provisions of the Indenture, shall remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on this Series P Bond and the issue of which it is a part.

In case any event of default, as defined in the Indenture, shall occur, the principal of this Series P Bond may be declared or may become due and payable in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of or interest on this Series P Bond against any officer, director, trustee or member of the Board, as such, all such liability (if any) being hereby expressly waived and released by every registered owner or transferee hereof by the acceptance hereof, and as a part of the consideration hereof, as provided in the Indenture.

This Series P Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory unless it shall have been authenticated by the Trustee, or its successor in trust, by completing the Authentication Certificate of Trustee appearing hereon.

This Series P Bond is exempt from taxation (except inheritance taxes) in Kentucky.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series P Bond, do exist, have happened and have been performed in due time, form and manner as required by law; and that the amount of this Series P Bond, together with all other obligations of said Board and of said Murray State University, does not exceed any limit prescribed by the Constitution or the Statutes of the Commonwealth of Kentucky; that said Housing and Dining System will be continuously operated, and that a sufficient portion of the defined Revenues therefrom has been pledged to and will be set aside into said System Sinking Fund, as the first charge upon such Revenues, for the payment of the principal of and interest on this Series P Bond and the issue of which it is a part and any other Bonds which have heretofore and may hereafter be issued and outstanding, which by their terms are payable from said identified special fund, at or prior to maturity.

It is further certified, recited and declared that as permitted by the Constitution, applicable statutory laws and controlling decisions of the Highest Court of the Commonwealth, the said Board of Regents of the Murray State University has irrevocably covenanted and agreed, and hereby irrevocably covenants and agrees with the owner of this Series P Bond, with the sanction, approval and authorization of the State Property and Buildings Commission of Kentucky, and the Finance and Administration Cabinet of the Commonwealth, as evidenced by proper authorizations and proceedings duly filed with the Trustee, that if and to the extent that the defined Revenues of said Housing and Dining System shall at any time be or become insufficient (after first meeting all requirements of the special fund hereinabove identified), to pay all costs of operating and maintaining said System, and of keeping the same in a good and tenantable state of repair, said Board of Regents and the Commonwealth of Kentucky will supply from other sources any deficiencies in such respects as a binding and continuing contractual commitment of the Commonwealth, so long as any Bonds are outstanding and unpaid under the terms and provisions of the Indenture.

IN WITNESS WHEREOF, said Board of Regents of the Murray State University has caused this Series P Bond to be executed on its behalf with the duly authorized reproduced facsimile signature of its Chairman, and has caused the reproduced facsimile of its Corporate Seal to be imprinted hereon and attested by the reproduced facsimile signature of its Secretary, and dated as of April 1, 2003; provided, however, that this Series P Bond shall not be valid or become obligatory for any purpose, or be entitled to any security or benefit under the Indenture pursuant to which it was authorized until the Authentication Certificate of Trustee printed hereon shall have been executed by the manual signature of a duly authorized representative of the Trustee.

BOARD OF REGENTS OF MURRAY STATE UNIVERSITY

By ________ Facsimile Signature
Chairman

Attest:

(Facsimile Signature)
Secretary

(Facsimile Seal)

THE AUTHENTICATION DATE OF THIS BOND IS: ____________________

AUTHENTICATION CERTIFICATE OF TRUSTEE

This is to certify that this Series P Bond is one of the Series P Bonds referred to in the within Series P Bond and in the within-mentioned Indenture. Printed on the reverse hereof is the complete text of the opinion of Bond Counsel, Peck, Shaffer & Williams LLP, 118 West Fifth Street, Covington, Kentucky, a signed original of which is on file with the undersigned, delivered and dated on the date of initial delivery of and payment for the Series P Bonds.

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION, Trustee

By ________________________________
Authorized Officer

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

UNIF TRANS MIN ACT - ____________ Custodian ____________
(Cust) (Minor)

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

under Uniform Transfers to Minors Act

____________________
(State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfer unto the within Series P Bond and hereby irrevocably constitutes and appoints attorney to transfer the within Series P Bond on the books kept for registration and transfer of said Series P Bond, with full power of substitution in the premises.

Dated: ______________________

______________________________
(Signature must correspond with name of Registered Owner as it appears on the front of this Bond in every particular, without alteration, enlargement or any change whatsoever.)

Social Security Number or other identifying number:

______________________________

Signature Guaranteed By:

______________________

Notice: Signatures must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

## ARTICLE X - CONCERNING THE TRUSTEE

The Trustee hereby accepts the trusts imposed upon it by this Supplemental Indenture, subject to the express terms and conditions of the Trust Indenture.

## ARTICLE XI - AMENDMENTS AND MODIFICATIONS

The provisions of this Indenture shall constitute a contract between the Board, the Trustee and the owners of the Series P Bonds as may be outstanding from time to time under this Supplemental Indenture; provided that modifications, alterations and amendments of this Supplemental Indenture and of the rights and obligations of this Board and of the Trustee and of the owners of said Series P Bonds as may be outstanding may be made as specifically provided in the Trust Indenture.

## ARTICLE XII - RELEASE AND DISCHARGE OF SUPPLEMENTAL INDENTURE; PARTIAL RELEASES

Release and discharge of this Supplemental Indenture in whole or in part may be effected upon the terms and conditions and in the manner specified in ARTICLE XVII of the Trust Indenture.

## ARTICLE XIII - COMPLIANCE WITH INTERNAL REVENUE CODE OF 1986

The Board covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Series P Bonds under Section 103(a) of the Code. The Board will not directly or indirectly use or permit the use of any proceeds of the Series P Bonds or any other funds of the University, or take or omit to take any action that would cause the Series P Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code. To that end, the Board will comply with all requirements of Sections 103(b)(2) and 148 of the Code to the extent applicable to the Series P Bonds. In the event that at any time the Board is of the opinion that it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under this Indenture the Board shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

## ARTICLE XIV - COMPLIANCE WITH FEDERAL ARBITRAGE REGULATIONS

Without limiting the generality of the foregoing Article the Board agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to § 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Series P Bonds from time to time. This covenant shall survive payment in full or defeasance of the Series P Bonds. The Board specifically covenants to pay or cause to be paid to the United States the Rebate Amount at the times described in the Memorandum of Instructions. The Trustee agrees to comply with all instructions of the Board given in accordance with the Memorandum of Instructions.

Notwithstanding any provision of this Article, if the Board shall provide to the Trustee an opinion of nationally recognized bond counsel to the effect that any action required under this Article is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Series P Bonds pursuant to § 103(a) of the Code, the Board and the Trustee may rely conclusively on such opinion in complying with the provisions hereof.

## ARTICLE XV - MISCELLANEOUS PROVISIONS

Section 1501. Nonpresentment of Series P Bonds for Payment. In the event that any Series P Bond issued hereunder shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for the redemption or prepayment of some or all of the principal thereof, as hereinbefore provided (the Board having deposited with the Trustee funds sufficient to pay such Series P Bonds, together with all interest due thereon to the date of the maturity of such Series P Bonds or to the date fixed for redemption thereof) then and in every such case, interest on said Series P Bond and all liability of the Board to the owner of said Series P Bond for the payment of the principal thereof and interest thereon, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold the funds so deposited in trust for the benefit of the owner of such Series P Bond, who shall thereafter be restricted exclusively to said funds for any claim of whatsoever nature on the part of such owner under this Supplemental Indenture or in said Series P Bond.

Section 1502. Covenants and Provisions Binding Upon Successors and Assigns. Whenever in this Supplemental Indenture any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all the covenants, promises and agreements in this Supplemental Indenture contained by or on behalf of the Board, or by or on behalf of the Trustee, shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

Section 1503. Covenants Contained Hereto Inure Only To the Parties Hereto, Their Successors and Assigns and the Owners of the Bonds. Nothing in this Supplemental Indenture, expressed or implied, is intended or shall be construed to confer upon or give to any person or corporation, other than the parties hereto and the holders and owners of the Bonds and of coupons, if any, any right, remedy or claim under or by reason of this Supplemental Indenture, or any covenant, condition or stipulation hereof, and all the covenants, stipulations, promises, agreements and conditions in this Supplemental Indenture contained, by or on behalf of the Board, shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and of the holders and owners of the Bonds and of coupons appurtenant thereto, if any.

Section 1504. Execution of Instruments. Any request, declaration or other instrument required or permitted by this Supplemental Indenture to be made or given by any owner of the Series P Bonds may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such owners in person or by attorney appointed in writing. The execution of any such request, declaration or other instrument, or of a writing appointing any such attorney, shall be sufficient for any purpose of this Supplemental Indenture and shall be conclusive in favor of the Trustee as against the person signing such request, and all future owners of the

Series P Bonds owned by such person with regard to due action taken by the Trustee under such request, declaration or other instrument.

Section 1505. Execution In Counterparts. This Supplemental Indenture may be simultaneously executed in any number of counterparts, and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument. The date of actual execution of this Supplemental Indenture shall be the date of execution by the Trustee; but nevertheless the effective date hereof shall be the year and day first hereinabove written.

Section 1506. Compliance With SEC Rule 15c2-12. The Board of Regents hereby agrees, in accordance with the provisions of Rule 15c2-12, as amended and interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, to provide or cause to be provided to each nationally recognized municipal securities information repository ("NRMSIR") and to the appropriate state information depository ("SID"), if any, for the Commonwealth of Kentucky, in each case as designated by the Commission in accordance with the Rule, audited financial statements prepared in accordance with Government Auditing Standards ("GAS"), and financial information and operating data (commencing with the fiscal year ending June 30, 2001) consistent with the information provided in Appendix A to the Official Statement pursuant to which the Series P Bonds have been offered for sale.

The Board of Regents reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Board of Trustees; provided that the Board of Regents agrees that any such modification will be done in a manner consistent with the Rule.

The annual financial information and operating data, including audited financial statements, will be made available on or before 180 days after the end of each fiscal year (June 30). The annual financial information and operating data will be made available, in addition to the NRMSIR's and the SID, to each holder or beneficial owner of Series P Bonds who makes request for such information.

The Board of Regents agrees to provide or cause to be provided, in a timely manner, to the Municipal Securities Rulemaking Board ("MSRB") and the SID, if any, notice of the occurrence of any of the following events with respect to the Series P Bonds, if such event is material:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions or events affecting the tax-exempt status of the Series O Bonds;
(g) modification to rights of bondholders'
(h) Bond calls;
(i) defeasances;

(j) release, substitution or sale of property securing repayment of the Series P Bonds;
(k) rating changes; and
(l) failure to provide annual financial information as required.

IN TESTIMONY WHEREOF, the Board of Regents of Murray Kentucky University has caused its corporate name to be hereunto subscribed by its Chairman and its corporate seal to be hereunto affixed, and said signature and seal to be attested by its Secretary or Acting Secretary, and said J.P. Morgan Trust Company, National Association, Louisville, Kentucky, to evidence its acceptance of the trusts hereby created and vested in it, has caused its corporate name to be hereunto subscribed by its Authorized Officer, all as of the day and year first above written.

**BOARD OF REGENTS OF MURRAY STATE UNIVERSITY**

By ______________________________
Chairman

(SEAL)
Attest:

______________________________
Secretary

**J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION,**
Louisville, Kentucky

By ______________________________
Authorized Officer

24121\1

The Student Government Association has passed the following amendment to the Student Government Association Constitution.

**CONSTITUTION**

ARTICLE III SECTION 4. The Senate shall be composed of three (3) elected senators from each Academic College of the University, one (1) senator from the School of Agriculture, two (2) "freshman senators," eight (8) senators elected at-large, and two (2) senators from each Residential College who, with the members of the executive council, shall have the right to vote.

Amend to read:

ARTICLE III SECTION 4. The Senate shall be composed of three (3) elected senators from each Academic College of the University, two (2) senators from the School of Agriculture, two (2) "freshman senators," eight (8) senators elected at-large, and two (2) senators from each Residential College who, with the members of the executive council, shall have the right to vote.

By Josh Bailey
Senator for School of Agriculture
2-18-03

Objective: To amend Article III, Section 4 of the SGA Constitution.

Motion: To change the number of senators from the School of Agriculture from (1) to (2).

Purpose:

- The extra senator would allow for better representation for the students in the School of Agriculture.
  - As of 2001 the lone senator for the School of Agriculture represented 661 students. Second, only to the largest academic college, Business and Public Affairs.
  - That number is now higher, but official numbers for the 2002-2003 year has not been published.
  - The senator for the School of Agriculture most likely represents only one major or area of interest in an academic college composed of 12 different areas, majors and minors.

- The Student Government Association is in place to hear the voices of students, another senator would allow for a better voice of the students.

- The extra senator would allow for more CORP groups and Freshman Orientation classes to be visited/

- The extra senator would help with the programming labor needed, such as concerts, lectures, etc.