

12-2-2005 12:00 AM

**2005-12-02**

Board of Regents, Murray State University

Follow this and additional works at: <https://digitalcommons.murraystate.edu/borminutes>

---

#### Recommended Citation

Board of Regents, Murray State University, "2005-12-02" (2005). *Board of Regents Meeting Minutes*. 485.  
<https://digitalcommons.murraystate.edu/borminutes/485>

This Article is brought to you for free and open access by the Digitized Collections at Murray State's Digital Commons. It has been accepted for inclusion in Board of Regents Meeting Minutes by an authorized administrator of Murray State's Digital Commons. For more information, please contact [msu.digitalcommons@murraystate.edu](mailto:msu.digitalcommons@murraystate.edu).

**Minutes of the Quarterly Board of Regents Meeting  
Murray State University  
December 2, 2005**

The Board of Regents of Murray State University met on December 2, 2005, 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 1:35 p.m. by Chair Don Sparks.

The roll was called and the following members were present: William C. Adams, Marilyn Buchanan, Olivia Burr, Lori Dial, Scott Ellison, Beverly Ford, Peg Hays, Alan Stout, Terry Strieter, Vickie Travis and Don Sparks. Absent: none.

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

**AGENDA  
Meeting of the Board of Regents  
Murray State University  
Jesse Stuart Room, Pogue Library  
December 2, 2005  
1:30 p.m.**

1. Roll Call
2. Minutes of the Quarterly Meeting of the Board of Regents held on September 23, 2005, and the Special Meeting of the Board of Regents held on October 30, 2005
3. Report of the President Dr. Alexander
4. Report of the Chair Mr. Sparks
5. Report of the Treasurer Mr. Denton  
(Financial and Investment Reports for the period of July 1, 2005, through September 30, 2005)
6. Report of the Registrar Dr. Alexander  
(December 2005 Graduates)
7. Gift Acceptance Dr. Alexander
8. Personnel Changes Dr. Alexander
  - A. Staff Leaves of Absence Without Pay
  - B. Public Service Leave of Absence Without Pay
  - C. Early Retirement Contract—Ernie Bailey
  - D. Early Retirement Contract—Milton Grimes
9. Appointments to the University Student Appeals Board Dr. Alexander
10. Committee Reports/Recommendations
  - A. Academic Affairs Dr. Strieter

B.	Athletic	Mrs. Ford
C.	Audit	Mr. Sparks
D.	Buildings and Grounds	Ms. Hays
E.	Development/Investments	Mrs. Buchanan
F.	Equal Opportunity/Affirmative Action	Ms. Burr
G.	Faculty/Staff Affairs	Mrs. Buchanan
H.	Finance	Mr. Sparks
I.	Governmental Relations	Mr. Stout
J.	International Relations	Mrs. Ford
K.	Student Life	Mr. Ellison

**Minutes of the Quarterly of the Board of Regents Meeting held on September 23, 2005, and the Special Meeting of the Board of Regents held on October 30, 2005, approved**

Mrs. Buchanan moved, seconded by Mr. Ellison, that the Minutes of the Quarterly Board of Regents meeting held on September 23, 2005, and the Special Meeting of the Board of Regents held on October 30, 2005, be approved as presented. Motion carried.

**President's Report**

President Alexander said that it is with mixed emotions that he gives his final report. We have come a long way as an institution and we have great people all over the campus, but most importantly the Board has done so many things for our University and not just over the last four years, but for the last eleven years, as I have been an observer for seven years and directly involved for the last four. This is the fourth public university that I have been fortunate to work for and I don't think there is a university that I have been around that has the quality of our employees. Without the care and consideration that our university shares for our students, we wouldn't be achieving what we are.

1. Update on Fall 2005 Enrollment

We finished a 1.4 percent growth this fall with a total of 10,247. We are the third fastest growing university in the state. The only two institutions that grew percentage wise faster than Murray State were the University of Kentucky, both in numbers and in percentage at 2.5 percent, and Kentucky State by 2.2 percent, but they have a much lower base, less student growth than we do. All the other universities in the state did not grow. Our growth puts us a little above the state average this past year.

2. MSU 2005 Fall Enrollment

Projected Total Fall Enrollment (CPE)	146 (1.4%)	10,274
---------------------------------------	------------	--------

Growth By State

• Kentucky	94 (1.3%)	
• Indiana	24 (11.7%)	
• Illinois	19 (2.6%)	
• Missouri	27 (11.1%)	
• Wisconsin	6 (54.5%)	
• Mississippi	7 (43.8%)	
• Louisiana	10 (250%)	
• Tennessee	-85 (7.7%)	
• International	28 (8.8%)	347

3. MSU Campus Construction

2004-2006 Major Capital Construction Projects

Under Construction (\$3.8 million):

- \$3 million Murray State University Regional Business Center (Phase I: December/January)
- \$450,000 MSU Miller Golf Clubhouse (December) from Miller Trust
- \$350,000 Breathitt Veterinary Laboratory Upgrade (December)

To begin Construction Winter/Spring 2006 (\$32.3 million):

- \$13.3 million New Clark Residential College
- \$15.5 million Phase II Science Complex (Chemistry Building)
- \$4 million Phase II of the Renaissance for Knowledge Library Project

CPE Project Prioritization:

- E & G Projects (15 listed)  
MSU Phase III Physics Science Complex (ranked 5<sup>th</sup>) \$15 million
- Research & Economic Development Projects (4 listed)  
MSU New Breathitt Veterinary Center (ranked 4<sup>th</sup>) \$16.2 million
- Agency Bond Authority  
New Richmond College \$13.3 million

4. Other News

President Alexander introduced Dr. Don Robertson, Vice President for Student Affairs, who stated that a couple of years back the University created a Greek Hall of Fame with the purpose of recognizing the accomplishments of our Greek organizations. This was to recognize national achievement for groups that would be singled out as having the best program in the nation among all the various chapters of a particular fraternity or sorority. Over the last couple of years we have had fraternities and sororities that have received the best chapter in the nation award. We have had presidents singled out as being the best president in the nation. We have had advisors that have been singled out as the best advisor in the nation. This past year one of our organizations was singled out as having the best program in the nation among all the chapters nationwide. This past year Alpha Sigma Phi Fraternity received the recognition as having the most outstanding new member education program in the nation. This was from among hundreds of chapters nationwide which basically says this is a model program. Obviously, if new members are trained and receive the proper education, it creates the type of leadership that will help a program continue to be very successful. Chairman Sparks and the President wanted the Board of Regents to recognize Alpha Sigma Phi, represented by president elect Stephen Saia, Josh Rose who is the current president, Jimmy Byers who is the new member education coordinator, and Mike Young who is their faculty advisor who provides outstanding guidance. Dr. Robertson presented certificates to these individuals.

Residential College Update

Dr. Robertson introduced Dr. Oliver Muscio, Richmond College head and chair of the council of college heads, who gave an update on the Residential Colleges.

Dr. Muscio welcomed back Dr. Marty Jacobs as Head of Springer-Franklin College. Dr. Jacobs, who previously served as head of Elizabeth College, left his position as Chair of the Department of Adolescent, Career and Special Education to assume the leadership of Springer-Franklin College.

As part of our effort to integrate more closely academics with student life in the residential colleges, we are expanding our plans to offer course sections designated for specific residential colleges. In the Spring 2006 semester there will be eight such course sections, one for each of the residential colleges. Two of these will actually be taught within the specified residential colleges, while the others will be taught in their usual academic venues. As additional colleges acquire facilities suitable for classroom use, we plan to bring even more classes to the students in their Residential Colleges.

The residential colleges have also initiated the "House Calls" program, in which select faculty members from each of the colleges are assigned to floors or wings of their colleges to serve as mentors to the students of that section. In this way, we will promote student-teacher

contact within the colleges.

Other important continuing programs within the Residential Colleges include Debate Team and Academic Team competitions, Hanging of the Green, and All Campus Sing. Other initiatives include the First Year Leader Program, in which select Sophomore, Junior, and Senior students help guide our freshman and transfer students through their first semester at Murray State. They also help with our Passport to Success program, in which each residential college selects cultural and other events across campus which first semester students are encouraged to attend.

Plans to build a new residence hall for Clark College are underway, and the designs support the needs of the residential college concept. Of particular importance is that the designs include two larger commons spaces, as well as a general purpose room for collegiate meetings and classroom instruction.

Finally, Dr. Muscio pointed out that the residential college system continues to stand as an example that other institutions across the nation are using as a model as they seek to develop similar communities within their schools. MSU has had visits and discussions with delegations from the University of Mississippi, Morehead State University, and Bellarmine College. All of these institutions are looking at Murray State as a leader in its residential college system.

## 5. Challenges

Dr. Alexander summarized his report by laying out the challenges for our institution. As you look to find a new President, many of these challenges we know very well, I have seen them both from the view as a President and also as a higher education researcher.

- **Enrollment and recruitment** -- we do more than any other university I have ever been associated with in enrollment and recruitment. If we can get the students here, they will see the benefits and understand the full potential of this great university. Students are treated individually at Murray State.
- **Improving Student Success** - There are 600 public universities in the United States listed who have reported their IPEDs graduation rates. Murray State University ranks 114 of 600. We are in the upper 28<sup>th</sup> percentile in the United States in student success and student graduation rates. It is hard to get there. It is even harder to still continually improve upon that high ranking because 50 of those are flagship institutions. Improving upon what we have been able to achieve is going to continue to be a challenge because we are at such a high rate of success. Comparatively, we are where most institutions in the United States would like to be with regard to student success. And it has become a major national issue at the federal and state government level. Student success is now the new term being used in higher education where graduation and completion rates are compared as part of an ongoing comparison and part of the federal government structure and the new Reauthorization of the Higher Education Act. We are hoping that they incorporate in their comparison the amount of Pell Grant students that come into the institution on the front end so they don't just measure institutions on the back end. Otherwise, you are going to have most institutions reducing their access and charging more and serving less students to get their numbers up. This will continue to be an issue and it involves everyone.
- **Student Tuition and Fee Issue**

We try to keep tuition low in an environment where many institutions turn to tuition as a first, second or third resort, not a last resort. As money becomes tight the student tuition and fee issue in a state that has long had a tradition of keeping tuition low and the common taxpayers have funded the higher education system predominantly and primarily will continually be strained. This issue needs to be carefully assessed and watched as more tuition-based programs go into effect both in tax credits, student aid, and all other kinds of tax tuition based support systems. This goes back to our discussion every spring on net tuition which is starting to be calculated on the federal level. What is the average net tuition that our students are going to pay? Not the sticker price, but what is the average net tuition, taking out student aid, taking out tax credits and everything else. Once again, this is related to the type of resources we have to attract and retain

quality faculty.

- **Attraction and Retention of Quality Faculty and Staff**

We have great quality of faculty and staff here but not everyone understands the benefits of living in Murray and this part of Kentucky. When we go to attract and recruit people once again it is like our student base, we must sell them on this University and make them realize that they are not going to lose anything by coming to Murray State University. It is increasingly difficult in rural areas to attract quality faculty and staff. We must pay more attention to this issue in the years to come.

- **Advancing the Residential College System**

Professor Muscio has pointed out that many of the initiatives currently going on are being copied everywhere on our residential college system. It is working and it is one of many reasons our graduation rate is high. It is an important reason; it is an important foundation for our campus to make sure we continue to see this as an important initiative that distinguishes MSU from the pack. This is what we have been working on for the last four or five years. Demographically, we do not have the student base that many other states do. We have traditionally been lumped in with other universities without distinguishing characteristics. We have worked very hard on distinguishing Murray State and the outcomes that make the difference, comparing our institutions so that when people start looking at universities they don't lump us together with other comprehensive universities like they used to do. Because then it becomes more of an issue of proximity and location. If you don't have any distinguishing characteristics, the main issue of why students are going to go to college will be nothing more than location because you don't outrank or you don't outperform any other universities in your area. So they are going to go to the nearest institution. They must know why it is important to drive farther and come farther to come to Murray State and to leave their state to go to MSU. Maintaining our public ivy status, excelling in these outcomes, and then telling people over and over again about these outcomes, are really the key factors in distinguishing ourselves in a highly competitive market place that is so complicated and complex today that "for profit" universities are popping up on every street corner taking advantage of the lack of information.

- **Distinguishing MSU from the pack**

Keeping ourselves distinguished from the pack is important so that students understand the difference, they understand why it's important. It may not simply be an issue of low cost or location but it is an issue of ranking, doing well and outcomes and helping parents understand the differences in these outcomes.

Those are the challenges I think we face. The college road bubble will end about 2012 and the high school graduation classes will start declining again. If Murray State hasn't defined or distinguished itself outside of this region, it will be increasingly difficult for us to expand our enrollments and bring students in from farther away. This will have an impact on how universities recruit students and will increase the market competition for students all over the country as they rev up to go after the same number of students with more resources. So there is a window here of about seven years to keep distinguishing ourselves to build on our name as a great university and a great place to go, study and graduate. One of the challenges is to stay our course, otherwise we are going to have our own demographic issues and there will be issues that surface with relation to enrollment declines in the future.

I have enjoyed this opportunity immensely and I have enjoyed working with all of you.

(See Attachment #1)

### Report of the Chair

Chair Sparks deferred to Faculty Regent Terry Strieter who read two resolutions from the Faculty Senate.

## RESOLUTION 1

WHEREAS, President King Alexander has an understanding of the functions of a University and of each of its components and constituents; has collaborated with the University community and alumni to arrive at solutions for the betterment of Murray State University; has been an effective representative of the University to outside agencies; and has fostered good relationships with friends of the University; and

WHEREAS, these have contributed greatly to the success of his presidency and to the success of Murray State University as a whole; and

WHEREAS, President King Alexander will resign on December 31, 2005, and a new president must be found;

BE IT RESOLVED that the search be conducted for a President with traits similar to those which we believe have been crucial to the success of President King Alexander. In particular, that

- 1) The President should hold an earned doctorate, or terminal degree appropriate to his or her discipline;
- 2) The President should have proven ability to represent the University effectively to national, state and local government, and to the Council on Postsecondary Education;
- 3) The President should have proven success in academic fund-raising;
- 4) The President should be a person who leads by building consensus;
- 5) The President should be responsive to faculty, staff, student, and alumni concerns; and that
- 6) The President should be a supporter of shared governance through campus governing bodies in accordance with the policies of the Board of Regents as recorded in the *Faculty Handbook*.

## RESOLUTION 2

WHEREAS, the confidence of the campus community and alumni in the search process will engender confidence in the choice of the next President; and

WHEREAS, selection of a President who has the support of the whole University community and alumni will aid in a smooth transition between administrations; and

WHEREAS, these are more likely to result from an open and transparent search process;

BE IT RESOLVED that the President selected should be the product of an open, national search that results in a candidate who enjoys broad support of all elements of the University community.

The Faculty Senate will be acting on these resolutions at the Tuesday meeting and Dr. Strieter asked that they be entered into the Minutes of the Board of Regents meeting.

**Report of the Treasurer, accepted**

Treasurer Tom Denton presented and reviewed the financial and investment reports for the period of July 1, 2005, through September 30, 2005. Following a brief discussion, Mr. Adams moved, seconded by Ms. Dial, that the Treasurer's Report be accepted. Motion carried.

(See Attachments #2 and #3)

**Report of the Registrar**

Mrs. Ford moved, seconded by Ms. Burr, that the Board of Regents ratify the awarding of degrees to individuals on December 17, 2005, as recommended by the Registrar. Motion carried.

(See Attachment #4)

**Gift, accepted****Framed Portrait of Sid Easley**

The gift of the framed portrait of Sid Easley will be displayed in the Sid Easley Alumni Center at Murray State University.

Mrs. Travis moved, seconded by Ms. Hays, that the Board of Regents, upon the recommendation of the President of the University, accept the donation of a framed portrait of Sid Easley, valued at \$18,100, which was donated by Sid Easley of Murray, Kentucky. Motion carried.

**Personnel Changes****A. Staff Leaves of Absence With Pay, approved**

Mr. Adams moved, seconded by Mrs. Buchanon, 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:

Coleman, Jonathan E.	Facilities Management	10/26/05 – 11/26/05
Estep, Carrie L.	Facilities Management	10/15/05 – 11/18/05
Ferguson, Debbie	Food Service	8/20/05 – 12/31/05
Johnson, James L.	Food Service	10/6/05 – 10/24/05
Knight, Johnnie	West KY Dental Health Project	6/6/05 – 9/30/05
McCallon, Melanie C.	Institute for International Studies	9/1/05 – 10/31/05*
Scott, Roberta	University Libraries	9/5/05 – 9/23/05
Singleton, Terry R.	Facilities Management	8/13/05 – 12/9/05
Slinker, Joseph L.	Facilities Management	9/13/05 – 11/11/05
Snyder, Marlyn L.	Facilities Management	8/23/05 – 12/16/05
Williams, Lisa A.	Military Science	9/2/05 – 10/31/05

\* Intermittent Leave

Motion carried.

**B. Public Service Leave of Absence Without Pay, approved**

Mr. William Marcum intends to seek public office.

Mr. Adams moved, seconded by Mrs. Ford, that the Board of Regents, upon the recommendation of the President of the University, approve the Public Service Leave of Absence Without Pay for William Marcum, Patrol Officer, Public Safety, for the period of 1/17/06 – 5/13/06. Motion carried.

**C-D. Early Retirement Contracts, approved**

Early retirement contracts are typically negotiated by the faculty member, Dean, and Provost. These agreements will allow Mr. Ernie Bailey and Dr. Milton Grimes to work on renewable annual contracts in a faculty capacity in the respective department on a part-time basis at a reduced salary, and to be available for related professional responsibilities in the areas of research, service, counseling and community activities consistent with part-time status.

Dr. Strieter moved, seconded by Ms. Dial, that the Board of Regents, upon the recommendation of the President of the University, approve the application for early retirement for Ernie Bailey, Archivist and Pogue Collections Librarian/Assistant Professor, University Libraries, effective with the 2006-2007 contract. Motion carried.

Dr. Strieter moved, seconded by Mrs. Travis, that the Board of Regents, upon the recommendation of the President of the University, approve the application for early retirement



for Milton Grimes, Professor, Department of Modern Languages, effective with the 2006-2007 contract. Motion carried.

**Appointments to the University Student Appeals Board, approved**

KRS 164.670 provides that the Board of Regents may invest in a joint faculty-student committee the authority to suspend or expel any student for disobedience, contumacy, insubordination or immoral conduct. Pursuant to that authority, the Board in 1978 established a nine-member University Student Appeals Board consisting of six faculty and three students. The six faculty positions are staggered with two expiring each year. Student terms are for one year.

Mrs. Buchanan moved, seconded by Mr. Ellison, that the Board of Regents, upon the recommendation of the President of the University, appoint the following faculty and students to the University Student Appeals Board for the terms indicated.

Faculty: Three-year term (2005-2008)

Crystal Coleman, Senior Lecturer, Department of Organizational Communication,  
College of Business and Public Affairs

Joyce Shatzer, Assistant Professor, Department of Early Childhood and Elementary  
Education, College of Education

Students: One-year term (2005-2006)

Eric King  
Shawn Miller  
Joshua Taylor

Motion carried.

**Committee Reports**

- A. Academic Affairs - no report.
- B. Athletic - no report.
- C. Audit - Mr. Sparks.

Mr. Sparks presented the audit reports for acceptance. Mr. Adams moved, seconded by Mr. Stout, that the Board of Regents, upon the recommendation of the President of the University, accept the following audited financial reports for 2004-2005:

1. General Financial Statement, Audit Committee Letter, Independence Letter, and House Bill 622
2. A-133
3. WKMS Radio Station Audit for the year ended 6/30/05
4. WKMS Radio Station Corporation for Public Broadcasting Annual Report for the year ended 6/30/05
5. NCAA Independent Accountants' Report on Application of Agreed Upon Procedures for Intercollegiate Athletics for the year ended 6/30/05
6. Murray State University Athletic Foundation Audit and Management Letter for the year ended 6/30/05

Motion carried.

(See Attachments #5 - #10)

- D. Buildings and Grounds - Ms. Hays.

Disposition of Structure

On behalf of the Buildings and Grounds Committee, Ms. Hays moved that the Board of Regents, upon the recommendation of the President of the University and contingent upon the approval to purchase the property, approve the attached resolution authorizing the disposition of the structure located at 1624 Olive, in Murray, Kentucky.

Ms. Dial seconded and the roll was called with the following voting: Mr. Adams, yes; Mrs. Buchanon, yes; Ms. Burr, yes; Ms. Dial, yes; Mr. Ellison, yes; Mrs. Ford, yes; Ms. Hays, yes; Mr. Stout, yes; Dr. Strieter, yes; Mrs. Travis, yes; and Mr. Sparks, yes. Motion carried.

(See Attachment #11)

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

Mr. Sparks presented the following recommendations.

Purchase of Property

On behalf of the Finance Committee, Mr. Sparks moved, seconded by Mrs. Ford, that the Board of Regents authorize the President to purchase the property located at 1624 Olive Street, Murray, Kentucky.

Mrs. Ford seconded and the roll was called with the following voting: Mr. Adams, yes; Mrs. Buchanon, yes; Ms. Burr, yes; Ms. Dial, yes; Mr. Ellison, yes; Mrs. Ford, yes; Ms. Hays, yes; Mr. Stout, yes; Dr. Strieter, yes; Mrs. Travis, yes; and Mr. Sparks, yes. Motion carried.

Disposition of Property

On behalf of the Finance Committee, Mr. Sparks moved that the Board of Regents, upon the recommendation of the President of the University and contingent upon the approval to purchase the property, approve the attached resolution authorizing the disposition of the structure located at 1624 Olive, Murray, Kentucky.

Mrs. Buchanon seconded and the roll was called with the following voting: Mr. Adams, yes; Mrs. Buchanon, yes; Ms. Burr, yes; Ms. Dial, yes; Mr. Ellison, yes; Mrs. Ford, yes; Ms. Hays, yes; Mr. Stout, yes; Dr. Strieter, yes; Mrs. Travis, yes; and Mr. Sparks, yes. Motion carried.

(See Attachment #12)

Course Fee Changes for MFA Creative Writing Program, approved

On behalf of the Finance Committee, Mr. Sparks moved, seconded by Mrs. Travis, that the Board of Regents, upon the recommendation of the President of the University, approve the elimination of the \$775 residency fee for the MFA in Creative Writing Program and the establishment of a \$775 course fee for each of the following courses offered for the MFA in Creative Writing Program effective January 1, 2006.

ENG661	Graduate Fiction Tutorial
ENG662	Graduate Poetry Tutorial
ENG663	Graduate Creative Non-Fiction Tutorial
ENG 668	Graduate Creative Thesis

Motion carried.

**Executive Session**

Chair Sparks stated that he would like to solicit a motion that the Board go into Executive Session pursuant to KRS 61.810(1)(k) 45.085(6) for the purpose of discussing and evaluating the responses to the University's request for proposals for a Presidential Search Firm.

Ms. Hays moved, seconded by Ms. Dial, that the Board convene into Executive Session. Motion carried.

The Board convened into Executive Session at 2:45 p.m. and ended at 4:10 p.m.

**Public Session**

Mr. Adams moved, seconded by Mr. Stout, that the Board convene into Open Session at 4:10 p.m.

**Search Committee**

Chair Sparks stated that the full Board will serve as the Search Committee for the President. All constituent groups are represented.

**Search Firm, employed**

Mrs. Buchanan moved that the Board of Regents employ the search firm of Korn/Ferry International to conduct the process of finding a President for Murray State University.

Ms. Burr seconded and the roll was called with the following voting: Mr. Adams, yes; Mrs. Buchanan, yes; Ms. Burr, yes; Ms. Dial, yes; Mr. Ellison, yes; Mrs. Ford, yes; Ms. Hays, yes; Mr. Stout, yes; Dr. Strieter, no; Mrs. Travis, yes; and Mr. Sparks, yes. Motion carried.

Mr. Sparks reminded the Board that until the contract is executed, the names of other firms who submitted proposals should be kept confidential.

Mr. Adams made a comment that before the University contracts with Korn/Ferry, he would want to make sure we know where we fall on their priority list. If we are low on their list, we should move to someone else.

Mrs. Buchanan reminded everyone that there will be a Martin Luther King walk on January 16 and the Board of Regents is invited to attend.

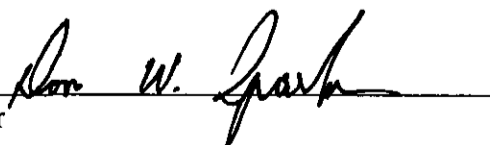
President Alexander thanked everyone for their hard work indicating that this is the best team of people he has worked with. There are times when a Board has to take on the "big horses" in the state particularly when you are the farthest one from the state capitol. The Board has to remember that the focus of this institution is the students. If we can all move forward under that umbrella, we can accomplish a lot of things together.

Mrs. Buchanan remarked that is a sad day in Murray, Kentucky.

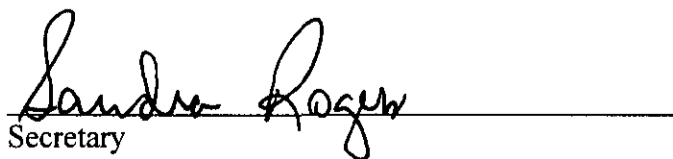
**Adjournment**

Mrs. Travis moved, seconded by Mrs. Ford, that the meeting adjourn. Adjournment was at 4:15 p.m.

Chair



Secretary



***Murray State University  
President's Report***



***Board of Regents  
December 2, 2005***

# MSU 2005 All Fall Enrollment

■ Projected Total Fall Enrollment (CPE) 146 (1.4%) 10,274

## By State

■ Kentucky	94 (1.3%)
■ Indiana	24 (11.7%)
■ Illinois	19 (2.6%)
■ Missouri	27 (11.1%)
■ Wisconsin	6 (54.5%)
■ Mississippi	7 (43.8%)
■ Louisiana	10 (250%)
■ Tennessee	- 85 (7.7%)

■ International 28 (8.8%) 347

# MSU Campus Construction

## 2004-2006 Major Capital Construction Projects Under Construction (\$3.8 million)

- \$3 million Murray State Univ. Regional Business Center (Phase I: December/January)
- \$450,000 MSU Miller Golf Clubhouse (Dec)
- \$350,000 Breathitt Veterinary Laboratory Upgrade (Dec)

## To begin Construction Winter/Spring 2006 (\$32.3 million):

- \$13.3 million New Clark Residential College
- \$15.5 million Phase II Science Complex (Chemistry Building)
- \$4 million Phase II of the Renaissance for Knowledge Library Project

## CPE Project Prioritization

- E&G Projects (15 listed)
- MSU Phase III Physics Science Complex (ranked 5<sup>th</sup>) \$15 million
- Research & Economic Development Projects (4 listed)
- MSU New Breathitt Veterinary Center (ranked 4<sup>th</sup>) \$16.2 million
- Agency Bond Authority \$13.3 million
- New Richmond College

## Challenges

- Enrollment & Recruitment
- Improving Student Success
- Student Tuition & Fee Issue
- Attracting & Retention of Quality Faculty and Staff
- Advancing the Residential College System
- Distinguishing MSU from the pack

# Other News



KENTUCKY'S

*Public*



*Joy*

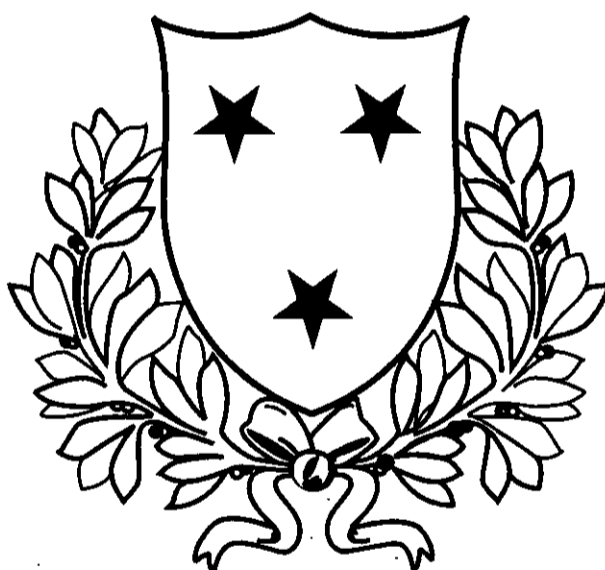
UNIVERSITY

---

MURRAY

**FINANCIAL and INVESTMENT REPORTS**

**Murray State University**



F O R T H E P E R I O D

**July 1, 2005 - September 30, 2005**

Submitted to:

The President

and

Board of Regents

November 17, 2005

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

Enclosed are the Financial and Investment Reports of Murray State University for the period July 1, 2005 through September 30, 2005.

Contents	Page
<b>FINANCIAL REPORTS:</b>	
Balance Sheet by Fund.....	1
Statement of Revenues, Expenses, and Changes in Net Assets by Fund .....	2
Schedule of Revenues, Expenses, and Transfers by Fund - All Funds .....	3
Schedule of Revenues, Expenses, and Transfers - Educational and General Fund .....	4
Schedule of Revenues, Expenses, and Transfers - Auxiliaries .....	5
Schedule of Revenues, Expenses, and Transfers - Restricted Fund .....	6
<b>INVESTMENT REPORT:</b>	
Summary of Investment Earnings .....	7
<b>NOTES</b> .....	8



Thomas W. Denton  
Vice President for Finance and  
Administrative Services

ahs

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

September 30, 2005

With Comparative Unaudited Figures as of September 30, 2004

	Current Funds			Plant Funds	Loan Funds	Endowment Funds	Agency Funds	Totals	
	E&G	Auxiliary	Restricted					2006	2005
<b>ASSETS</b>									
Cash and cash equivalents	\$ 43,255,144	\$ 3,475,380	\$ 1,508,843	\$ 6,762,749	\$ 173,313	\$ 833,961	\$ 52,873	\$ 56,062,263	\$ 52,644,478
Accounts and loans receivable, net	3,375,091	1,734,243	781,907	91,700	4,769,669	-	-	10,752,610	11,167,511
Investments	-	-	3,119,332	6,202,238	-	13,947,266	-	23,268,836	20,543,476
Capital assets, net of accumulated depreciation	-	-	-	118,878,661	-	-	-	118,878,661	118,955,394
Other assets	446,429	1,056,348	534	449,529	-	-	-	1,952,840	2,193,938
<b>Total assets</b>	<b>\$ 47,076,664</b>	<b>\$ 6,265,971</b>	<b>\$ 5,410,616</b>	<b>\$ 132,384,877</b>	<b>\$ 4,942,982</b>	<b>\$ 14,781,227</b>	<b>\$ 52,873</b>	<b>\$ 210,915,210</b>	<b>\$ 205,504,797</b>
<b>LIABILITIES AND NET ASSETS</b>									
<b>LIABILITIES</b>									
Accounts payable and accruals	\$ 4,814,531	\$ 106,276	\$ 34,947	\$ (21,115)	\$ 28,717	\$ -	\$ -	\$ 4,963,356	\$ 5,243,727
Bonds, notes, and capital leases	243,495	-	144,400	36,012,581	-	-	-	36,400,476	32,760,240
Other liabilities	8,289	467,152	-	357,933	-	-	52,873	886,247	1,623,901
<b>Total liabilities</b>	<b>5,066,315</b>	<b>573,428</b>	<b>179,347</b>	<b>36,349,399</b>	<b>28,717</b>	<b>-</b>	<b>52,873</b>	<b>42,250,079</b>	<b>39,627,868</b>
<b>NET ASSETS</b>									
Invested in capital assets, net of related debt	-	-	-	90,098,869	-	-	-	90,098,869	87,345,087
Restricted nonexpendable net assets	-	-	-	-	-	14,781,227	-	14,781,227	14,684,636
Restricted expendable net assets	-	-	5,015,060	6,115,639	4,914,265	-	-	16,044,964	22,870,106
Unrestricted:									
Allocated for:									
Prior year carryovers	10,604,312	967,524	-	-	-	-	-	11,571,836	10,492,635
Working capital	2,143,681	529,616	-	-	-	-	-	2,673,297	1,818,710
Reserve for revenue contingency	3,398,013	-	-	-	-	-	-	3,398,013	2,573,645
Reserve for general contingency	25,001,522	4,195,403	-	-	-	-	-	29,196,925	25,192,110
Reserve for self insurance	900,000	-	-	-	-	-	-	900,000	900,000
<b>Total unrestricted net assets</b>	<b>42,047,528</b>	<b>5,692,543</b>	<b>5,015,060</b>	<b>96,214,508</b>	<b>4,914,265</b>	<b>14,781,227</b>	<b>-</b>	<b>168,665,131</b>	<b>165,876,929</b>
Interaccount eliminations	(37,179)	-	216,209	(179,030)	-	-	-	-	-
<b>Total net assets</b>	<b>42,010,349</b>	<b>5,692,543</b>	<b>5,231,269</b>	<b>96,035,478</b>	<b>4,914,265</b>	<b>14,781,227</b>	<b>-</b>	<b>168,665,131</b>	<b>165,876,929</b>
<b>Total liabilities and net assets</b>	<b>\$ 47,076,664</b>	<b>\$ 6,265,971</b>	<b>\$ 5,410,616</b>	<b>\$ 132,384,877</b>	<b>\$ 4,942,982</b>	<b>\$ 14,781,227</b>	<b>\$ 52,873</b>	<b>\$ 210,915,210</b>	<b>\$ 205,504,797</b>

**MURRAY STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND (UNAUDITED)**  
For the year ended September 30, 2005  
With Comparative Unaudited Figures for the year ended September 30, 2004

	Current Funds			Plant Funds	Loan Funds	Endowment Funds	Totals	
	E&G	Auxiliary	Restricted				2006	2005
<b>REVENUES</b>								
Operating revenues:								
Net tuition and fees	\$ 20,922,154	\$ -	\$ (2,687,266)	\$ -	\$ -	\$ -	\$ 18,234,888	\$ 17,106,463
Grants and contracts	69,689	-	7,534,174	-	-	-	7,603,863	6,814,665
Sales, services, and other revenues	2,109,624	-	(1,366,089)	-	-	-	743,535	1,096,313
Auxiliary revenues, net	-	9,040,484	-	-	-	-	9,040,484	8,463,123
Total operating revenues	<u>23,101,467</u>	<u>9,040,484</u>	<u>3,480,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,622,770</u>	<u>33,480,564</u>
<b>EXPENSES</b>								
Operating expenses	20,764,566	4,256,018	4,757,415	1,115,406	20,548	-	30,913,953	27,133,874
Depreciation	-	-	-	1,677,307	-	-	1,677,307	1,569,493
Total operating expenses	<u>20,764,566</u>	<u>4,256,018</u>	<u>4,757,415</u>	<u>2,792,713</u>	<u>20,548</u>	<u>-</u>	<u>32,591,260</u>	<u>28,703,367</u>
Operating income (loss)	<u>2,336,901</u>	<u>4,784,466</u>	<u>(1,276,596)</u>	<u>(2,792,713)</u>	<u>(20,548)</u>	<u>-</u>	<u>3,031,510</u>	<u>4,777,197</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>								
State appropriations	15,350,375	-	1,134,525	-	-	-	16,484,900	15,179,000
Grants and contracts	-	-	(4,800)	-	-	-	(4,800)	1,345,082
Investment income	155,644	5,586	-	20,820	15,140	-	197,190	411,397
Other nonoperating revenues (expenses)	-	-	313,783	322,250	-	-	636,033	328,215
Net nonoperating revenues (expenses)	<u>15,506,019</u>	<u>5,586</u>	<u>1,443,508</u>	<u>343,070</u>	<u>15,140</u>	<u>-</u>	<u>17,313,323</u>	<u>17,263,694</u>
Income before other revenues, expenses, gains, or losses	17,842,920	4,790,052	166,912	(2,449,643)	(5,408)	-	20,344,833	22,040,891
Nonoperating capital revenues	-	-	-	343,644	-	-	343,644	163,872
Increase (decrease) in assets	<u>17,842,920</u>	<u>4,790,052</u>	<u>166,912</u>	<u>(2,105,999)</u>	<u>(5,408)</u>	<u>-</u>	<u>20,688,477</u>	<u>22,204,763</u>
<b>TRANSFERS IN (OUT):</b>								
Mandatory	-	(501,759)	-	501,759	-	-	-	-
Nonmandatory	(373,977)	(92,890)	283,115	183,747	5	-	-	-
Subtotal - transfers	<u>(373,977)</u>	<u>(594,649)</u>	<u>283,115</u>	<u>685,506</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in assets after transfers	17,468,943	4,195,403	450,027	(1,420,493)	(5,403)	-	20,688,477	22,204,763
Net Assets - beginning of year	24,541,406	1,497,140	4,781,242	97,455,971	4,919,668	14,781,227	147,976,654	143,672,166
Net Assets - end of year	<u>\$ 42,010,349</u>	<u>\$ 5,692,543</u>	<u>\$ 5,231,269</u>	<u>\$ 96,035,478</u>	<u>\$ 4,914,265</u>	<u>\$ 14,781,227</u>	<u>\$ 168,665,131</u>	<u>\$ 165,876,929</u>

**MURRAY STATE UNIVERSITY**  
**SCHEDULE OF REVENUES, EXPENSES, AND TRANSFERS BY FUND (UNAUDITED)**

For the year ended September 30, 2005

With Comparative Unaudited Figures for the year ended September 30, 2004

	Current Funds			Plant Funds	Loan Funds	Endowment Funds	Totals	
	E&G	Auxiliary	Restricted				2006	2005
<b>REVENUES</b>								
State appropriations	\$ 15,350,375	\$ -	\$ 1,134,525	\$ -	\$ -	\$ -	\$ 16,484,900	\$ 15,179,000
Student tuition and fees, net	20,922,154	-	(2,687,266)	-	-	-	18,234,888	17,106,463
Grants and contracts	69,689	-	7,529,374	-	-	-	7,599,063	8,159,747
Auxiliary revenues	-	9,040,484	-	-	-	-	9,040,484	8,463,123
Investment income	155,644	5,586	-	20,820	15,140	-	197,190	411,397
Sales, services, other discounts and income	2,109,624	-	(1,052,306)	679,799	-	-	1,737,117	1,628,694
<b>Total revenues</b>	<b>38,607,486</b>	<b>9,046,070</b>	<b>4,924,327</b>	<b>700,619</b>	<b>15,140</b>	<b>-</b>	<b>53,293,642</b>	<b>50,948,424</b>
<b>EXPENSES</b>								
Instruction	8,900,744	-	1,064,178	-	-	-	9,964,922	9,381,359
Research	233,695	-	353,694	-	-	-	587,389	459,937
Public service	1,126,751	-	402,726	-	-	-	1,529,477	1,612,802
Libraries	355,911	-	4,407	-	-	-	360,318	468,487
Academic support	1,624,738	-	71,590	-	-	-	1,696,328	1,644,685
Student services	2,554,504	-	86,298	-	20,548	-	2,661,350	2,446,766
Institutional support	2,957,028	-	4,217	-	-	-	2,961,245	2,364,421
O&M	2,651,013	-	-	1,115,406	-	-	3,766,419	2,716,524
Student aid	360,182	-	2,767,432	-	-	-	3,127,614	2,202,405
Depreciation	-	-	-	1,677,307	-	-	1,677,307	1,569,493
Auxiliary expenses	-	4,256,018	2,873	-	-	-	4,258,891	3,836,488
Other expenses	-	-	-	13,905	-	-	13,905	40,294
<b>Total expenses</b>	<b>20,764,566</b>	<b>4,256,018</b>	<b>4,757,415</b>	<b>2,806,618</b>	<b>20,548</b>	<b>-</b>	<b>32,605,165</b>	<b>28,743,661</b>
<b>TRANSFERS</b>								
Mandatory transfers	-	(501,759)	-	501,759	-	-	-	-
Nonmandatory transfers	(373,977)	(92,890)	283,115	183,747	5	-	-	-
<b>Subtotal - transfers</b>	<b>(373,977)</b>	<b>(594,649)</b>	<b>283,115</b>	<b>685,506</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>17,468,943</b>	<b>4,195,403</b>	<b>450,027</b>	<b>(1,420,493)</b>	<b>(5,403)</b>	<b>-</b>	<b>20,688,477</b>	<b>22,204,763</b>
Net Assets - beginning of year	24,541,406	1,497,140	4,781,242	97,455,971	4,919,668	14,781,227	147,976,654	143,672,166
<b>Net Assets - end of year</b>	<b>\$ 42,010,349</b>	<b>\$ 5,692,543</b>	<b>\$ 5,231,269</b>	<b>\$ 96,035,478</b>	<b>\$ 4,914,265</b>	<b>\$ 14,781,227</b>	<b>\$ 168,665,131</b>	<b>\$ 165,876,929</b>

**MURRAY STATE UNIVERSITY**  
**CURRENT UNRESTRICTED FUNDS - EDUCATIONAL AND GENERAL**  
**SCHEDULE OF REVENUES, EXPENSES, AND TRANSFERS (UNAUDITED)**  
For the Period July 1, 2005 through September 30, 2005  
With Comparative Figures for the Period July 1, 2004 through September 30, 2004

	2005-06			2004-05	
	Current Budget	Fiscal Year Actual	Actual % Budget	Fiscal Year Actual	Actual % Budget
<b>REVENUES</b>					
State appropriations	\$ 53,819,675	\$ 15,350,375	29%	\$ 14,140,261	28%
Student tuition and fees, net	39,881,967	20,922,154	52%	19,089,945	56%
Grants and contracts	68,169	69,689	102%	101,222	107%
Auxiliary revenues	-	-	0%	-	0%
Investment income	700,000	155,644	22%	299,511	43%
Sales, services, and other income	5,464,144	2,109,624	39%	1,820,449	38%
Prior year carryovers and encumbrances	4,065,047	-	0%	-	N/A
Total revenues	<u>103,999,002</u>	<u>38,607,486</u>	<u>37%</u>	<u>35,451,388</u>	<u>38%</u>
<b>EXPENSES</b>					
Instruction	45,604,536	8,900,744	20%	8,356,210	19%
Research	964,180	233,695	24%	187,448	21%
Public service	4,856,375	1,126,751	23%	1,195,674	27%
Library	3,298,361	355,911	11%	463,320	15%
Academic support	5,127,421	1,624,738	32%	1,590,965	33%
Student services	11,369,546	2,554,504	22%	2,216,824	25%
Institutional support	15,065,482	2,957,028	20%	2,355,527	17%
Operation and maintenance of plant	12,164,865	2,651,013	22%	2,242,144	21%
Student aid	532,544	360,182	68%	313,105	70%
Total expenses	<u>98,983,310</u>	<u>20,764,566</u>	<u>21%</u>	<u>18,921,217</u>	<u>21%</u>
<b>TRANSFERS IN (OUT)</b>					
Mandatory transfers:					
Consolidated educational bond sinking fund	\$ (1,958,993)	-	N/A	-	N/A
Loan fund match	-	-	N/A	-	N/A
Non-mandatory transfers	(3,056,699)	(373,977)	N/A	(206,886)	N/A
Total transfers	<u>(5,015,692)</u>	<u>(373,977)</u>	<u>N/A</u>	<u>(206,886)</u>	<u>N/A</u>
<b>INCREASE IN NET ASSETS</b>					
		<u>\$ 17,468,943</u>		<u>\$ 16,323,285</u>	

**MURRAY STATE UNIVERSITY**  
**CURRENT UNRESTRICTED FUNDS - AUXILIARIES**  
**SCHEDULE OF REVENUES, EXPENSES, AND TRANSFERS BY UNIT (UNAUDITED)**  
For the Period July 1, 2005 through September 30, 2005  
With Comparative Figures for the Period July 1, 2004 through September 30, 2004

	Food Services	Housing Services	Bookstore	Curris Center	Racer Card Administration	Vending and Manual Commissions	Prior Year Carryovers & Encumbrances	Total
<b>2005-06</b>								
<b>REVENUES</b>								
Current Budget	\$ 6,131,251	\$ 6,650,223	\$ 5,412,381	\$ -	\$ 77,920	\$ 103,000	\$ 967,524	\$ 19,342,299
Fiscal Year Actual	3,107,245	3,622,333	2,271,442	390	35,455	9,205	-	9,046,070
Actual % Budget	51%	54%	42%	0%	46%	9%	N/A	47%
<b>EXPENSES</b>								
Current Budget	\$ 6,134,637	\$ 7,608,320	\$ 5,104,649	\$ 1,299	\$ 97,030	\$ 396,367	\$ -	\$ 19,342,302
Fiscal Year Actual	956,810	1,321,212	1,919,462	494	31,478	26,562	-	4,256,018
Actual % Budget	16%	17%	38%	38%	32%	7%	N/A	22%
<b>TRANSFERS IN (OUT)</b>	<b>\$ (115,897)</b>	<b>\$ (401,432)</b>	<b>\$ (77,320)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (594,649)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 2,034,538</b>	<b>\$ 1,899,689</b>	<b>\$ 274,660</b>	<b>\$ (104)</b>	<b>\$ 3,977</b>	<b>\$ (17,357)</b>	<b>\$ -</b>	<b>\$ 4,195,403</b>
<b>2004-05</b>								
<b>REVENUES</b>								
Current Budget	\$ 5,538,758	\$ 6,272,429	\$ 4,898,311	\$ 35,107	\$ 75,616	\$ 103,000	\$ 637,988	\$ 17,561,209
Fiscal Year Actual	2,734,382	3,557,901	2,131,453	7,607	34,087	12,168	-	8,477,598
Actual % Budget	49%	57%	44%	22%	45%	12%	N/A	48%
<b>EXPENSES</b>								
Current Budget	\$ 5,433,802	\$ 5,593,521	\$ 4,495,018	\$ 240,108	\$ 75,616	\$ 377,893	\$ -	\$ 16,215,958
Fiscal Year Actual	719,519	1,184,858	1,801,042	91,355	30,708	21,153	-	3,848,635
Actual % Budget	13%	21%	40%	38%	41%	6%	N/A	24%
<b>TRANSFERS IN (OUT)</b>	<b>\$ (127,000)</b>	<b>\$ (332,603)</b>	<b>\$ (77,320)</b>	<b>\$ (6,223)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (543,146)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,887,863</b>	<b>\$ 2,040,440</b>	<b>\$ 253,091</b>	<b>\$ (89,971)</b>	<b>\$ 3,379</b>	<b>\$ (8,985)</b>	<b>\$ -</b>	<b>\$ 4,085,817</b>
<b>2005-06 INCREASE (DECREASE) IN FUND BALANCE CHANGE</b>								
	<b>\$ 146,675</b>	<b>\$ (140,751)</b>	<b>\$ 21,569</b>	<b>\$ 89,867</b>	<b>\$ 598</b>	<b>\$ (8,372)</b>	<b>\$ -</b>	<b>\$ 109,586</b>



**MURRAY STATE UNIVERSITY**  
**CURRENT RESTRICTED FUNDS**  
**SCHEDULE OF REVENUES, EXPENSES, AND TRANSFERS (UNAUDITED)**  
For the Period July 1, 2005 through September 30, 2005  
With Comparative Figures for the Period July 1, 2004 through September 30, 2004

	<u>2005-06</u>	<u>2004-05</u>
	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>Actual</u>	<u>Actual</u>
<b>REVENUES</b>		
State appropriations	\$ 1,134,525	\$ 1,038,739
Grants and Contracts:		
Federal grants and contracts:		
Pell	2,985,441	3,083,685
SEOG	156,870	174,845
Workstudy	44,787	20,503
Other federal grants and contracts	<u>432,601</u>	<u>1,181,410</u>
Subtotal federal grants and contracts	3,619,699	4,460,443
Less: Federal fund discounts	<u>(2,231,938)</u>	<u>(2,266,306)</u>
Total federal grants and contracts	<u>1,387,761</u>	<u>2,194,137</u>
State grants and contracts:		
KEES	2,214,749	2,020,174
KHEAA	764,334	443,679
Other state grants and contracts	<u>656,007</u>	<u>954,181</u>
Total state grants and contracts	<u>3,635,090</u>	<u>3,418,034</u>
Other grants and contracts	274,585	180,048
Less: State and other discounts	<u>(1,821,417)</u>	<u>(441,312)</u>
Total all grants and contracts	<u>3,476,019</u>	<u>5,350,907</u>
Investment income	-	7,634
Sales, services, and other income	<u>313,783</u>	<u>-</u>
<b>Total revenues</b>	<u>4,924,327</u>	<u>6,397,280</u>
<b>EXPENSES BY FUNCTION</b>		
Instruction	1,064,178	1,025,149
Research	353,694	272,489
Public service	402,726	417,128
Library	4,407	5,167
Academic support	71,590	53,720
Student services	86,298	178,670
Institutional support	4,217	8,894
Operation and maintenance of plant	-	(14,861)
Scholarship and financial aid	<u>2,767,432</u>	<u>1,889,300</u>
Total expenses	<u>4,754,542</u>	<u>3,835,656</u>
Auxiliary enterprises	<u>2,873</u>	<u>2,732</u>
Total expenses by function	<u>4,757,415</u>	<u>3,838,388</u>
<b>TRANSFERS IN (OUT)</b>		
Non-mandatory transfers	<u>283,115</u>	<u>(1,404,073)</u>
<b>INCREASE IN NET ASSETS</b>	<u>\$ 450,027</u>	<u>\$ 1,154,819</u>

**MURRAY STATE UNIVERSITY  
SUMMARY OF INVESTMENT EARNINGS**

For the Period of July 1, 2005 through September 30, 2005

With Comparative Unaudited Figures for the period July 1, 2004 through September 30, 2004

Type of Investment	Yield	Amount Invested	EARNINGS				Total
			Local Accounts	State Bond Pool	MSU Foundation Investment Pool	Other	
<b>2005-06</b>							
<b>CURRENT FUNDS</b>							
Local bank account - US Bank	2.480%	\$ 7,004,088	\$ 54,955	\$ -	\$ -	\$ -	\$ 54,955
Consolidated educational revenue fund	4.880%	37,812,772	-	100,689	-	-	100,689
Housing and dining revenue fund	5.370%	3,475,380	-	5,586	-	-	5,586
Student loan funds	4.880%	173,313	-	-	-	15,140	15,140
University restricted funds held by MSU Foundation	N/A	3,119,332	-	-	-	-	-
<b>Total current fund</b>	<b>4.540%</b>	<b>51,584,885</b>	<b>54,955</b>	<b>106,275</b>	<b>-</b>	<b>15,140</b>	<b>176,370</b>
<b>ENDOWMENT FUNDS</b>							
Consolidated educational revenue fund	4.880%	833,961	-	-	-	-	-
University endowments held by MSU Foundation	6.090%	13,947,266	-	-	242,894	-	242,894
<b>Total endowment fund</b>	<b>6.020%</b>	<b>14,781,227</b>	<b>-</b>	<b>-</b>	<b>242,894</b>	<b>-</b>	<b>242,894</b>
<b>PLANT FUNDS</b>	<b>3.150%</b>	<b>12,964,987</b>	<b>-</b>	<b>2,131</b>	<b>-</b>	<b>18,689</b>	<b>20,820</b>
<b>TOTAL DEPOSITS AND INVESTMENTS</b>		<b>\$ 79,331,099</b>	<b>\$ 54,955</b>	<b>\$ 108,406</b>	<b>\$ 242,894</b>	<b>\$ 33,829</b>	<b>\$ 440,084</b>
<b>2004-05</b>							
<b>CURRENT FUNDS</b>	<b>3.240%</b>	<b>\$ 40,290,590</b>	<b>\$ 21,683</b>	<b>\$ 297,095</b>	<b>\$ -</b>	<b>\$ 27,540</b>	<b>\$ 346,318</b>
<b>ENDOWMENT FUNDS</b>	<b>4.430%</b>	<b>14,684,636</b>	<b>-</b>	<b>6,105</b>	<b>118,604</b>	<b>-</b>	<b>124,709</b>
<b>PLANT FUNDS</b>	<b>5.340%</b>	<b>18,212,728</b>	<b>-</b>	<b>56,342</b>	<b>-</b>	<b>2,632</b>	<b>58,974</b>
<b>TOTAL DEPOSITS AND INVESTMENTS</b>		<b>\$ 73,187,954</b>	<b>\$ 21,683</b>	<b>\$ 359,542</b>	<b>\$ 118,604</b>	<b>\$ 30,172</b>	<b>\$ 530,001</b>

**MURRAY STATE UNIVERSITY**  
**NOTES TO FINANCIAL AND INVESTMENT REPORTS**  
**SEPTEMBER 30, 2005**

**Note 1. Financial Report Presentation**

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board. Quarterly interim financial reports reflect unaudited summarized financial data for the year to date.

**Note 2. Basis of Revenue Recognition**

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

**Note 3. 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

---

**MURRAY STATE UNIVERSITY  
NOTES TO FINANCIAL AND INVESTMENT REPORTS  
SEPTEMBER 30, 2005**

**Note 3. Investment Policies and Procedures (Continued)**

investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate investment personnel.

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

Minimal Non-Cash Investment Transactions: In order to correct stock transfer errors or dispose of small non-cash investments, the Treasurer is authorized to sell or otherwise dispose of items less than \$25,000.

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

**PROCEDURES**

Specific investment procedures are contained within the full "Investment Policies and Procedures" as approved by the Board of Regents on May 14, 1994, and last revised on June 18, 2004.

**Note 4. 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.

**MURRAY STATE UNIVERSITY**  
**NOTES TO FINANCIAL AND INVESTMENT REPORTS**  
**SEPTEMBER 30, 2005**

**Note 4. Deposits and Investments (Continued)**

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

	September 30, 2005	September 30, 2004
	<u>Balance Invested</u>	<u>Balance Invested</u>
<b>Deposits:</b>		
Deposits in State Investment Pool	\$ 47,340,595	\$ 38,812,344
Deposits in local banks and cash on hand	8,721,668	13,832,134
<b>Total deposits</b>	<u>56,062,263</u>	<u>52,644,478</u>
<b>Investments:</b>		
U. S. Government Securities	6,202,238	4,567,754
<b>Investments held by MSU Foundation:</b>		
Restricted fund	3,119,332	2,325,942
Endowment	13,947,266	13,649,780
<b>Total investments held by MSU Foundation</b>	<u>23,268,836</u>	<u>20,543,476</u>
<b>Total deposits and investments</b>	<u>\$ 79,331,099</u>	<u>\$ 73,187,954</u>

Investment earnings are as follows:

	<u>2005</u>	<u>2004</u>
<b>Assets held by the University:</b>		
<b>Investment income:</b>		
Local bank accounts	\$ 54,955	\$ 21,683
State bond pool	108,406	359,542
Student loans	15,140	27,540
Debt reserve funds	18,689	2,632
	<u>197,190</u>	<u>411,397</u>
<b>Assets held by the Foundation:</b>		
Endowment investment income	<u>242,894</u>	<u>118,604</u>
<b>Total investment income</b>	<u>\$ 440,084</u>	<u>\$ 530,001</u>

Beginning July 1, 2002, the University determined that the private donations received by Murray State University Foundation on behalf of the University were not to be recorded as assets of the University. The University will continue to report as assets those private donations received directly by the University and held by the Foundation for investment purposes. The University posts its investment earnings from the Foundation pool on an annual basis, at June 30 each year. Therefore, the MSU Foundation Investment Pool earnings reflected in this report will appear in fourth quarter, June 30, financial reports.

**MURRAY STATE UNIVERSITY  
NOTES TO FINANCIAL AND INVESTMENT REPORTS  
SEPTEMBER 30, 2005**

**Note 5. Current Funds – Local Bank Account**

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

Interest earnings may be expended in the Current Fund.

**Note 6. Endowment Funds Investments**

Endowment fund investments include the following:

	Amount Invested September 30, 2005
Invested by the University in the state bond pool:	
Endowed Chair for Ecosystems Studies	\$ 833,961
Invested with the MSU Foundation:	
Regional University Endowment Trust (RUETF) State Portion	8,490,787
RUETF Private endowment match owned by the University	2,346,291
Other endowment funds owned by the University	2,806,105
Quasi endowment funds	304,083
Total endowment funds owned by the University	\$ 14,781,227

**Regional University Endowment Trust (RUETF)**

As of June 30, 2004, the University has been awarded a total of \$8,490,787 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.

**MURRAY STATE UNIVERSITY  
NOTES TO FINANCIAL AND INVESTMENT REPORTS  
SEPTEMBER 30, 2005**

**Note 6. Endowment Funds Investments (Continued)**

The required matching investments for the Regional University Endowment Trust consists of the following:

<u>CPE Funding Received</u>	<u>External Match Receipts</u>			<u>External Match Pledge</u>
	<u>Held By University</u>	<u>Held By Foundation</u>	<u>Total</u>	
Private Match for RUETF	<u>\$2,346,291</u>	<u>\$ 6,034,391</u>	<u>\$ 8,380,682</u>	<u>\$ 110,105</u>

**Note 7. Plant Funds**

Plant fund deposits and investments include the following types of accounts:

- Unexpended plant fund bond proceeds
- Consolidated Educational Renewal and Replacement (CERR)
- Required reserves for debt service

Unexpended plant fund debt proceeds with remaining balances as of September 30, 2005 are as follows:

<u>Type of Investment</u>	<u>Debt Purpose</u>	<u>Amount of Original Debt</u>	<u>Date of Original Debt</u>	<u>Amount Invested</u>
<b>UNEXPENDED PLANT FUND DEBT PROCEEDS</b>				
Series G Bonds - Consolidated Educational	Industry & Tech Bldg.	\$ 14,785,000	December 1, 1987	\$
Series N Bonds - Housing and Dining	Fire Safety Improvements	6,370,000	April 1, 1999	236,100
Series O Bonds - Housing and Dining	Hart College water systems	1,610,000	June 1, 2001	24,312
Series P Bonds - Housing and Dining	Winslow Cafeteria Renovation	2,500,000	June 2, 1003	55
Wellness Center - City of Murray	Construct Wellness Center	10,000,000	December 1, 2002	94,432
Chevron Energy Performance project	Energy efficiency projects	6,707,876	February 11, 2005	1,594,141
Total unexpended plant				<u>1,949,908</u>
<b>CONSOLIDATED EDUCATIONAL RENEWAL AND REPLACEMENT FUND (CERR)</b>	N/A	N/A	N/A	<u>1,357,482</u>
<b>DEBT SERVICE RESERVE FUNDS</b>	N/A	N/A	N/A	<u>4,608,097</u>
Total plant fund				<u>\$ 7,915,487</u>

**Murray State University Board Report  
Undergraduate Degree Applicants  
December 17, 2005**

**Associate of Arts****Total: 6**

Brittany Arnett  
James French  
Ashley Gamble  
Kristen Graham  
Kristy Hamblin  
Jonathan Turner

Jaime McCollum  
Venishia McGregor  
Lorraine McMullen  
Drew McNally  
Sean Mitchuson  
Brianna Moore  
Justin Morris  
Lindsay Morris  
Erin Mosser

**Associate of Science****Total: 2**

Traci Gibson  
William McConnell

Eryn Murray  
Marcie Parm  
Tiffany Payne  
Tara Phillips  
Tara Pruitt

**Bachelor of Arts****Total: 55**

Jami Anthony  
Justin Barr  
Tamara Bennett  
Brittany Binkley  
Adam Bittel  
Stephanie Bumm  
Kimberly Campbell  
Amy Carrico  
Amanda Carter  
Stephen Crouch  
Caren Curtis  
Britney Darnell  
Jennifer Davenport  
Sally Dotson  
Johannah Dueker  
Leslie Elliott  
Alyson Felts  
Casey Gallimore  
Christopher Glass  
Rebecca Hardin  
Erin Heltsley  
Jessica Houston  
Ashley Ireland  
Christine Johnson  
Ross Kelley  
Melisa Keys  
Evan Krupansky  
Nicholas Lemonds  
Kyser Lough  
Kurt Lutz

Marcus Raglin  
Janitha Robinson  
Naomi Sato  
Danielle Sutterer  
Maggie Tate-Majcher  
Gregory Taylor  
Audra Todd  
Jessica Wade  
Chad Wells  
Katherine Whitesell  
Kasey Wilson

**Bachelor of Fine Arts****Total: 9**

Annmarie Campbell  
Jesse Cooley  
Claudia Dishon  
Crystal Ellis  
Nathan English  
Scott McDonnell  
David Moore  
Gina Penney  
Sara Turner

**Bachelor of Music****Total: 4**

Bryan Kelly  
Debra Lanham  
Amanda Stuart  
Michele Tecklenburg



**Murray State University Board Report**  
**Undergraduate Degree Applicants**  
**December 17, 2005**

---

**Bachelor of Music Education**

**Total: 1**

Lori Lanham

**Bachelor of Science**

**Total: 272**

Saleh Achraf  
Chiquita Adams-Wilson  
Andrew Alexander  
Megan Bivens  
Matthew Allsopp  
Aaron Andrews  
Gregory Archer  
Michael Arneson  
James Ashby  
Gina Augustino  
Sharla Austin-Darnell  
Sung Hee Back  
Samantha Bailey  
Collin Baker  
Logan Baker  
Terri Barnett  
Melissa Bates  
Holly Bayko  
Lauren Bazzell  
Lori Beaton  
Ashley Beyl  
Leah Blackketter  
Philip Blackwood  
Joseph Borders  
Tara Bowling  
Amanda Box  
Samantha Bradley  
Natalie Brannon  
Brooke Brooking  
Kayla Brown  
Misty Brown  
Marcie Burkhart  
Angela Butts  
Jessica Caplinger  
Nathan Carman  
Tammy Carrico  
Aaron Carroll  
Adam Chiles  
Pet Kong Chu  
Lyndee Clark

Andrew Clinton  
John Colgan  
Neeley Hart  
Amanda Cook  
Natalie Cooper  
Ryan Coppage  
Donna Crabtree  
Mary Craig  
Annie Cruse  
Daniel Cunningham  
Aaron Dail  
Michelle Dearing  
Carl Dempewolf  
Sarah Dempsey  
Cornelius Denman  
Elizabeth Dennison  
Paul Ditterline  
Brian Donoho  
Kenya Dossett  
Deirdre Dowling  
Brent Duke  
Jonathan Duncan  
Ryan Dunn  
Molly Durham  
Chad Eaton  
Casandra Ersel  
Laura Etherton  
Nicolas Facontis  
Ronda Fant  
Emily Farmer  
Anthony Fike  
Douglas Fisher  
Kyle Flanary  
Jeri Fleming  
MacIe Fletcher  
Michael Flexer  
Lindsey Flowers  
Eric Frazier  
Samantha Frye  
Sarah Fulton  
Grant Gallimore  
Michael Gardner  
Michael Gaston  
Meredith Gates  
Ryan Geib  
Ashley Ghasemi

**Murray State University Board Report**  
**Undergraduate Degree Applicants**  
**December 17, 2005**

---

Hal Gibson  
Quentin Giles  
Rhiannon Gilland  
John Goodin  
Jayme Gordon  
Erin Green  
Kari Green  
Clint Griggs  
David Groves  
Sherry Hack  
Brandon Hale  
Lindsey Ham  
Lori Hancock  
Mary Ann Hargrove  
Donald Harriss  
Courtney Henderson  
Bradley Hendricks  
Robbie Hildabrand  
Amanda Hilgemann  
Elisa Hill  
Sarah Dixon  
Laryssa Hobbs  
Mark Holloway  
Haley Hopper  
Mitchell Horton  
Regina Hubbell  
Jason Hudson  
Mary Humphries  
Jonathan Hunt  
Joshua Hutson  
Charles Inglish  
Matthew Innes  
Laquentin Irvin  
Jane Irwin  
Jody Jackson  
Christopher Jeter  
Ashley Johnson  
Carla Johnson  
Charles Johnson  
Roseleen Johnson  
Ebony Jones  
Phillip Jones  
Stephen Keene  
Chasity Kemplin  
Crystal Kendall  
Ben Kennedy

Nicole Kessler  
Terra Kilgore  
Joshua King  
Justin Kizziah  
Katherine Konrad  
Brian Krekel  
Christopher Lacey  
Joy Lampley  
Christopher Lane  
Nicole Langan  
Melissa Lillie  
Jia Lin  
Cheung Kuen Lit  
Bo-wen Liu  
Andrew Logsdon  
Stacey Lutz  
Heather Lynn  
Jennifer Lynn  
Barry Lynn  
Danielle MacDonald  
Lindsey Manning  
Joseph Marlar  
Jacob Marquess  
Gregory Marshall  
Andrea Martin  
Melinda Martin  
Alfonso Martinez  
Nicole Mathis  
Jennifer McCafferty  
Derek McCallum  
Jeremiah McCarty  
William McConnell  
Eric McDonald  
Amber McDuffee  
Charles McFarland  
Kristen McGill  
Bryan McGregor  
Jessica McKendree  
Rachel McNeil  
Tami McQueen  
Lindsey Melton  
Stephen Mizell  
Mohammad Mohammad  
Amy Morgan  
Joni Morgan  
Amanda Morris

Murray State University Board Report

Undergraduate Degree Applicants

December 17, 2005

---

Emily Ledgerwood  
Anna Voorhees  
Kyle Mullaney  
Edward Musselman  
Meggin Nunamaker  
Callie Oliver  
Jennifer Oliverio  
Leigh O'Neal  
Nikki Orazine  
Eric O'reilly  
Robert Osting  
Lauren Owens  
Tyrone Parks  
Lance Patton  
Russell Phillips  
Matthew Prater  
Brooks Pratt  
Robert Proctor  
Kayla Purdy  
Stephen Queen  
Christopher Reaves  
Paula Reeves-Oswalt  
Laurie Renfrow  
Nicholas Rexing  
Rachel Roberson  
Cheri Roberts  
Amy Rogers  
William Roman  
Eugenio Rosario  
Kathryn Roth  
Richard Rowland  
Lauren Rudd  
Lynda Sadler  
Corey Salata  
Derek Savells  
Kevin Scott  
Misty Seaford  
Paul Secor  
Danyelle Shaw  
Jessica Shaw  
John Shelby  
Tiffany Shemwell  
Laura Shepherd  
Janet Slayden  
Bradley Sloan  
Jason Smith

Joshua Smith  
Kevin Smith  
Walter Smith  
Jonathan Smithkier  
Heather Snell  
Adriane Southard  
Adam Spalding  
John Spinner  
Eric Stallman  
Dana Starnes  
Sheena Steele  
Terra Stevens  
David Stoffel  
Starlise Stokes  
Audiene Stoneham  
Kimberly Stowe  
Danielle Strickland  
Sara Swiney  
Justin Szychowski  
Abbye Tatum  
Jeremiah Taylor  
Kristin Taylor  
Te-yao Sun  
Christina Thomas  
Jamie Thompson  
Kristen Timm  
John Tomes  
Austin Trice  
Joseph Uvanni  
Brett Vandermeulen  
Meredith Varble  
Blair Wagoner  
Natalie Walker  
Stephanie Walker  
Jacob Wall  
Lance Warmath  
Caleb Watters  
Allison Wesmoland  
Amanda West  
Carla Westbrook  
Sarah Whitfield  
Joseph Whitis  
Katherine Wiles  
Jill Williams  
Angela Woolfolk  
Beth Wyman

---

**Murray State University Board Report**  
**Undergraduate Degree Applicants**  
**December 17, 2005**

---

Brian Wynn  
Matthew Yandell

**Bachelor of Science in Agriculture**

Total: 45

Bryanna Barrett  
Jared Bartlett  
Desiree Bennett  
Jill Benton  
Christina Boyer  
Bradley Brookshire  
Lance Carter  
Jesse Clark  
Jeffrey Corlew  
Peter Dirks  
Cassandra Farris  
Joshua Foreman  
Jason Frank  
Sarah Greene  
Racheal Grogan  
Daniel Hale  
Bradford Hall  
Ryan Hammack  
Elisha Cooper  
Christopher Heck  
Billy Hooks  
Jeremy Huge  
Jay Isom  
Brenda Ital  
Theodore Jackanicz  
Meigan Jackson  
Abigail Jonas  
Rebecca Killough  
Joshua Lancaster  
Tonea Lanham  
Ryan McCafferty  
Tiffany Moll  
Joshua Parker  
Rebecca Prince  
Crystal Richardson  
Clinton Sanders  
Tammy Seaborn  
Ashley Smith  
Lora Tucker  
Michael Turner  
Robert Wade

Sherina Walker  
Crawford Watts  
J T Workman  
Kyle Yancey

**Bachelor of Science in Business**

Total: 86

Amele Amegnan  
John Barrett  
Angela Baugh  
Amber Bencini  
Ashley Bigelow  
John Blane  
Amber Bremer  
Bradley Burkeen  
Nicholas Calhoun  
Trisha Carter  
Amy Catlett  
Elizabeth Charles  
Stacy Clark  
Justin Coble  
Nicole Conkright  
Kandace Crowley  
Erica Duncan  
Andrew Ellison  
Emily Flener  
Joshua Florea  
Christopher Fulton  
William Futrell  
Amy Glasgow  
Andrea Graham  
Cody Joe Grantham  
Kristen Haynes  
Joshua Heltsley  
Mia Higen  
Matthew Hohman  
Mary Johnston  
Justin Kanipe  
Bryan Kenady  
Rebekah Kent  
Sarah Koenig  
John Kopperud  
Drew Lacey  
Matthew Leet  
Corey Lewis  
Sherilyn Loague

Murray State University Board Report

Undergraduate Degree Applicants

December 17, 2005

Lesley Riley  
Emmanuel Marcella  
Kenneth Mason  
Lauren Mason  
Ralph Matlock  
Brant May  
Karrie McBride  
Robert McDonald  
Sarah Miller  
Juli Mills  
Paul Mills  
Shannon Moore  
Melanie Morton  
Nicholas Murphy  
Christopher Payne  
Kristi Peery  
Valerie Penny  
Chester Perriott  
Christopher Phelps  
Emily Phelps  
Vicki Ratcliffe  
Amanda Redding  
Tara Richerson  
Tabitha Rickermann  
Joshua Ricks  
David Roberts  
Anthony Ryan  
Anita Saha  
Trista Shelton  
Kayla Shewcraft  
Jonathan Simpkins  
Christopher Smee  
Alana Smith  
Katherine Phipps  
Christopher Stratman  
Nathaniel Thompson  
Mark Toren  
James Travis  
Brian Triplett  
Chase Venable  
Kayla White  
Ladawn White  
Keri Williams  
Ryan Wright  
Michael Yenter  
Ann Youngpatana

Nan Youngpatana

**Bachelor of Science in Nursing**

Total: 38

Natasha Lane  
Catherine Wenzel  
Ivet Bennett  
Ashley Boyd  
Lori Brandon  
Rhonda Brown  
Shannon Combs  
Brittany Covington  
Glenda Yates  
Dawn Davis  
Christopher Dowell  
Travis Drake  
Leslie Ferguson  
Wendy Freeman  
Amy Grady  
Abigail Herring  
Bre'a Jeffords  
Darlena Jones  
Tracy Jones  
John Linn  
Melissa Little  
Sara Love  
Jennifer MacHen  
Tracy Massoth  
Kari Mayfield  
Brandi McKinney  
Kayla Melton  
Rebekah Metzger  
Jamie Millis  
Chrystal Moore  
Jennifer Nichols  
Amy Nolen  
Rachel Olazabal  
Mandy Smiley  
Kimberly Teague  
Jessica West  
Steven Whitman  
Gregory Wiggins

**Bachelor of Independent Studies**

Total: 32

Kurt Carter

---

**Murray State University Board Report**  
**Undergraduate Degree Applicants**  
**December 17, 2005**

---

Christopher Crumes  
Cynthia Dillingham  
Jessica Hardy  
Rebecca Hicks  
Charles Houston  
Timothy Hurst  
Laura Inglis  
Alan Jaques  
Gradie Johnson  
Ronald Jones  
Kevin Keathley  
Kyeong Kim  
Lindsey Kinser  
Schanta Kirkwood  
Cindy Long  
Thomas Martin  
Lisa Matheny  
Tyrone Mayfield  
Thomasina McCormick  
Kathy McCoy  
Jonathan Merritt  
Nancy Monroe  
Hyun-suk Oh  
Jonathan Parsons  
Lori Roberson  
Lisa Rose  
Tina Siddon  
Stuart Stobaugh  
Mary Stokes  
Adrienne Weyers  
Marcus Wolfe

Yolanda Dale  
Amanda Davis  
Margaret Driver  
Barbara Durbin-Gann  
Marianna Durr  
Amy Gray  
Susan Greene  
Bethaney Hayes  
Carrissa Johnson  
Lindsey Jones  
Craig Keene  
Tammy Lamb  
Justin Lewis  
Jessica Linenfelser  
Erin Lyles  
Gloria Mabry  
Taren Mohnen  
Amy Newsom  
Jessica Porter  
Ronald Pullen  
Amy Ramage  
Ashley Scott  
Amanda Sprinkles  
Russell Stray  
Kelli Watson

**Bachelor of Arts in Business**

**Total: 5**

Michael Carr  
Amber Lemonds  
Michael Moreland  
Nicole Sharber  
Charles Taber

**Bachelor of Social Work**

**Total: 29**

Miranda Barnett  
Shannon Bower  
Jennifer Coulson  
Lisa Cox

**Murray State University Board Report**  
**Undergraduate Degree Applicants**  
**December 17, 2005**

---

**Total Number of Degree Applicants : 584**

---

**Murray State University Board Report**  
**Graduate Degree Applicants**  
**December 17, 2005**

---

**Master of Arts in Education**

**Total: 58**

Alyson Holbrook  
Amie Tooley  
Amy Sparks  
April Throgmorton  
Arivia Brown  
Barbara Barr  
Brandi Ashby  
Brent Buchanan  
Carrie Love  
Cathy Johnson  
Christie Thompson  
Crystal Hurst  
Darcy Utley  
David Pope  
Dawn Pope  
Debbra D'angelo  
Heather Cole  
Heather Shelby  
Holly Farina  
Jennifer Howard  
Jennifer Luttrell  
Jennifer Thompson  
Jennifer Walker  
Jeremy Davis  
Jessica McCallum  
Josie Pickerill  
Katherine Langan  
Kelly Blackburn  
Kevin Abanatha  
Kimberly Christian  
Kristin Page  
Lee Embry  
Lee Thompson  
Lisa Chapman  
Lisa Nance  
Lisa Trimble  
Maggie Jorgensen  
Marget Skaggs  
Mary Bean  
Mary Dunning  
Meagan Musselman  
Michelle Dunlap  
Michelle Ladd  
Nakia Brown

Nicole Towery  
Pamela Fox  
Paul Elliott  
Penny Baker  
Rebecca Dunning  
Rhonda Callaway  
Roy Smith  
Sandra Armstrong  
Sarah O'Daniel  
Tiffany Brown  
Tiffany Peltier  
Tonya Holt  
Virginia Simmons  
Wendy Mitchell

**Master of Business Administration**

**Total: 36**

Ammara Polakarn  
Anne Policastri  
Beau Bradley  
Bobby Morris  
Derek Harris  
Dumitru Orlov  
Heather Page  
Hsiang-hsun Cheng  
Hsin-ling Lin  
James Followell  
James St. Louis  
Joann Grosnick  
Joe Johnson  
Johnna Roetteis  
Kimberly Derenard  
Kwang Hee Hwang  
Lucas Spraggs  
Lucien Blackmoore  
Mary Scott  
Michael Labhart  
Monica McLendon  
Pauletta Smoot  
Pongnarin Chavananikul  
Raul Enad  
Rodney Durban  
Shawna Smith  
Stephanie Hodges  
Stephen Hill  
Steven Jolly



**Murray State University Board Report**  
**Graduate Degree Applicants**  
**December 17, 2005**

---

Tara Peffer  
Timothy Riney  
Tomohiro Nakamura  
Ty Rideout  
Umit Gursoy  
Valerie Franklin  
Yi-Chi Tsai

**Master of Music Education**

**Total: 2**

Chad Alward  
Randall Adams

**Master of Science**

**Total: 101**

Alexandra Elliott  
Allen Shore  
Amanda Lisembee  
Amy Keller  
Anthony Jones  
Apinya Ratchakue  
Arthur Cripps  
Asadawut Kaitawarn  
Bernetta Prather  
Beth Kobylarz  
Boonlert Wongcharoensangsiri  
Brad Heacox  
Bryan Powers  
Chadwick Holliman  
Chanatip Patanothai  
Chisala Lwali  
Christa Blane  
Christian Cruce  
Christina Simms  
Christopher Kangas  
Cindy Fox  
Daniel Depriest  
Darren Tinsley  
David Fox  
David Shaffer  
Debra Francis  
Deedie Jones  
Delsie Dyer  
Devin Morgan  
Devona Walsh  
Donna Wells

Eileen Pence  
Eric Gilliland  
Gerrick Williams  
Glenda Doss  
Greg Storm  
Hamid Al-zobaidi  
Hao-yin Cheng  
Heather Blankenship  
I-lun Chien  
Israel Cobos  
Jacqueline Doyle  
James Bedwell  
James Crawford  
Jamie Hunter  
Janet Gunther  
Jason Hill  
Jason McCuiston  
Jeremy Heltsley  
Jeremy Shafer  
Joe Littleton  
John Adams  
Junichi Yamashita  
Kendall Robinson  
Lakilia Bedeau  
Landon Depue  
Leigh Deparle  
Li-chun Yu  
Linda Cumby  
Mahmoud Abdul-fattah  
Marcia Combs  
Marianne Sydnor  
Marion Quarles  
Marisa Cruz  
Mark Liverman  
Martha Robinson  
Mary Chandler  
Megan Alvey  
Megan Dorgan-carpenter  
Michael Hewitt  
Michael Maybin  
Michelle Clark  
Michelle Patterson  
Mitra Ahi  
Montida Varapukde  
Murray Schesser  
Nancy Nerney

**Murray State University Board Report**  
**Graduate Degree Applicants**  
**December 17, 2005**

Phan Jetanalin  
Pichit Sutjaporamate  
Renita Avery  
Robert Freeman  
Sabrina Mathis  
Samuel Girtman  
Sanphet Ruetairuengnont  
Sarotpan Roochirachagon  
Shannon Brooks  
Sharee McIntosh  
Shea Butler  
Sheila Keeling  
Shevonne Oliver  
Shu-wen Cheng  
Siwaporn Ngamsirisomskul  
Stacie Richardson  
Tamekii Clark-warrington  
Tammy Hardy  
Tanya Lubben  
Timothy Haworth  
Tyler Swavely  
Valorie Titus  
Wisaporn Boonyong  
Yasser Mirhussaini

**Master of Arts**

**Total: 19**

Adel Alamry  
Alvin Moore  
Chiau Wen Jian  
Chiu-chin Chen  
Christopher Hildebrand  
Delores O'Brien  
Fatima Al-halwachi  
Gladys Ngezem  
Haleema Ebrahim  
Hugh Williams  
Lindsay Simmons  
Manami Nihei  
Mary Clarkson  
Nadia Shahin  
Raymond Akin  
Sarah Galvin  
Stephanie Kirk  
Wanda Gibson  
Wesley Knight

**Master of Public Administration**

**Total: 7**

Debra Futrell  
Elouise Davis  
Isaac Moses  
Jorge Andujar  
Joshua Tubbs  
Melissa Gibson  
Teresa Hover

**Master of Science in Nursing**

**Total: 8**

Allie Lusk  
Barbara Dillard  
Darla Leavell  
Jamie Ross  
Jessica Lovett  
Kelly Faulkner  
Molly Rothmeyer  
Staci Fooshee

**Master of Professional Accountancy**

**Total: 4**

Amber Bencini  
Kayla Shewcraft  
Kayla White  
Robert McDonald

**Specialist in Education**

**Total: 5**

Alicia Anderson  
Georgia Messmer  
Gregory Laliberte  
Heather Medendorp  
Melissa Kieffer

Murray State University Board Report  
Graduate Degree Applicants  
December 17, 2005

---

Total Number of Degree Applicants : 240

---

**Murray State University**  
A Component Unit of the State of Kentucky  
**Accountants' Report and Financial Statements**  
June 30, 2005 and 2004

# Murray

## MURRAY STATE UNIVERSITY

### Contents

Independent Accountants' Report on Financial Statements and Supplementary Information .....	1
Management's Discussion and Analysis.....	3
<b>Financial Statements</b>	
Balance Sheets	
Murray State University.....	15
Statements of Financial Position	
Murray State University Foundation, Inc. ....	17
Murray State University Athletic Foundation, Inc. ....	18
Statements of Revenues, Expenses and Changes in Net Assets	
Murray State University.....	19
Statements of Activities	
Murray State University Foundation, Inc. ....	21
Murray State University Athletic Foundation, Inc. ....	23
Statements of Cash Flows	
Murray State University.....	25
Notes to Financial Statements .....	27

---



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

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

We have audited the accompanying basic financial statements of Murray State University (University) and its aggregate discretely presented component units, collectively a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University and of its aggregate discretely presented component units as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

President F. King Alexander and  
Board of Regents  
Murray State University  
Page 2

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

September 9, 2005

---

*Page intentionally blank*



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

***Introduction***

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Murray State University (University) for the year ended June 30, 2005. 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 financial statements and related notes, and this discussion and analysis are the responsibility of management.

The University is a comprehensive public institution of higher learning located in western Kentucky and primarily serves students in Kentucky, Illinois, Missouri, Tennessee, and Indiana. Murray State has study centers in four other cities where it offers a diverse range of degree programs from associate to master levels, through a framework of approximately 30 departmental units in 5 colleges and 1 school, and contributes to the region and state through related research and public service programs. The University is a charter member of the Ohio Valley Conference and a Division I member of the NCAA. Murray State University serves as a residential, regional university offering core programs in the liberal arts, humanities, sciences and selected high-quality professional programs for approximately 10,100 students. The University has not only posted record enrollment figures for the past nine years, it has increased its graduation rate to an impressive 57.3 percent.

The tuition and fees for the 2004-05 academic year increased by \$274 per semester for a full time resident undergraduate student. Tuition and fees at the University continues to be significantly less than the national average.

Murray State University consistently ranks among the nation's best regional universities each year and has been recognized by *Kaplan, Inc.*, *Kiplinger* and *U.S. News & World Report* for its academic quality and affordability. For 15 consecutive years *U.S. News & World Report* has ranked the University as one of the best universities in America. In the 2006 edition of the publication, the University ranked ninth in the nation among public master's universities. The University ranked second in the South's public master's universities "Great Schools at a Great Price" category for 2006. The University's solid academic programs and affordable price have placed it in the top two best values among public schools in the South. This is the third consecutive year the University has been ranked in this category, and it is the only Kentucky university ranked in this class. Factors considered in the rankings are reputation, retention rate, graduation rate, class size, student-faculty ratio and SAT/ACT scoring.

The University continues to have a commitment to academic and extracurricular excellence, while retaining its status as an affordable institution of higher education.

**Financial Highlights**

- The University's financial position remained strong as of the end of the year, with assets of \$199.6 million and liabilities of \$51.6 million. Net assets, which represent the University's residual interest in assets after liabilities are deducted, were \$148 million or 74% of total assets. Net assets increased by \$4.3 million from 2004 to 2005.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

- Fiscal operations were in accordance with the annual operating budget of approximately \$107 million. Notwithstanding a reduction in state appropriations, the University continued to be a strong employer for the region and employed approximately 3,940 individuals, including 575 faculty and 1,090 staff members and 2,275 students. These amounts include 1,350 regular and full time faculty and staff.
- State appropriations from the Commonwealth of Kentucky fell by a net of \$.8 million or 1.5% in 2005, which included a general appropriations reduction of \$1.6 million. Departmental reserves from the prior year were utilized to cover this appropriations reduction.
- Phase II of a multi-phase science complex was funded with \$15 million from the Commonwealth of Kentucky 2004-06 biennium budget. This second facility is expected to house Chemistry programs. Land site preparation has started for this project and construction is scheduled to start in spring 2006.

Construction of the phase I facility in the science complex has been substantially completed and currently houses the Biology program. The first phase was funded with \$13 million from the Commonwealth of Kentucky in the 2000-2002 biennium budget. A portion of the funding from phase II will be utilized to complete the second floor of this building, which will fully complete the interior and exterior of this building.

- Construction was completed for the new student recreation/wellness center in January 2005. The Susan E. Bauernfeind Student Recreation and Wellness Center opened to serve students, faculty, staff and alumni in the spring 2005.
- Construction began on the Western Regional Center for Emerging Technologies (business incubator), located on the north edge of the main campus, which is scheduled for substantial completion in the fall 2005. Funding of \$3 million was secured in 2002-03 from state and federal agencies to construct this facility. This facility will act to promote economic and technological development within the region, through the combined efforts of the University and state economic development initiatives.
- The University is conducting a fund raising campaign for the revitalization of Waterfield Library. Proceeds from this campaign are planned to be used for deferred maintenance, enhancements in library holdings and technology improvements, which included wireless connectivity throughout the library.
- The University began renovations to various facilities on the main campus to improve energy performance. Chevron/Texaco was contracted to study energy usage in the main campus buildings and recommended many changes to improve performance and produce costs savings. This campus wide project was funded from \$6.7 million of debt service issued and expected to be completed in the fall 2005. Chevron/Texaco guarantees costs savings will be realized over a number of years to cover the repayment of this debt. A major addition to the Equine Training Facility located on the West Farm campus was completed in August 2005 and began to service the academic programs for the School of Agriculture. Funding of almost \$1

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

million was utilized for this project, with the most significant portion being funded from the Kentucky Council on Postsecondary Education's Equine Trust Fund.

- A major upgrade to the main campus and residential colleges networking infrastructure was completed and funded with approximately \$1.6 million of masterlease debt financing. The debt will be repaid with student fee revenue. This upgrade increased network stability and allows the University to move forward with new Internet technologies.
- The University received a \$1 million technology and training grant from CampusEAI Consortium. This grant will provide the capability to cost effectively enhance the portal project initiative. These technologies will streamline access to University online services and personalize web-based information specifically for each end user. In addition to the technologies provided through the grant, the University purchased additional Oracle software that will enhance and integrate current applications into the portal platform. This software and support was purchased with \$370,000 of masterlease debt financing that will be repaid from the general operating budget.
- For the first time in several years, the University experienced a considerable decrease in health insurance claims during the fiscal year. Plan design, wellness initiatives, and employee awareness were significant factors in the cost of claims.

**Using the Financial Statements**

The University's financial statements consist of Balance Sheets (Statements of Net Assets), Statements of Revenues, Expenses and Changes in Net Assets (Income Statements), Statements of Cash Flows and Notes to the Financial Statements. These financial statements and accompanying Notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements.

These financial statements provide an entity-wide perspective and focus on the financial condition, results of operations, and cash flows of the University as a whole.

Financial statements have also been included for the University's component units, in accordance with the requirements of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These component units are the Murray State University Foundation, Inc. and the Murray State University Athletic Foundation, Inc. Financial statements for these entities consist of Statements of Financial Position (Balance Sheets) and Statements of Activities (Income Statements). These statements are prepared in accordance with the appropriate Financial Accounting Standards Board (FASB) pronouncements.

---

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

**Balance Sheets**

The Balance Sheets present a financial picture of the University's financial condition at the end of the 2005 and 2004 fiscal years by reporting assets (current and noncurrent), liabilities (current and noncurrent), and net assets. Net assets, the difference between total assets and total liabilities, are an important indicator of the current financial condition, while the change in net assets is an indicator of whether the overall financial position has improved or worsened during the year.

***Assets***

Total assets at the end of the fiscal year 2005 were \$199.6 million, of which capital assets, net of depreciation, represented the largest portion. This group of assets totaled approximately \$119.3 million or 60% of total assets and was primarily comprised of university-owned land, buildings, equipment, and library holdings. Cash and cash equivalents amounted to \$42.1 million or 21% of total assets. Total assets increased by \$5.5 million during 2005, which was primarily due to the capitalization of major construction projects. Total assets increased by \$10.7 million during 2004, which was primarily due to \$3.3 million received for the Endowment Matching Program, the capitalization of Winslow Cafeteria, and construction costs of various projects.

***Liabilities***

Total liabilities at the end of the fiscal year 2005 were \$51.6 million. An increase in total long-term debt obligations, reduced further by a decrease in debt payments and accounts payables for phase I of the science complex and the student recreation/wellness center, were the primary reasons for an overall total liabilities increase during 2005 of \$1.2 million. Total long-term debt obligations amounted to \$36.8 million. These debt obligations increased by \$3.9 million during 2005, due primarily to the \$6.7 million Chevron Energy Performance masterlease, net of current year debt payments.

Total liabilities at the end of the fiscal year 2004 were \$50.4 million. During 2004, total liabilities decreased by \$4.1 million due to the use of deferred revenues, recorded in 2003, for the science complex phase I construction project. These deferred revenues were recognized as revenues in 2004 and used to pay for expenses related to construction.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

**Condensed Balance Sheets**

	June 30, 2005	June 30, 2004	June 30, 2003
<b>Assets</b>			
Current assets	\$ 40,690,369	\$ 33,665,438	\$ 29,216,953
Noncurrent assets	39,621,293	42,892,454	46,974,282
Capital assets	119,254,615	117,518,493	107,147,545
<b>Total assets</b>	<b>\$ 199,566,277</b>	<b>\$ 194,076,385</b>	<b>\$ 183,338,780</b>
<b>Liabilities</b>			
Current liabilities	\$ 18,355,649	\$ 20,571,802	\$ 24,961,998
Noncurrent liabilities	33,233,974	29,832,417	29,542,035
<b>Total liabilities</b>	<b>\$ 51,589,623</b>	<b>\$ 50,404,219</b>	<b>\$ 54,504,033</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$ 89,933,928	\$ 85,638,535	\$ 85,104,843
Restricted for			
Nonexpendable	14,781,227	14,684,636	11,380,920
Expendable			
Scholarships, research, instruction and other	4,578,913	3,729,092	2,552,561
Loans	4,919,668	4,977,530	4,985,017
Capital	3,174,364	9,135,468	4,100,350
Debt service	4,144,190	4,021,365	3,587,330
Unrestricted	26,444,364	21,485,540	17,123,726
<b>Total net assets</b>	<b>147,976,654</b>	<b>143,672,166</b>	<b>128,834,747</b>
<b>Total liabilities and net assets</b>	<b>\$ 199,566,277</b>	<b>\$ 194,076,385</b>	<b>\$ 183,338,780</b>

**Net Assets**

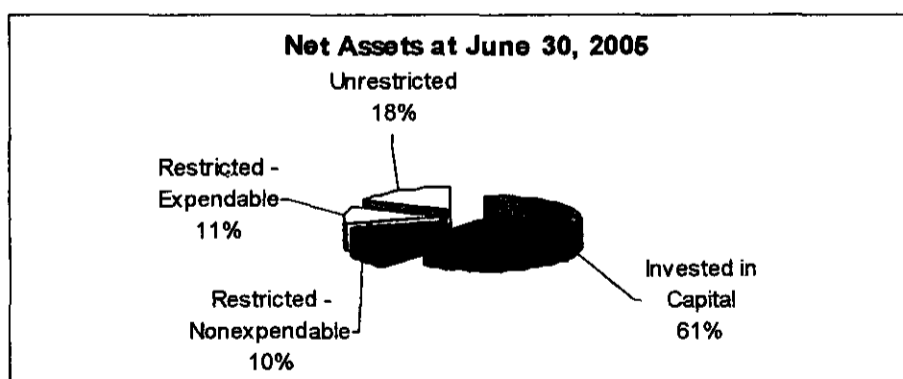
Net assets, which represent total equity, of the University were divided into three major categories, defined as follows:

- o Invested in capital assets, net of related debt - This category represents the institution's equity in property, buildings, equipment, library holdings and other plant assets owned by the University, less related depreciation.
- o Restricted - This category represents those assets subject to externally imposed restrictions governing their use and includes classifications of nonexpendable and expendable.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

- Restricted nonexpendable net assets - Restricted nonexpendable net assets consist solely of permanent endowments owned by the University. The corpus, as specified by the donor, is invested in perpetuity and may not be expended.
- Restricted expendable net assets - Restricted expendable net assets consist of those assets that may be expended by the University, but must be spent for purposes as defined by the donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- Unrestricted - This category represents the net assets held by the University that have no formal restrictions placed upon them. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the unrestricted net assets have been designated for various programs and initiatives, capital projects and working capital requirements.

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



**Statements of Revenues, Expenses and Changes in Net Assets**

The Statements of Revenues, Expenses and Changes in Net Assets, which are generally referred to as the activities statement or income statement, present the revenues earned and expenses incurred and income or loss from operations for the current and prior fiscal years. Activities are reported as either operating or non-operating. Changes in total net assets as presented on the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Assets.

The Statements of Net Assets are prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. A public university's dependency on state appropriations will result in reported operating losses. The Governmental Accounting Standards Board requires state appropriations to be classified as non-operating revenues. The utilization of long-

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

lived capital assets is reflected in the financial statements as depreciation, which expenses the costs of an asset over its expected useful life.

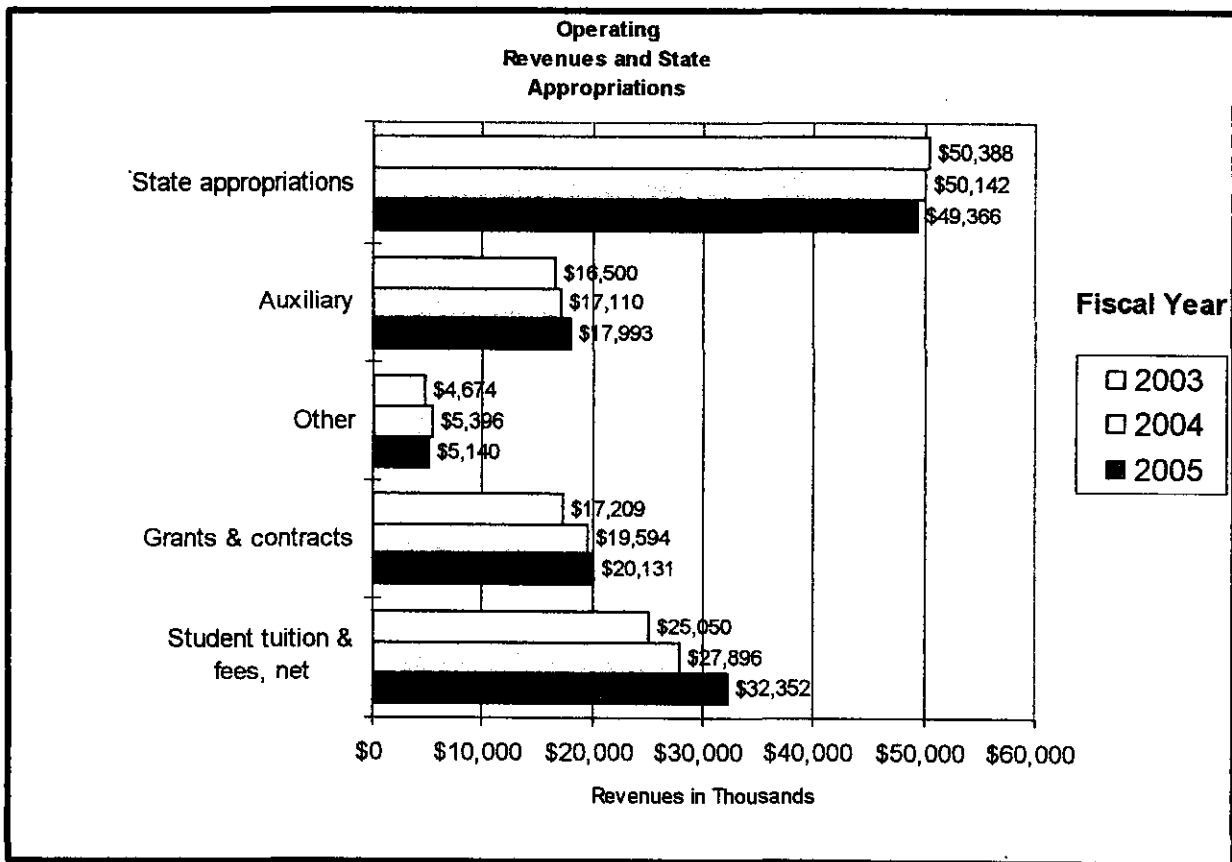
**Revenues**

Total operating revenues, which exclude state appropriations, for the 2005 fiscal year were \$75.6 million, including student tuition and fees, net of related discounts and allowances, of \$32.4 million, operating grants and contracts revenues of \$20.1 million, and auxiliary services net revenue of \$18 million.

Operating revenues increased during the year by \$5.6 million. This increase is comprised of \$5.3 million from net student tuition, fees, room, and board, driven by increased student enrollment and on campus residency, and \$.5 million from federal and state grants and contracts.

For 2005, the University received a net of \$49.4 million of state appropriations, which included a \$1.6 million appropriations reduction. In addition, the University experienced a \$1.3 appropriations reduction in 2004. State appropriations are required to be classified as nonoperating revenues; however, these funds were used to support University operating activities.

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



---

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

*Expenses*

Total operating expenses for the 2005 fiscal year were \$131.7 million. Of this amount, \$109.1 million were for educational and general expenses, including instruction, academic support, and operation and maintenance. Instructional program expenses represent the most significant portion of the educational and general operating expenses, totaling \$47.0 million or 43% of the total educational and general portion. Remaining operating expenses were for depreciation and auxiliary services, which amounted to \$7.4 million and \$15.3 million, respectively. Depreciation for all areas of the University is reported as an operating expense and was not allocated to each program group, except for auxiliary enterprises.

Operating expenses increased for the year ended June 30, 2005, by \$7.2 million. Only minimal increases were reported for operating costs for services, materials, and supplies for departmental units. The primary reasons for increased operating expenses are salaries, utilities, property insurance and other fixed costs.

The net loss from operations for the year ended June 30, 2005, was \$56.1 million. Nonoperating revenues, net of expenses, amounted to \$57.1 million and non-debt related capital funding amounted to \$3.3 million, resulting in an increase in net assets of \$4.3 million for the year ended June 30, 2005.

The net loss from operations for the year ended June 30, 2004, was \$54.5 million. Nonoperating revenues, net of expenses, amounted to \$60.3 million and non-debt related capital funding amounted to \$9 million, resulting in an increase in net assets of \$14.8 million for the year ended June 30, 2004.



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

**Condensed Statements of Revenues, Expenses and Changes in Net Assets**

	2005	2004	2003
<b>Operating revenues</b>			
Student tuition and fees, net	\$ 32,351,507	\$ 27,896,362	\$ 25,049,932
Grants and contracts	20,130,510	19,593,986	17,208,964
Other	5,140,180	5,395,820	4,673,883
Auxiliary, net	17,993,122	17,109,547	16,500,239
Total operating revenues	<u>75,615,319</u>	<u>69,995,715</u>	<u>63,433,018</u>
<b>Operating expenses</b>			
Instruction	47,040,216	46,574,969	45,804,242
Other educational and general	62,023,778	56,662,972	54,072,308
Depreciation	6,527,977	5,840,909	5,784,813
Auxiliary enterprises	15,267,241	14,592,820	14,769,901
Auxiliary depreciation	831,987	779,527	674,609
Total operating expenses	<u>131,691,199</u>	<u>124,451,197</u>	<u>121,105,873</u>
Operating loss	<u>(56,075,880)</u>	<u>(54,455,482)</u>	<u>(57,672,855)</u>
<b>Nonoperating revenues (expenses)</b>			
State appropriations	49,366,100	50,141,800	50,388,100
Other nonoperating revenues (expenses)	11,014,268	19,151,101	8,880,266
Total nonoperating revenues (expenses)	<u>60,380,368</u>	<u>69,292,901</u>	<u>59,268,366</u>
Increase in net assets	<u>4,304,488</u>	<u>14,837,419</u>	<u>1,595,511</u>
Net assets, beginning of year	<u>143,672,166</u>	<u>128,834,747</u>	<u>127,239,236</u>
Net assets, end of year	<u>\$ 147,976,654</u>	<u>\$ 143,672,166</u>	<u>\$ 128,834,747</u>

**Statements of Cash Flows**

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

The net cash used in operating activities reflects the net cash used for general operations of the University, which changed by \$.9 million during 2005.

The cash flows from noncapital financing activities, changed by \$.5 million during 2005. This change was due to a decrease in net state appropriations.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

The net cash flows used in capital and related financing activities represent cash received and used for the acquisition, construction, and renovation of capital assets, which changed by \$7.3 million during 2005. A large portion of this change is due to reduced expenses in 2005 related to capital construction projects, such as the student recreation/wellness center and phase I of the science complex.

The cash flows provided by (used in) investing activities represent the cash activities of investments, which changed by \$2.8 million. This change is related to the purchase of investments for the energy performance project debt escrow fund.

The net cash used in operating activities reflects the net cash used for general operations of the University, which changed by \$1.2 million during 2004. A large portion of this change was due to savings and more efficient operations of auxiliary enterprises.

The cash flows from noncapital financing activities, changed by \$.5 million during 2004. This change was due to the increase of grants and contracts receipts. However, two significant transactions are reflected in this section of the 2004 Statement of Cash Flows. The \$3.3 million receipt of the Regional Universities Endowment Trust Fund proceeds awarded to the University in 2004 caused an increase in noncapital financing activities. In 2004, these funds were also transferred to the MSU Foundation for investment purposes, which caused a decrease for the same amount.

The net cash flows used in capital and related financing activities represent cash received and used for the acquisition, construction, and renovation of capital assets, which changed by \$13.2 million during 2004. A large portion of this change is due to expenses related to the continued construction of the science complex and the student recreation/wellness center.

The cash flows provided by investing activities represent the cash activities of investments related to bond reserve funds and endowment assets. Minimal changes in debt service reserve requirements were required for the year ended June 30, 2004.

**Condensed Statements of Cash Flows**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Cash provided/(used by):</b>			
Operating activities	\$ (48,520,987)	\$ (47,628,530)	\$ (48,819,153)
Noncapital financing activities	54,474,090	54,974,561	54,478,012
Capital and related financing activities	(5,788,732)	(13,041,031)	164,548
Investing activities	(1,368,063)	1,508,087	1,483,471
Net increase in cash	<u>(1,203,692)</u>	<u>(4,186,913)</u>	<u>7,306,878</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>43,341,386</u>	<u>47,528,299</u>	<u>40,221,421</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 42,137,694</u>	<u>\$ 43,341,386</u>	<u>\$ 47,528,299</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

**Capital Assets and Debt Administration**

The University had a \$1.7 million increase in capital assets during the fiscal year ended June 30, 2005. This change is primarily due an increase of \$1.1 million in equipment acquisitions. The Science Complex Phase I and Wellness Center projects, which total \$24 million, was transferred from construction in progress to the buildings assets during the year. Capital assets as of the year ended June 30, 2005, and changes during the year are as follows:

	Balance June 30, 2005	Net Change 2004-05
Land	\$ 6,791,881	\$ 310,316
Construction in progress	3,055,589	(19,509,585)
Museum and collectibles	497,193	-
Buildings	182,540,678	24,324,756
Non-building improvements	9,623,707	810,406
Equipment	19,865,288	1,596,216
Library holdings	25,957,764	952,808
Livestock	122,750	28,500
Accumulated depreciation	(129,200,235)	(6,777,295)
<b>Total</b>	<b>\$ 119,254,615</b>	<b>\$ 1,736,122</b>

The University issued new debt of \$7.5 million which included \$6.7 million for the improvement of energy performance on campus. The University also paid off \$3.5 million of long term debt.

Debt as of June 30, 2005, is summarized below:

	Balance June 30, 2005
Housing and Dining System Revenue Bonds	\$ 10,525,000
Consolidated Educational Buildings Revenue Bonds	5,260,000
Bond discount	(212,026)
City of Murray	10,000,000
Other (Note 11 of Notes to Financial Statements )	11,216,599
<b>Total</b>	<b>\$ 36,789,573</b>

**Infrastructure Assets**

Infrastructure assets are defined by GASB No. 34 as long-lived assets that are normally stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These types of assets will typically be permanent non-building additions that service the entire campus. The University has adopted the modified approach of accounting for its infrastructure assets. This approach requires that an asset management system be established and maintained. Such a system would

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

assess and disclose that all eligible infrastructure assets are being preserved approximately at (or above) a condition level established. To date, the University has not identified any assets that should be classified as infrastructure.

**Economic Factors Affecting Future Periods**

- General state appropriations from the Commonwealth of Kentucky (Commonwealth) are expected to remain constant or slightly increase over the next period.
- The University provides health insurance to employees through a self-funded program. As reflected in national trends, the costs of health claims will continue to be a major expense for the institution.
- The Athletic Department's fundraising and sponsorship activities will transfer to the University from the Murray State University Athletic Foundation, effective July 1, 2005. This change should significantly improve institutional control of the Athletic Department.
- Prior to the 2006-07 academic year, the governing bodies of each public university within the Commonwealth of Kentucky had been delegated the authority to set tuition rates for its respective university. Beginning with the 2006-07 academic year, the Commonwealth of Kentucky's Council on Postsecondary Education will rescind this delegation and they will begin to approve the tuition rates for all public universities within the Commonwealth. The impact of this change is not yet known.
- The University has received a \$13 million project authorization from the Commonwealth to construct a new residential college facility to replace the existing Clark Residential College. Architects have been engaged for this project and building construction is planned to start in the spring 2006. In addition, the University has requested authorization from the Commonwealth from the 2006-08 biennial budget to replace the existing Richmond Residential College.
- The University's capital funding priority for the 2006-08 Commonwealth's biennium budget is \$15 million for phase III of the science complex. This phase will be for the third building in the complex and will house the Physics program.
- In partnerships with Murray Electric System, the University plans to begin a new energy project. This project will entail the construction of a building to house diesel generators on the main campus. These generators will allow the University to obtain better electrical utility rates per unit.

**Contacting the University's Financial Management**

This financial report is designed to provide a general overview of the University's finances and to show the University's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to Vice President for Finance and Administrative Services, 322 Sparks Hall, Murray, KY 42071.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Balance Sheets**  
**June 30, 2005 and 2004**

**ASSETS**

	<u>2005</u>	<u>2004</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 31,733,726	\$ 25,491,325
Accounts receivable, net	5,212,078	4,582,500
Inventories	1,982,920	2,021,246
Prepaid expenses	876,607	684,832
Loans receivable, net	869,983	771,011
Interest receivable	<u>15,055</u>	<u>114,524</u>
Total current assets	<u>40,690,369</u>	<u>33,665,438</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	10,403,968	17,850,061
Restricted investments	25,051,377	20,797,865
Accounts receivable, net	91,700	183,400
Loans receivable, net	3,641,037	3,604,160
Capital assets	248,454,850	239,941,433
Accumulated depreciation	(129,200,235)	(122,422,940)
Debt issuance costs, net	<u>433,211</u>	<u>456,968</u>
Total noncurrent assets	<u>158,875,908</u>	<u>160,410,947</u>
Total assets	<u>\$ 199,566,277</u>	<u>\$ 194,076,385</u>

See Notes to Financial Statements

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Balance Sheets**  
**June 30, 2005 and 2004**

**LIABILITIES AND NET ASSETS**

	<u>2005</u>	<u>2004</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 6,048,999	\$ 7,689,126
Self-insured health liability	1,079,117	1,152,763
Accrued payroll	3,437,563	3,367,640
Interest payable	237,831	241,347
Deposits	167,798	207,083
Deferred revenue	3,622,937	4,716,368
Current maturities of long-term liabilities	<u>3,761,404</u>	<u>3,197,475</u>
Total current liabilities	<u>18,355,649</u>	<u>20,571,802</u>
<b>Noncurrent Liabilities</b>		
Deposits	205,805	171,933
Revenue bonds, notes payable, and capital leases	<u>33,028,169</u>	<u>29,660,484</u>
Total noncurrent liabilities	<u>33,233,974</u>	<u>29,832,417</u>
Total liabilities	<u>51,589,623</u>	<u>50,404,219</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	89,933,928	85,638,535
Restricted for		
Nonexpendable – permanent endowments	14,781,227	14,684,636
Expendable		
Scholarships, research, instruction and other	4,578,913	3,729,092
Loans	4,919,668	4,977,530
Capital assets	3,174,364	9,135,468
Debt service	4,144,190	4,021,365
Unrestricted	<u>26,444,364</u>	<u>21,485,540</u>
Total net assets	<u>147,976,654</u>	<u>143,672,166</u>
Total liabilities and net assets	<u>\$ 199,566,277</u>	<u>\$ 194,076,385</u>

Murray State University Foundation, Inc.  
 Statements of Financial Position  
 June 30, 2005 and 2004

**ASSETS**

	2005	2004
Cash	\$ 115,694	\$ 29,920
Accounts receivable, net of allowance; 2005 - \$16,740, 2004 - \$16,256	70,327	67,376
Investments	54,440,112	47,726,626
Prepaid and other current assets	33,832	29,635
Real estate held for sale	88,710	462,085
Contributions receivable, net of allowance; 2005 - \$33,148, 2004 - \$47,770	625,594	902,086
Notes receivable	185,809	202,037
Property and equipment, net of accumulated depreciation; 2005 - \$1,585,764, 2004 - \$1,460,204	3,202,959	3,284,587
Total assets	\$ 58,763,037	\$ 52,704,352

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 159,133	\$ 165,334
Accrued expenses	32,939	31,034
Deferred revenue	38,613	33,368
Assets held for others	17,534,480	16,273,654
Annuities payable	221,762	236,484
Capital lease obligations	83,802	120,273
Total liabilities	18,070,729	16,860,147

**Net Assets**

Unrestricted	6,041,631	5,809,256
Temporarily restricted	12,210,710	8,975,425
Permanently restricted	22,439,967	21,059,524
Total net assets	40,692,308	35,844,205
Total liabilities and net assets	\$ 58,763,037	\$ 52,704,352

See Notes to Financial Statements

Murray State University Athletic Foundation, Inc.  
 Statements of Financial Position  
 June 30, 2005 and 2004

**ASSETS**

	2005	2004
Cash	\$ 180,285	\$ 115,243
Investments	108,968	88,421
Contributions receivable, net of allowance; 2005 - \$1,800, 2004 - \$13,000	34,302	34,237
Other receivables	34,297	93,016
Real estate held for sale	603,595	1,231,525
Equipment, net of accumulated depreciation; 2005 - \$6,623, 2004 - \$3,521	5,750	8,851
Total assets	\$ 967,197	\$ 1,571,293

**LIABILITIES AND NET ASSETS**

**Liabilities**

Line of credit	\$ —	\$ 325,000
Accounts payable to Murray State University	435,897	—
Accounts payable and accrued expenses	32,927	45,118
Note payable	607,672	1,215,137
Total liabilities	1,076,496	1,585,255

**Net Assets (Deficit)**

Unrestricted	(192,072)	(125,879)
Temporarily restricted	82,773	111,917
Total net assets (deficit)	(109,299)	(13,962)
Total liabilities and net assets (deficit)	\$ 967,197	\$ 1,571,293



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<b>Revenues</b>		
Operating revenues		
Student tuition and fees	\$ 52,096,603	\$ 43,227,944
Less discounts and allowances	<u>(19,745,096)</u>	<u>(15,331,582)</u>
Net tuition and fees	<u>32,351,507</u>	<u>27,896,362</u>
Federal grants and contracts	12,463,138	12,534,110
State grants and contracts	7,421,792	6,815,631
Local and private grants and contracts	<u>245,580</u>	<u>244,245</u>
Total grants and contracts	<u>20,130,510</u>	<u>19,593,986</u>
Sales and services of educational departments	3,429,670	3,551,156
Other operating revenues	<u>1,710,510</u>	<u>1,844,664</u>
Total sales, services, and other revenues	<u>5,140,180</u>	<u>5,395,820</u>
Auxiliary enterprises revenues (Revenues are pledged as security for the Housing and Dining Revenue System Bond Series A - P)	18,742,513	17,830,810
Less discounts and allowances	<u>(749,391)</u>	<u>(721,263)</u>
Net auxiliary revenue	<u>17,993,122</u>	<u>17,109,547</u>
Total operating revenues	<u>75,615,319</u>	<u>69,995,715</u>
<b>Expenses</b>		
Operating expenses		
Instruction	47,040,216	46,574,969
Research	2,647,825	3,495,188
Public service	5,803,477	5,446,975
Libraries	1,621,110	1,640,583
Academic support	5,418,991	5,216,651
Student services	11,201,585	10,833,270
Institutional support	10,918,645	10,100,759
Operational and maintenance of plant	17,439,073	13,229,253
Student financial aid	6,973,072	6,700,293
Depreciation	6,527,977	5,840,909
Auxiliary enterprises	15,267,241	14,592,820
Auxiliary depreciation	<u>831,987</u>	<u>779,527</u>
Total operating expenses	<u>131,691,199</u>	<u>124,451,197</u>
<b>Operating Loss</b>	<u>\$ (56,075,880)</u>	<u>\$ (54,455,482)</u>

See Notes to Financial Statements

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	\$ 50,999,000	\$ 51,472,900
Less: State appropriation reduction	(1,632,900)	(1,331,100)
State endowment match	—	3,259,000
Restricted student fees (Revenues are pledged as security for the City of Murray debt agreement)	646,417	637,850
Federal grants and contracts	1,747,094	1,328,844
State grants and contracts	2,805,482	2,307,248
Local and private grants and contracts	1,220,515	1,855,761
Gifts	578,337	360,470
Investment income	2,464,474	1,797,883
Interest on capital asset-related debt	(1,503,252)	(1,073,989)
Loss on deletion and disposal of capital assets	(156,020)	(131,729)
Bond amortization	(51,311)	(165,608)
	<u>57,117,836</u>	<u>60,317,530</u>
<b>Net nonoperating revenues (expenses)</b>		
	<u>57,117,836</u>	<u>60,317,530</u>
<b>Income before Other Revenues, Expenses, Gains or Losses</b>	1,041,956	5,862,048
State capital appropriations	1,274,783	8,142,030
Capital grants	1,468,179	492,405
Capital gifts	397,807	176,178
Insurance proceeds on capital asset loss	121,763	164,758
	<u>4,304,488</u>	<u>14,837,419</u>
<b>Increase in Net Assets</b>		
	<u>4,304,488</u>	<u>14,837,419</u>
<b>Net Assets, Beginning of Year</b>	<u>143,672,166</u>	<u>128,834,747</u>
<b>Net Assets, End of Year</b>	<u>\$ 147,976,654</u>	<u>\$ 143,672,166</u>

Murray State University Foundation, Inc.  
 Statements of Activities  
 Years Ended June 30, 2005 and 2004

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, Gains and Other Support</b>				
Contributions	\$ 131,648	\$ 3,643,647	\$ 868,513	\$ 4,643,808
Revenues from operations of golf course	506,478	—	—	506,478
Fees	128,945	—	—	128,945
Investment return	1,111,340	1,410,345	340,475	2,862,160
Other	240,468	13,428	171,455	425,351
Reclassification based on donor intent	—	—	—	—
Net assets released from restrictions	<u>1,832,135</u>	<u>(1,832,135)</u>	—	—
Total revenues, gains and other support	<u>3,951,014</u>	<u>3,235,285</u>	<u>1,380,443</u>	<u>8,566,742</u>
<b>Expenses and Losses</b>				
Payments made on behalf of Murray State University	2,242,375	—	—	2,242,375
Golf course	555,052	—	—	555,052
General and administrative	921,212	—	—	921,212
Loss on impairment of real estate held for sale	—	—	—	—
Total expenses and losses	<u>3,718,639</u>	<u>—</u>	<u>—</u>	<u>3,718,639</u>
<b>Change in Net Assets</b>	232,375	3,235,285	1,380,443	4,848,103
<b>Net Assets, Beginning of Year</b>	<u>5,809,256</u>	<u>8,975,425</u>	<u>21,059,524</u>	<u>35,844,205</u>
<b>Net Assets, End of Year</b>	<u>\$ 6,041,631</u>	<u>\$ 12,210,710</u>	<u>\$ 22,439,967</u>	<u>\$ 40,692,308</u>

See Notes to Financial Statements

Murray State University Foundation, Inc.  
 Statements of Activities  
 Years Ended June 30, 2005 and 2004

	2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, Gains and Other Support</b>				
Contributions	\$ 82,999	\$ 923,198	\$ 3,875,339	\$ 4,881,536
Revenues from operations of golf course	476,488	—	—	476,488
Fees	116,607	—	—	116,607
Investment return	1,040,133	2,084,000	3,859	3,127,992
Other	168,520	294,003	63,115	525,638
Reclassification based on donor intent	(48,053)	440,343	(392,290)	—
Net assets released from restrictions	<u>1,584,088</u>	<u>(1,584,088)</u>	<u>—</u>	<u>—</u>
Total revenues, gains and other support	<u>3,420,782</u>	<u>2,157,456</u>	<u>3,550,023</u>	<u>9,128,261</u>
<b>Expenses and Losses</b>				
Payments made on behalf of Murray State University	1,354,374	—	—	1,354,374
Golf course	558,962	—	—	558,962
General and administrative	757,939	—	—	757,939
Loss on impairment of real estate held for sale	<u>229,714</u>	<u>—</u>	<u>—</u>	<u>229,714</u>
Total expenses and losses	<u>2,900,989</u>	<u>—</u>	<u>—</u>	<u>2,900,989</u>
<b>Change in Net Assets</b>	519,793	2,157,456	3,550,023	6,227,272
<b>Net Assets, Beginning of Year</b>	<u>5,289,463</u>	<u>6,817,969</u>	<u>17,509,501</u>	<u>29,616,933</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,809,256</u>	<u>\$ 8,975,425</u>	<u>\$ 21,059,524</u>	<u>\$ 35,844,205</u>

Murray State University Athletic Foundation, Inc.  
 Statements of Activities  
 Years Ended June 30, 2005 and 2004

	2005		
	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 70,775	\$ 435,503	\$ 506,278
Sponsorships and promotions	387,489	—	387,489
Fund raising events	72,677	52,003	124,680
Investment return	7,823	—	7,823
Gain on sale of real estate held for sale	335,198	—	335,198
Other	30,279	—	30,279
Net assets released from restrictions	<u>516,650</u>	<u>(516,650)</u>	<u>—</u>
Total revenues, gains and other support	<u>1,420,891</u>	<u>(29,144)</u>	<u>1,391,747</u>
<b>Expenses</b>			
Sponsorships and promotions	370,452	—	370,452
Contributions to Murray State University			
Athletic department	668,221	—	668,221
General operations	70,226	—	70,226
Contribution to Murray State University Foundation	—	—	—
General and administrative	236,589	—	236,589
Fund raising events	61,644	—	61,644
Membership activities	10,661	—	10,661
Interest	<u>69,291</u>	<u>—</u>	<u>69,291</u>
Total expenses	<u>1,487,084</u>	<u>—</u>	<u>1,487,084</u>
<b>Change in Net Assets (Deficit)</b>	(66,193)	(29,144)	(95,337)
<b>Net Assets (Deficit), Beginning of Year</b>	<u>(125,879)</u>	<u>111,917</u>	<u>(13,962)</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ (192,072)</u>	<u>\$ 82,773</u>	<u>\$ (109,299)</u>

See Notes to Financial Statements

Murray State University Athletic Foundation, Inc.  
 Statements of Activities  
 Years Ended June 30, 2005 and 2004

	2004		
	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 95,503	\$ 591,298	\$ 686,801
Sponsorships and promotions	492,908	140	493,048
Fund raising events	116,509	16,310	132,819
Investment return	12,360	—	12,360
Gain on sale of real estate held for sale	1,780,954	—	1,780,954
Other	56,273	475	56,748
Net assets released from restrictions	<u>632,956</u>	<u>(632,956)</u>	<u>—</u>
Total revenues, gains and other support	<u>3,187,463</u>	<u>(24,733)</u>	<u>3,162,730</u>
<b>Expenses</b>			
Sponsorships and promotions	324,773	—	324,773
Contributions to Murray State University			
Athletic department	1,004,727	—	1,004,727
General operations	95,120	—	95,120
Contribution to Murray State University			
Foundation	35,300	—	35,300
General and administrative	346,324	—	346,324
Fund raising events	61,283	—	61,283
Membership activities	23,157	—	23,157
Interest	<u>104,291</u>	<u>—</u>	<u>104,291</u>
Total expenses	<u>1,994,975</u>	<u>—</u>	<u>1,994,975</u>
<b>Change in Net Assets (Deficit)</b>	1,192,488	(24,733)	1,167,755
<b>Net Assets (Deficit), Beginning of Year</b>	<u>(1,318,367)</u>	<u>136,650</u>	<u>(1,181,717)</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ (125,879)</u>	<u>\$ 111,917</u>	<u>\$ (13,962)</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Statements of Cash Flows**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 32,726,025	\$ 27,695,754
Grants and contracts	19,220,602	18,752,655
Salaries, wages, and benefits	(72,347,127)	(72,890,855)
Payments to suppliers	(28,716,663)	(22,856,859)
Payments to students for financial aid	(6,973,072)	(6,700,293)
Computer loans issued to employees	(39,833)	(50,401)
Collection of computer loans to employees	43,444	55,255
Loans issued to students	(1,297,203)	(1,105,122)
Collection of loans to students	1,161,354	1,113,468
Sales and services	3,183,549	3,977,012
Other operating revenues	1,708,241	1,843,745
Auxiliary enterprises revenues		
Food service	5,877,915	5,498,227
Housing	6,785,347	6,518,309
Book store	4,971,841	4,845,229
Other	238,424	268,166
Auxiliary enterprises payments		
Salaries, wages, and benefits	(4,658,079)	(4,650,122)
Payment to suppliers	(10,405,752)	(9,942,698)
	<u>(48,520,987)</u>	<u>(47,628,530)</u>
<b>Net cash used in operating activities</b>		
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	49,366,100	50,141,800
State endowment match	—	3,259,000
Grants and contracts	5,773,091	5,491,853
Endowment transfers to MSU Foundation	(770,350)	(4,017,274)
Gifts for other than capital purposes	100,100	100,454
Agency transactions	5,149	(1,272)
	<u>54,474,090</u>	<u>54,974,561</u>
<b>Net cash provided by noncapital financing activities</b>		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from capital debt	7,465,190	6,511,226
Payment receipt for loan issued for capital project	91,700	54,200
Restricted student fees pledged for debt service	646,417	637,850
Insurance proceeds	121,763	164,758
State capital appropriations	546,402	970,147
Purchases of capital assets	(11,195,885)	(14,864,692)
Capital gift	135,400	20,000
Capital grants	1,468,179	492,405
Principal paid on capital debt and leases	(3,561,130)	(5,942,600)
Interest paid on capital debt and leases	(1,506,768)	(1,084,325)
	<u>(5,788,732)</u>	<u>(13,041,031)</u>
<b>Net cash used in capital and related financing activities</b>		

See Notes to Financial Statements

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Statements of Cash Flows**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	\$ 6,747,641	\$ 5,875,010
Purchase of investments	(9,928,475)	(5,979,952)
Interest receipts on investments	<u>1,812,771</u>	<u>1,613,029</u>
Net cash (used in) provided by investing activities	<u>(1,368,063)</u>	<u>1,508,087</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,203,692)	(4,186,913)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>43,341,386</u>	<u>47,528,299</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 42,137,694</u>	<u>\$ 43,341,386</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets</b>		
Cash and cash equivalents	\$ 31,733,726	\$ 25,491,325
Restricted cash and cash equivalents	<u>10,403,968</u>	<u>17,850,061</u>
Total cash and cash equivalents	<u>\$ 42,137,694</u>	<u>\$ 43,341,386</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>		
Operating loss	\$ (56,075,880)	\$ (54,455,482)
Depreciation	7,359,964	6,620,436
Bad debt	169,248	128,894
Changes in assets and liabilities		
Accounts receivable, net	732,388	(619,127)
Inventories	38,326	(147,277)
Prepaid expenses	(191,775)	(99,049)
Accounts payable	(171,624)	672,768
Self-insured health liability	(73,646)	12,120
Accrued payroll	69,923	77,716
Deposits	(12,858)	(19,633)
Deferred revenue	<u>(365,053)</u>	<u>200,104</u>
Net cash used in operating activities	<u>\$ (48,520,987)</u>	<u>\$ (47,628,530)</u>
<b>Supplemental Cash Flows Information</b>		
Gifts of capital assets	\$ 262,407	\$ 156,178
Accounts payable incurred for capital assets	\$ 274,268	\$ 1,168,353



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

***Nature of Operations***

Murray State University (University) is a state-supported institution of higher education located in Murray, Kentucky, and is accredited by the Southern Association of Colleges and Schools. The University awards graduate and undergraduate degrees from five colleges and one school and serves a student population of approximately 10,100. The University is a component unit of the Commonwealth of Kentucky and is included in the general-purpose financial statements of the Commonwealth.

***Basis of Accounting and Financial Statement Presentation***

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the University 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 with or contradict GASB pronouncements.

During 2004, the University retroactively changed its method of financial statement presentation and disclosure by adopting the provisions of Governmental Accounting Standards Board Statement No. 39 (GASB No. 39), *Determining Whether Certain Organizations are Component Units*. GASB No. 39 requires certain organizations be reported as component units of a primary government based on the nature and significance of that organization's relationship to the primary government. Application of this statement resulted in including Murray State University Foundation, Inc. and Murray State University Athletic Foundation, Inc. (the Foundations) as discretely presented component units of the University. The Foundations are private nonprofit organizations that report under FASB standards, including FASB No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information in the University's financial report for these differences.

---

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

***Cash and Cash Equivalents***

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.

***Restricted Cash, Cash Equivalents, and Investments***

Cash, cash equivalents, 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.

***Investments***

The University accounts for its investments at fair value. Fair value is determined using quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

Assets held by the Murray State University Foundation, Inc. (Foundation) represent those gifts and donations made directly to the University, which are held by the Foundation for investment purposes. The net appreciation and income of donor restricted endowments are available to the University for expenditure to the extent permitted by Kentucky law and the spending policy of Murray State University Foundation, Inc. The recognition of gifts, donations, and endowment pledges are accounted for by the University in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

***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.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

***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. Assets under capital leases are amortized over the estimated useful life of the asset, or the lease term, whichever is shorter. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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

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

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of borrowing. Total interest capitalized was \$0 and \$454,276 for the years ended June 30, 2005 and June 30, 2004, respectively.

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.

***Debt Issuance Costs***

Debt issuance costs incurred have been deferred and are being amortized over the life of the debt using the straight line method. Total amortization for both years ended June 30, 2005 and 2004, was \$23,757 and \$22,591, respectively.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

***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.

***Deferred Revenue***

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

***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 time or purpose restrictions imposed by external third parties.

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

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

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

***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.

***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 non-exchange transactions. In a nonexchange transaction, the University receives value without directly giving equal value back, such as a gift or grant for which there is no return requirement. Additionally, certain significant revenues relied upon for operations, such as state appropriations, investment income and endowment income, are recorded as nonoperating revenues, in accordance with GASB No. 35.

***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. Payments made directly to students are presented as student financial aid expenses.

***Income Taxes***

The University is a component of the Commonwealth of Kentucky and is not subject to Federal income tax as described in section 115 of the Internal Revenue Code. However, the University is subject to Federal income tax on any unrelated business taxable income.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

**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 three pronouncements. Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* provides guidance regarding impairment of capital assets and insurance recoveries. The University expects to first apply the new statement for the year ended June 30, 2006. Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* provides uniform financial reporting standards for other postemployment benefits (OPEB) and becomes effective for the year ended June 30, 2007. Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* further provides guidance regarding the reporting of OPEB benefits and becomes effective for the year ended June 30, 2008. The impact of applying these new statements has not yet been determined.

**Note 2: Accounts Receivable**

Accounts receivable consisted of:

	<b>2005</b>	<b>2004</b>
Current accounts receivable:		
Student tuition and fees	\$ 2,014,976	\$ 1,455,086
Grants and contracts	2,985,869	2,856,737
Auxiliary fees	350,726	494,952
Employee computer loans	15,447	19,058
Outside sales	680,085	486,141
State agencies	6,700	5,535
Capital construction receivable	147,195	91,796
Allowance for doubtful accounts	<u>(988,920)</u>	<u>(826,805)</u>
Total current accounts receivable	<u>5,212,078</u>	<u>4,582,500</u>
Noncurrent accounts receivable:		
Capital construction receivable	<u>91,700</u>	<u>183,400</u>
Total accounts receivable	<u>\$ 5,303,778</u>	<u>\$ 4,765,900</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 3: Inventories**

Inventories consisted of:

	2005	2004
Inventories		
University bookstore – resale	\$ 1,449,850	\$ 1,466,376
Physical plant – supplies	402,074	407,151
Food services – resale and supplies	117,677	123,616
Central stores – supplies	<u>13,319</u>	<u>24,103</u>
Total inventories	<u>\$ 1,982,920</u>	<u>\$ 2,021,246</u>


**Note 4: Loans Receivable**

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the loans receivable at June 30, 2005 and 2004. The Program provides for service cancellation of a loan at rates of 15% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts cancelled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2005 and 2004, the allowance for uncollectible loans was \$207,105 and \$206,802, respectively.

Loans receivable consisted of:

	2005	2004
Current loans receivable:		
University loan programs	\$ 88,740	\$ 64,547
Federal nursing program	80,442	70,699
Federal Perkins program	<u>700,801</u>	<u>635,765</u>
Total current loans receivable, net	<u>869,983</u>	<u>771,011</u>
Noncurrent loans receivable:		
Federal nursing program	359,702	344,447
Federal Perkins program	<u>3,281,335</u>	<u>3,259,713</u>
Total noncurrent loans receivable, net	<u>3,641,037</u>	<u>3,604,160</u>
Total loans receivable, net	<u>\$ 4,511,020</u>	<u>\$ 4,375,171</u>

  
**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
 June 30, 2005 and 2004

**Note 5: Deposits, Investments, and Investment Income**

**Deposits**

At June 30, 2005 and June 30, 2004, the carrying amounts of the University's bank balances and deposits were \$42,137,694 and \$43,341,386, respectively.

The Federal Deposit Insurance Corporation (FDIC) insures each local bank balance deposit for \$100,000. Deposits in excess of \$100,000 are secured by pledging Treasury or U.S. Government Agency securities having a quoted value equal to the total deposits less the FDIC insured amount as per Kentucky state statute KRS 41.240.

The University also maintains cash deposits with the Commonwealth of Kentucky, as overseen by the State Investment Commission (the Commission). The Commission is charged with the oversight of the Commonwealth's investment programs pursuant to KRS 42.500. The Commonwealth's investments are categorized into four distinct classifications or "pools". The Short-Term Pool consists primarily of General Fund cash balances and provides liquidity for the remaining pools. The Intermediate-Term Pool represents Agency Fund investments, state held component unit and fiduciary fund accounts held for the benefit of others by the state. The Long-Term Pool invests the Budget Reserve Trust Fund account and any other funds deemed appropriate for the pool where liquidity is not a serious concern. The remaining fund is the Bond Proceeds Pool where capital construction bond proceeds are invested until expended for their intended purpose. Shares of the pool represent a divisible interest in the underlying securities and are not federally insured or guaranteed by the U.S. Government, FDIC, or any federal agency. The pools have not been approved by the Securities and Exchange Commission. The University's shares within the pools may indirectly expose it to risks associated with fixed income investments; however, specific information about any such transactions is not available to the University.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk.

Deposits as of June 30, 2005 and 2004 consisted of:

	<b>2005</b>	<b>2004</b>
Depository accounts:		
Local bank deposits, collateral held as a pledge in the University's name	\$ 6,629,654	\$ 7,640,501
Cash on hand	78,464	72,692
Foreign currency deposits	285,997	161,419
State Investment Pool – uninsured and uncollateralized	35,143,579	35,466,774
Total deposits	\$ 42,137,694	\$ 43,341,386



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 5: Deposits, Investments, and Investment Income (Continued)**

Deposits as presented in the balance sheet captions include:

	<b>2005</b>	<b>2004</b>
Cash and cash equivalents, current	\$ 31,733,726	\$ 25,491,325
Restricted cash and cash equivalents	<u>10,403,968</u>	<u>17,850,061</u>
Total deposits	<u>\$ 42,137,694</u>	<u>\$ 43,341,386</u>

**Investments**

Investments consisted of:

	<b>June 30, 2005 Fair Value</b>	<b>June 30, 2004 Fair Value</b>
Money market funds	\$ 8,002,979	\$ 2,818,528
Repurchase agreements	<u>—</u>	<u>2,003,615</u>
Subtotal – restricted for capital purposes	8,002,979	4,822,143
Restricted assets held by Murray State University Foundation	<u>17,048,398</u>	<u>15,975,722</u>
Total investments	<u>\$ 25,051,377</u>	<u>\$ 20,797,865</u>

Restricted investments for capital purposes are comprised of amounts invested for sinking fund and debt service reserves. 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.

University investments held by the Murray State University Foundation, Inc. are comprised of private donations received directly by the University and consist of expendable restricted funds as well as endowments. Assets held by the Foundation are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 5: Deposits, Investments, and Investment Income (Continued)**

The assets in the pool are invested as follows:

	2005	2004
Percentage of pool invested in:		
Mutual funds in equity securities	61%	58%
Mutual funds in fixed income securities	34	37
Other	5	5
Total	100%	100%

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not within its investment policy formally limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

*Credit Risk.* Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires investments to be in compliance with State statute. The University has no further policy that would limit its investment choices.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The University places no limit on the amount that may be invested in any one issuer. The University does not hold more than 5% of its investments with a single issuer, other than those investments held in mutual funds.

**Investment Income**

Investment income for the years ended June 30, 2005 and 2004, consisted of:

	2005	2004
Assets held by the University:		
Interest income	\$ 1,405,163	\$ 549,242
Assets held by MSU Foundation:		
Investment income	610,465	532,890
Net increase in fair value of investments	448,846	715,751
Total investment income	\$ 2,464,474	\$ 1,797,883

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 6: Regional University Excellence Trust Fund**

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

The following is a summary of the funding for the RUETF as of June 30, 2005:

<u>Funding Period</u>	<u>External Match Receipts</u>					<u>External Match Pledges</u>
	<u>CPE Funding Available</u>	<u>CPE Funding Received</u>	<u>Held By University</u>	<u>Held By Foundation</u>	<u>Total</u>	
1998-2000	\$ 1,710,000	\$ 1,710,000	\$ 878,250	\$ 831,750	\$ 1,710,000	\$ —
2000-2002	3,521,787	3,521,787	—	3,411,682	3,411,682	110,105
2002-2004	<u>3,259,000</u>	<u>3,259,000</u>	<u>1,468,041</u>	<u>1,790,959</u>	<u>3,259,000</u>	—
Total	\$ <u>8,490,787</u>	\$ <u>8,490,787</u>	\$ <u>2,346,291</u>	\$ <u>6,034,391</u>	\$ <u>8,380,682</u>	\$ <u>110,105</u>

The following is a summary of the funding for the RUETF as of June 30, 2004:

<u>Funding Period</u>	<u>External Match Receipts</u>					<u>External Match Pledges</u>
	<u>CPE Funding Available</u>	<u>CPE Funding Received</u>	<u>Held By University</u>	<u>Held By Foundation</u>	<u>Total</u>	
1998-2000	\$ 1,710,000	\$ 1,710,000	\$ 878,250	\$ 824,250	\$ 1,702,500	\$ 7,500
2000-2002	3,521,787	3,521,787	—	2,734,834	2,734,834	786,953
2002-2004	<u>3,259,000</u>	<u>3,259,000</u>	<u>1,468,041</u>	<u>1,790,959</u>	<u>3,259,000</u>	—
Total	\$ <u>8,490,787</u>	\$ <u>8,490,787</u>	\$ <u>2,346,291</u>	\$ <u>5,350,043</u>	\$ <u>7,696,334</u>	\$ <u>794,453</u>

The University's external match pledges have not been recorded for financial reporting purposes in accordance with GASB No. 33. The above pledges must be fulfilled within a five year period of time due to the guidelines of the funding program.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 7: Capital Assets**

Capital asset activity for the year ended June 30, 2005, was:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions/ Retirements</u>	<u>Balance June 30, 2005</u>
Land	\$ 6,481,565	\$ —	\$ 310,316	\$ —	\$ 6,791,881
Construction in progress	22,565,174	8,738,011	(26,118,440)	(2,129,156)	3,055,589
Museum and collectibles	497,193	—	—	—	497,193
Total capital assets not being depreciated	<u>29,543,932</u>	<u>8,738,011</u>	<u>(25,808,124)</u>	<u>(2,129,156)</u>	<u>10,344,663</u>
Buildings	158,215,922	—	24,424,756	(100,000)	182,540,678
Non-building improvements	8,813,301	—	930,107	(119,701)	9,623,707
Equipment	18,269,072	1,616,369	453,261	(473,414)	19,865,288
Library holdings	25,004,956	998,383	—	(45,575)	25,957,764
Livestock	94,250	28,500	—	—	122,750
Total other capital assets	<u>210,397,501</u>	<u>2,643,252</u>	<u>25,808,124</u>	<u>(738,690)</u>	<u>238,110,187</u>
Total capital assets before depreciation	<u>239,941,433</u>	<u>11,381,263</u>	<u>—</u>	<u>(2,867,846)</u>	<u>248,454,850</u>
Less accumulated depreciation					
Buildings	86,156,323	4,544,056	—	(94,889)	90,605,490
Improvements other than buildings	4,221,202	395,838	—	—	4,617,040
Equipment	13,183,426	1,367,809	—	(444,484)	14,106,751
Library holdings	18,844,985	1,041,440	—	(43,296)	19,843,129
Livestock	17,004	10,821	—	—	27,825
Total accumulated depreciation	<u>122,422,940</u>	<u>\$ 7,359,964</u>	<u>\$ —</u>	<u>\$ (582,669)</u>	<u>129,200,235</u>
Capital assets, net	<u>\$ 117,518,493</u>				<u>\$ 119,254,615</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 7: Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2004, was:

	Balance June 30, 2003	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2004
Land	\$ 6,350,424	\$ —	\$ 165,976	\$ (34,835)	\$ 6,481,565
Construction in progress	13,227,507	17,488,948	(5,948,040)	(2,203,241)	22,565,174
Museum and collectibles	427,769	69,424	—	—	497,193
Total capital assets not being depreciated	<u>20,005,700</u>	<u>17,558,372</u>	<u>(5,782,064)</u>	<u>(2,238,076)</u>	<u>29,543,932</u>
Buildings	153,969,531	—	4,265,441	(19,050)	158,215,922
Non-building improvements	8,313,401	—	499,900	—	8,813,301
Equipment	17,390,672	551,214	1,016,723	(689,537)	18,269,072
Library holdings	23,920,009	1,201,817	—	(116,870)	25,004,956
Livestock	44,250	50,000	—	—	94,250
Total other capital assets	<u>203,637,863</u>	<u>1,803,031</u>	<u>5,782,064</u>	<u>(825,457)</u>	<u>210,397,501</u>
Total capital assets before depreciation	<u>223,643,563</u>	<u>19,361,403</u>	<u>—</u>	<u>(3,063,533)</u>	<u>239,941,433</u>
Less accumulated depreciation					
Buildings	82,206,893	3,949,430	—	—	86,156,323
Improvements other than buildings	3,839,832	381,370	—	—	4,221,202
Equipment	12,513,030	1,252,884	—	(582,488)	13,183,426
Library holdings	17,927,705	1,028,306	—	(111,026)	18,844,985
Livestock	8,558	8,446	—	—	17,004
Total accumulated depreciation	<u>116,496,018</u>	<u>\$ 6,620,436</u>	<u>\$ —</u>	<u>\$ (693,514)</u>	<u>122,422,940</u>
Capital assets, net	<u>\$ 107,147,545</u>				<u>\$ 117,518,493</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 8: Accounts Payable**

Accounts payable consisted of:

	<u>2005</u>	<u>2004</u>
Current accounts payable:		
Vendors	\$ 4,043,690	\$ 6,808,813
Payroll benefits and withholdings	1,992,549	872,362
Loans	<u>12,760</u>	<u>7,951</u>
Total accounts payable	<u>\$ 6,048,999</u>	<u>\$ 7,689,126</u>

**Note 9: Employee Benefits**

***Kentucky Teachers Retirement System***

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

The Kentucky Teachers Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800 or by calling (502) 848-8500.

Funding for the plan is provided from eligible employees who contribute 6.16% of their salary through payroll deductions and the University, which also contributes 13.84% of current eligible employees' salaries to the KTRS. Kentucky Revised Statutes and the KTRS Board of Trustees establish contribution requirements of the plan members and the University. The University's contributions to KTRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$3,687,406, \$3,681,254, and \$3,630,784, respectively, and were equal to the required contributions.

***Kentucky Employee Retirement System***

Substantially all other full-time University employees are required by law to participate in the Kentucky Employee Retirement System (KERS), a cost sharing multiple-employer, public employee retirement system. KERS provides retirement benefits based on an employee's final average salary and number of years of service. Benefits are subject to certain reductions if the

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 9: Employee Benefits (Continued)**

employee retires before reaching age 65 or has less than 27 years of service. The plan also provides for disability, death and survivor benefits and medical insurance.

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

Funding of the plan is from eligible employees who contribute 5.00% of their salary through payroll deductions and the University, which also contributes 5.89% of current eligible employees' salaries to the non-hazardous KERS fund. Employees covered by the hazardous KERS fund contribute 8.00% of gross salary and the University contributes 18.84 % of gross salaries. The Kentucky Revised Statutes and the Board of Trustees of the Kentucky Retirement Systems determine contribution rates each biennium. The University's contributions to KERS for the years ended June 30, 2005, 2004, and 2003 were \$835,942, \$820,956, and \$787,271, respectively, and were equal to the required contributions.

**University Health Self-Insurance Program**

The University maintains a self-insurance program for employees' health insurance. The University pays approximately 78% of the expenses of the plan for permanent full-time employees and their families. Expenses incurred to cover claims paid by the University under the plan for years ended June 30, 2005 and 2004 totaled \$3,678,402 and \$4,847,924 respectively, excluding administrative and stop-loss fees. Stop-loss and administrative fees incurred for the years ended June 30, 2005 and 2004 were \$716,324 and \$621,505 respectively. The University's stop-loss insurance limits its exposure for claims to \$100,000 per individual.

Changes in the liability for self insurance are follows:

	<u>2005</u>	<u>2004</u>
Liability, beginning of year	\$ 1,152,763	\$ 1,140,643
Accruals for current year claims and changes in estimate (includes employee and employer contributions)	5,374,011	6,331,905
Administrative and stop loss fees	(716,324)	(621,505)
Claims paid	<u>(4,731,333)</u>	<u>(5,698,280)</u>
Liability, end of year	<u>\$ 1,079,117</u>	<u>\$ 1,152,763</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 10: Deferred Revenue**

Deferred revenue consisted of:

	2005	2004
Current deferred revenue:		
Prepaid tuition and fees	\$ 1,589,722	\$ 1,360,294
International studies programs	553,226	358,981
Grants and contracts	717,938	1,498,712
Auxiliary enterprises	5,110	13,059
Capital state appropriations	756,941	1,485,322
Total current deferred revenue	\$ 3,622,937	\$ 4,716,368

**Note 11: Revenue Bonds, Notes Payable and Capital Leases**

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2005:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long Term Portion
Bonds payable	\$ 18,127,000	\$ —	(2,342,000)	\$ 15,785,000	\$ 2,345,000	\$ 13,440,000
Less bond discounts	(239,581)	—	27,555	(212,026)	(27,554)	(184,472)
Bonds payable, net of discounts	17,887,419	—	(2,314,445)	15,572,974	2,317,446	13,255,528
City of Murray payable	10,000,000	—	—	10,000,000	90,000	9,910,000
Capital leases	1,703,193	—	(144,193)	1,559,000	97,000	1,462,000
Master lease notes payable	2,932,254	7,445,190	(956,713)	9,420,731	1,073,272	8,347,459
Notes payable	234,400	—	(90,000)	144,400	144,400	—
MSU Foundation notes payable	100,693	20,000	(28,225)	92,468	39,286	53,182
Total bonds, notes and capital leases	\$ 32,857,959	\$ 7,465,190	\$ (3,533,576)	\$ 36,789,573	\$ 3,761,404	\$ 33,028,169



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 11: Revenue Bonds, Notes Payable and Capital Leases (Continued)**

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2004:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Long Term Portion</b>
Bonds payable	\$ 17,647,000	\$ 5,355,000	\$ (4,875,000)	\$ 18,127,000	\$ 2,342,000	\$ 15,785,000
Less bond discounts	<u>(232,547)</u>	<u>(69,708)</u>	<u>62,674</u>	<u>(239,581)</u>	<u>(27,554)</u>	<u>(212,027)</u>
Bonds payable, net of discounts	17,414,453	5,285,292	(4,812,326)	17,887,419	2,314,446	15,572,973
City of Murray payable	10,000,000	—	—	10,000,000	—	10,000,000
Capital leases	1,866,132	—	(162,939)	1,703,193	144,194	1,558,999
Master lease notes payable	2,605,059	1,135,226	(808,031)	2,932,254	620,610	2,311,644
Notes payable	305,768	—	(71,368)	234,400	90,000	144,400
MSU Foundation notes payable	<u>104,955</u>	<u>21,000</u>	<u>(25,262)</u>	<u>100,693</u>	<u>28,225</u>	<u>72,468</u>
Total bonds, notes and capital leases	<u>\$ 32,296,367</u>	<u>\$ 6,441,518</u>	<u>\$ (5,879,926)</u>	<u>\$ 32,857,959</u>	<u>\$ 3,197,475</u>	<u>\$ 29,660,484</u>

**Maturity Information**

A schedule of the mandatory principal and interest payments (excluding bond discounts) is presented below:

<b>Years Ending June 30</b>	<b>Bonds</b>	<b>Notes</b>	<b>Total Principal</b>	<b>Interest</b>	<b>Total Payments</b>
2006	\$ 2,345,000	\$ 1,346,957	\$ 3,691,957	\$ 1,389,354	\$ 5,081,311
2007	2,460,000	1,348,083	3,808,083	1,317,159	5,125,242
2008	985,000	1,199,175	2,184,175	1,151,231	3,335,406
2009	1,030,000	922,316	1,952,316	1,072,345	3,024,661
2010	860,000	869,483	1,729,483	1,004,496	2,733,979
2011-2015	3,685,000	3,929,168	7,614,168	4,080,735	11,694,903
2016-2020	3,520,000	3,232,417	6,752,417	2,528,802	9,281,219
2021-2025	900,000	2,150,000	3,050,000	1,500,975	4,550,975
2026-2030	—	2,705,000	2,705,000	877,136	3,582,136
2031-2033	<u>—</u>	<u>1,955,000</u>	<u>1,955,000</u>	<u>162,789</u>	<u>2,117,789</u>
Total	<u>\$ 15,785,000</u>	<u>\$ 19,657,599</u>	<u>\$ 35,442,599</u>	<u>\$ 15,085,022</u>	<u>\$ 50,527,621</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 11: Revenue Bonds, Notes Payable and Capital Leases (Continued)**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Original Issue	Balance Due June 30, 2005	Interest Expense, Current Year	Bonds/Notes Maturing 2005-2006
<b>Housing and Dining System Revenue Bonds Payable</b>				
Series I bonds dated September 1, 1965, with interest at 3 5/8%; final principal payment due September 1, 2004; Hart Hall	\$ 2,250,000	\$ —	\$ 929	\$ —
Series J bonds dated September 1, 1965, with interest of 3.34%; final principal payment due September 1, 2004; College Court III.	510,000	—	250	—
Series L bonds dated September 1, 1968, with interest at 3.00%; final principal payment due September 1, 2008; Regents Hall	2,000,000	720,000	22,395	170,000
Series M bonds dated June 26, 1997, with interest from 4.00% to 5.40%; final principal payment due September 1, 2017; Winslow Cafeteria	825,000	620,000	31,953	35,000
Series N bonds dated May 12, 1999, with interest from 4.35% to 4.90%; final principal payment due September 1, 2018; fire safety for residence halls	6,370,000	5,245,000	232,660	255,000
Series O bonds dated June 1, 2001, with interest from 4.00% to 5.00%; final principal payment due September 1, 2021; Hart Hall	1,610,000	1,535,000	72,884	60,000
Series P bonds dated June 18, 2004, with interest from 1.10% to 4.25%; final principal payment due September 1, 2024; Winslow Cafeteria	<u>2,500,000</u>	<u>2,405,000</u>	<u>83,208</u>	<u>100,000</u>
Total housing and dining system revenue bonds payable	<u>\$ 16,065,000</u>	<u>\$ 10,525,000</u>	<u>\$ 444,279</u>	<u>\$ 620,000</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 11: Revenue Bonds, Notes Payable and Capital Leases (Continued)**

	Original Issue	Balance Due June 30, 2005	Interest Expense, Current Year	Bonds/Notes Maturing 2005-2006
<b>Consolidated Educational Buildings</b>				
<b>Revenue Bonds Payable</b>				
Series G (second series) dated March 1, 1993, with interest from 3.10% to 5.60%; final principal payment due May 1, 2007; I&T building	\$ 11,660,000	\$ 2,935,000	\$ 225,077	\$ 1,425,000
Series H (second series) dated September 1, 2003, with interest from 2.00% to 3.80%; final principal payment due May 1, 2012; Underground condensate lines for Old Fine Arts building	<u>2,855,000</u>	<u>2,325,000</u>	<u>74,546</u>	<u>300,000</u>
Total consolidated educational buildings revenue bonds payable	<u>14,515,000</u>	<u>5,260,000</u>	<u>299,623</u>	<u>1,725,000</u>
Bonds payable before discount	30,580,000	15,785,000	743,902	2,345,000
Less bond discount	<u>—</u>	<u>(212,026)</u>	<u>—</u>	<u>(27,554)</u>
Total bonds payable	<u>\$ 30,580,000</u>	<u>\$ 15,572,974</u>	<u>\$ 743,902</u>	<u>\$ 2,317,446</u>
<b>City of Murray Payable</b>				
Agreement dated 12/30/02 with interest of 2.50% to 4.85%; final principal payment due June 1, 2003	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 455,045</u>	<u>\$ 90,000</u>
<b>Master Lease Payable</b>				
Residential networking – Master lease dated August 18, 2000, with interest from 5.20% to 5.59%; final principal payment due August 18, 2007	\$ 800,000	\$ 289,308	\$ 19,325	\$ 129,318
Deferred Maintenance – Master lease dated May 10, 2002, with interest at 4.79%; final principal payment due May 10, 2007	2,232,000	1,487,780	63,734	342,674
Campus Networking Upgrade – Master lease dated March 24, 2004, with interest of 3.16% to 3.30%; Final principal payment due April 1, 2008	1,627,727	935,767	31,068	379,976

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 11: Revenue Bonds, Notes Payable and Capital Leases (Continued)**

	<u>Original Issue</u>	<u>Balance Due June 30, 2005</u>	<u>Interest Expense, Current Year</u>	<u>Bonds/Notes Maturing 2005-2006</u>
Campus Energy Performance Upgrade – Masterlease dated February 10, 2005, with interest of 3.94%. Final principal payment due August 10, 2017	<u>6,707,876</u>	<u>6,707,876</u>	<u>94,664</u>	<u>221,304</u>
Total Master lease payable	<u>\$ 11,367,603</u>	<u>\$ 9,420,731</u>	<u>\$ 208,791</u>	<u>\$ 1,073,272</u>
<b>Notes Payable</b>				
Kentucky Virtual University dated July 30, 2002, with interest rate at 0%; final principal payment due December 1, 2005.	<u>\$ 294,400</u>	<u>\$ 144,400</u>	<u>—</u>	<u>\$ 144,400</u>
Total notes payable	<u>\$ 294,400</u>	<u>\$ 144,400</u>	<u>\$ —</u>	<u>\$ 144,400</u>
<b>MSU Foundation Payable</b>				
Other liabilities – MSU Foundation; various notes for purchase of academic equipment; final principal due April 2, 2008	<u>\$ 302,013</u>	<u>\$ 92,468</u>	<u>\$ 7,776</u>	<u>\$ 39,286</u>
Total MSU Foundation payable	<u>\$ 302,013</u>	<u>\$ 92,468</u>	<u>\$ 7,776</u>	<u>\$ 39,286</u>
<b>Capital Leases</b>				
University of Kentucky dated June 25, 1998, with interest rate at 5.14%; final principal payment due January 1, 2017	<u>\$ 2,200,000</u>	<u>\$ 1,559,000</u>	<u>\$ 86,428</u>	<u>\$ 97,000</u>
Equipment leases	<u>715,285</u>	<u>—</u>	<u>1,310</u>	<u>—</u>
Total capital leases	<u>\$ 2,915,285</u>	<u>\$ 1,559,000</u>	<u>\$ 87,738</u>	<u>\$ 97,000</u>
<b>Total all Bond Issues, Notes Payable and Capital Leases</b>	<u>\$ 55,459,301</u>	<u>\$ 36,789,573</u>	<u>\$ 1,503,252</u>	<u>\$ 3,761,404</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 11: Revenue Bonds, Notes Payable and Capital Leases (Continued)**

**Capital Leases**

The University leases certain equipment and facilities, under capital lease agreements. The recorded cost of these assets and accumulated depreciation thereon were as follows:

	<u>2005</u>	<u>2004</u>
Capital lease assets, at cost	\$ 2,516,960	\$ 2,516,960
Less accumulated depreciation	<u>(1,691,960)</u>	<u>(1,595,574)</u>
Net book value	<u>\$ 825,000</u>	<u>\$ 921,386</u>

Remaining minimum annual lease payments pursuant to these leases are as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2006	\$ 178,974
2007	179,259
2008	179,231
2009	179,870
2010	179,118
2011-2015	896,666
2016-2018	<u>358,339</u>
	2,151,457
Less amount representing interest	<u>(592,457)</u>
Present value of capital lease obligations	<u>\$ 1,559,000</u>

**Note 12: Deposits**

The deposits held by the University consisted of:

	<u>2005</u>	<u>2004</u>
Current:		
Horse stall rentals	\$ 2,870	\$ 5,139
Racer card declining balances	63,820	56,375
Housing deposits	58,251	107,861
Agency account balances	<u>42,857</u>	<u>37,708</u>
Total current deposits	<u>167,798</u>	<u>207,083</u>
Noncurrent:		
Housing deposits	<u>205,805</u>	<u>171,933</u>
Total deposits	<u>\$ 373,603</u>	<u>\$ 379,016</u>

Noncurrent housing deposit additions were \$134,000 and \$101,394 for years ended June 30, 2005 and 2004, respectively. Noncurrent housing deposit deductions were \$100,128 and \$121,007 for years ended June 30, 2005 and 2004, respectively.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
 June 30, 2005 and 2004

**Note 13: Unrestricted Net Assets**

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

	2005	2004
Unrestricted net assets		
Allocated for		
Prior year carryovers		
Renovation and maintenance	\$ 2,230,527	\$ 1,099,668
Departmental operations	8,644,032	8,917,670
Encumbrances	697,277	475,297
Working capital	2,673,297	1,818,710
Revenue contingency	2,498,013	2,573,645
General contingency	8,801,218	5,700,550
Self insurance	900,000	900,000
Total unrestricted net assets	\$ 26,444,364	\$ 21,485,540

**Note 14: Component Units**

***Murray State University Foundation, Inc.***

Murray State University Foundation, Inc. (Foundation) is a Kentucky nonprofit corporation formed to receive, invest, and expend funds for the enhancement and improvement of the University. It is a legally separate, tax-exempt component unit of the University that manages certain endowments and investments on behalf of the University. The Foundation has a Board of Trustees separate from that of the University; however, the President and certain other officers of the University are also officers of the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statement package.

During the year ended June 30, 2005 and June 30, 2004, the Foundation made payments of \$2,242,375 and \$1,354,374, respectively, on behalf of the University from restricted sources. Accounts receivable from the Foundation and accounts payable to the Foundation as of June 30, 2005 and June 30, 2004, respectively, were not significant. Complete financial statements for the Foundation can be obtained from the MSU Foundation Office, 100 Nash House, Murray, Kentucky, 42071.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 14: Component Units (Continued)**

The Murray State Campus Improvement Corporation, a nonprofit nonstock corporation, was created in May 2003 for the exclusive benefit and support of the Murray State University Foundation, Inc., to perform functions of or carry out the purposes of the Foundation, and to handle real and personal property activity for Murray State University. There was no financial activity of the Murray State Campus Improvement Corporation for the years ended June 30, 2005 and 2004.

***Murray State University Athletic Foundation, Inc.***

Murray State University Athletic Foundation, Inc. (Racer Foundation) is a Kentucky nonprofit corporation formed to enhance the academic and athletic experience of the Murray State University student-athlete. The Racer Foundation has a Board of Directors separate from that of the University. The University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Racer Foundation holds and invests. Expenditures are restricted by the donors to University athletic activities. Because the majority of these restricted resources held by the Racer Foundation can only be used by, or for the benefit of, the University, the Racer Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2005, the Racer Foundation distributed \$589,986 to the University, made payments of \$78,235 on behalf of the University, and transferred assets to the University of \$70,226. During the year ended June 30, 2004, the Racer Foundation distributed \$848,656 to the University, made payments of \$156,071 on behalf of the University, and transferred assets to the University of \$95,120. The total benefits for University athletics for the years ended June 30, 2005 and 2004, was \$738,447 and \$1,099,847, respectively. Accounts receivable from the Racer Foundation were \$435,897 and \$0 as of June 30, 2005 and June 30, 2004, respectively. Complete financial statements for the Racer Foundation can be obtained from the MSU Athletic Foundation Office, Stewart Stadium, Murray, Kentucky, 42071.

---

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 15: Risk Management**

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

**Note 16: Contingencies and Commitments**

***Claims and Litigation***

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

***Commitments***

The University has outstanding commitments under construction contracts of approximately \$2,900,000 and \$6,300,000 as of June 30, 2005 and 2004, respectively.

***Government Grants***

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004


**Note 17: Natural Expense Classifications with Functional Classifications**

The University's operating expenses by functional classification for the year ended June 30, 2005 were as follows:

Fund Classification	Year Ended June 30, 2005						
	Natural Classification						
	Compensation and Benefits	Operations	Utilities	Non-capitalized Equipment	Scholarships	Depreciation	Total
Instruction	\$ 40,105,179	\$ 5,949,573	\$ 233,544	\$ 728,708	\$ 23,212	\$ —	\$ 47,040,216
Research	1,586,163	967,212	—	94,450	—	—	2,647,825
Public service	4,418,411	1,046,376	227,172	111,518	—	—	5,803,477
Libraries	1,343,648	237,880	27	39,555	—	—	1,621,110
Academic support	3,344,021	1,665,630	11,799	396,715	826	—	5,418,991
Student services	6,983,599	3,921,671	73,036	203,114	20,165	—	11,201,585
Institutional support	9,573,747	885,482	216,796	242,620	—	—	10,918,645
Operations and maintenance	4,849,358	7,680,518	4,726,757	182,440	—	—	17,439,073
Financial aid	1,764	42,439	—	—	6,928,869	—	6,973,072
Depreciation	—	—	—	—	—	6,527,977	6,527,977
Auxiliary	4,658,079	10,405,751	—	112,117	91,294	—	15,267,241
Auxiliary depreciation	—	—	—	—	—	831,987	831,987
<b>Total expenses</b>	<b>\$ 76,863,969</b>	<b>\$ 32,802,532</b>	<b>\$ 5,489,131</b>	<b>\$ 2,111,237</b>	<b>\$ 7,064,366</b>	<b>\$ 7,359,964</b>	<b>\$ 131,691,199</b>

The University's operating expenses by functional classification for the year ended June 30, 2004 were as follows:

Fund Classification	Year Ended June 30, 2004						
	Natural Classification						
	Compensation and Benefits	Operations	Utilities	Non-capitalized Equipment	Scholarships	Depreciation	Total
Instruction	\$ 40,138,755	\$ 5,649,412	\$ —	\$ 739,640	\$ 47,162	\$ —	\$ 46,574,969
Research	1,566,291	1,615,688	—	313,209	—	—	3,495,188
Public service	4,399,281	1,000,248	—	47,446	—	—	5,446,975
Libraries	1,323,735	222,616	—	94,232	—	—	1,640,583
Academic support	3,420,593	1,518,477	—	276,649	932	—	5,216,651
Student services	6,892,184	3,779,396	—	131,705	29,985	—	10,833,270
Institutional support	9,319,662	573,179	—	207,918	—	—	10,100,759
Operations and maintenance	5,071,286	2,737,772	5,214,088	206,107	—	—	13,229,253
Financial aid	6,879	71,200	—	—	6,622,214	—	6,700,293
Depreciation	—	—	—	—	—	5,840,909	5,840,909
Auxiliary	4,687,665	9,768,822	—	65,670	70,663	—	14,592,820
Auxiliary depreciation	—	—	—	—	—	779,527	779,527
<b>Total expenses</b>	<b>\$ 76,826,331</b>	<b>\$ 26,936,810</b>	<b>\$ 5,214,088</b>	<b>\$ 2,082,576</b>	<b>\$ 6,770,956</b>	<b>\$ 6,620,436</b>	<b>\$ 124,451,197</b>

  
**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
 June 30, 2005 and 2004

**Note 18: Segment Information**

***Housing and Dining System***

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

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

***Condensed Balance Sheets***

	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Current assets	\$ 3,453,983	\$ 3,053,483
Noncurrent assets	2,599,923	3,001,872
Capital assets, net of accumulated depreciation	<u>9,974,190</u>	<u>9,694,798</u>
Total assets	<u>16,028,096</u>	<u>15,750,153</u>
<b>Liabilities</b>		
Current liabilities	6,616,423	6,310,491
Noncurrent liabilities	<u>10,670,852</u>	<u>11,368,334</u>
Total liabilities	<u>17,287,275</u>	<u>17,678,825</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	(312,986)	(1,273,543)
Restricted		
Expendable capital	990,757	936,767
Expendable debt service	1,230,683	1,666,978
Unrestricted	<u>(3,167,633)</u>	<u>(3,258,874)</u>
Total net assets	<u>(1,259,179)</u>	<u>(1,928,672)</u>
Total liabilities and net assets	<u>\$ 16,028,096</u>	<u>\$ 15,750,153</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 18: Segment Information (Continued)**

**Condensed Statements of Revenues, Expenses  
and Changes in Net Assets**

	2005	2004
Operating revenues	\$ 12,772,576	\$ 12,049,615
Operating expenses	(10,635,598)	(10,163,688)
Depreciation expense	<u>(830,486)</u>	<u>(775,068)</u>
Operating income	1,306,492	1,110,859
Nonoperating revenues (expenses)	<u>(636,999)</u>	<u>(1,769,318)</u>
Change in net assets	669,493	(658,459)
Net assets, beginning of year	<u>(1,928,672)</u>	<u>(1,270,213)</u>
Net assets, end of year	<u>\$ (1,259,179)</u>	<u>\$ (1,928,672)</u>

**Condensed Statements of Cash Flows**

	2005	2004
Cash flows from		
Operating activities	\$ 2,462,413	\$ 2,045,389
Noncapital financing activities	(1,373,178)	(978,208)
Capital and related financing activities	(1,182,680)	(872,230)
Investing activities	<u>515,169</u>	<u>(167,240)</u>
Net increase in cash	421,724	27,711
Cash, beginning of year	<u>2,760,398</u>	<u>2,732,687</u>
Cash, end of year	<u>\$ 3,182,122</u>	<u>\$ 2,760,398</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 18: Segment Information (Continued)**

***Susan E. Bauernfeind Student Recreation and Wellness Center***

The University entered into an agreement with the City of Murray, Kentucky on December 30, 2002, to finance the construction of a student recreation/wellness center. The University established a \$3.00 per credit hour student fee, effective for the Fall 2002 semester, to be designated as the Wellness Center Fee. A portion of the revenues from this fee will be used to fund all debt and debt related expenses according to the terms and provisions of the Memorandum of Agreement between the University and the City of Murray.

Condensed financial information as of and for the years ended June 30, 2005 and June 30, 2004, of the University's Wellness Center segment are as follows:

**Condensed Balance Sheet**

	2005	2004
<b>Assets</b>		
Current assets	\$ 130	\$ 593,634
Noncurrent assets	1,376,075	4,172,992
Capital assets, net of accumulated depreciation	<u>10,018,905</u>	<u>7,188,513</u>
Total assets	<u>11,395,110</u>	<u>11,955,139</u>
<b>Liabilities</b>		
Current liabilities	230,446	626,437
Noncurrent liabilities	<u>10,000,000</u>	<u>10,000,000</u>
Total liabilities	<u>10,230,446</u>	<u>10,626,437</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	354,999	—
Restricted		
Expendable capital	818,643	1,221,599
Expendable debt service	(37,401)	(37,210)
Expendable maintenance reserve	221,470	144,313
Unrestricted	<u>(193,047)</u>	<u>—</u>
Total net assets	<u>1,164,664</u>	<u>1,328,702</u>
Total liabilities and net assets	<u>\$ 11,395,110</u>	<u>\$ 11,955,139</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 18: Segment Information (Continued)**

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

	2005	2004
Operating revenues	\$ 48,067	\$ —
Operating expenses	(268,235)	—
Depreciation	(274,721)	—
Operating income (loss)	(494,889)	—
Nonoperating revenues		
Restricted student fees	646,417	\$ 637,850
Investment income	52,492	38,725
Transfer of reserve payment - current fund	71,868	143,735
Transfer of lease payment - current fund	27,122	—
Cost of issuance amortization	(12,003)	(12,003)
Interest on capital asset-related debt	(455,045)	(769)
Nonoperating revenues	330,851	807,538
Change in net assets	(164,038)	807,538
Net assets, beginning of year	1,328,702	521,164
Net assets, end of year	\$ 1,164,664	\$ 1,328,702

**Condensed Statement of Cash Flows**

	2005	2004
Cash flows from		
Operating activities	\$ (220,169)	\$ —
Capital and related financing activities	(3,503,040)	(5,289,014)
Investing activities	165,249	285,357
Net decrease in cash	(3,557,960)	(5,003,657)
Cash, beginning of year	4,404,895	9,408,552
Cash, end of year	\$ 846,935	\$ 4,404,895



Audit Committee  
Murray State University  
Murray, Kentucky

As part of our audit of the financial statements of Murray State University (University) as of and for the year ended June 30, 2005, we wish to communicate the following to you.

***Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America***

An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing GAAS procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

***Significant Accounting Policies***

The University's significant accounting policies are described in Note 1 of the audited financial statements.

***Management Judgments and Accounting Estimates***

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The allowance for doubtful accounts, loans receivable, self-insurance liabilities and other liabilities are significant areas involving such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates.

***Significant Audit Adjustments***

During the course of any audit, an auditor may propose adjustments of financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. No adjustments were proposed during the audit.

***Disagreements with Management***

No matters are reportable.

Audit Committee  
Murray State University  
Page 2

This information is intended solely for the information and use of the audit committee, the board of regents and management of the University and is not intended to be and should not be used by anyone other than these specified parties.

*BIKA, LLP*

September 9, 2005



President F. King Alexander and  
Board of Regents  
Murray State University  
Murray, Kentucky  
and  
The Kentucky Auditor of Public Accounts  
Frankfort, Kentucky

We have audited the financial statements of Murray State University (University) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. With respect to this engagement, we make the following representations to you:

1. We are independent of the University and the Commonwealth oversight entity in accordance with the objectivity and independence standards of ET Sections 55, 101 and 102 of the Code of Professional Conduct of the American Institute of Certified Public Accountants.
2. We have complied with the peer review requirement of *Government Auditing Standards*. Our latest completed peer review covered the year ended May 31, 2002, and an unqualified report was received.
3. We have complied with the continuing professional education requirements of *Government Auditing Standards* as applicable to the various professional personnel participating in the engagement.

BKD, LLP

September 9, 2005





**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 (University) complied with the requirements of Commonwealth of Kentucky House Bill 622 regarding the University's: (a) accounting, auditing and payroll procedures, (b) investments and interest income procedures, (c) purchasing function policies and procedures and required reporting procedures to the Legislative Research Commission and (d) the annual financial reporting and general principles of accounting and purchasing procedures of the University by affiliated corporations during the year ended June 30, 2005. 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, the University complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2005, 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.

*BKD, LLP*

September 9, 2005

220 W. Main Street, Suite 1700 P.O. Box 1178 Louisville, KY 40201-1178 502 581-0435 Fax 502 581-0723

bkd.com

**Beyond Your Numbers**

A member of  
Moore Rowland International

---

**Murray State University**  
A Component Unit of the State of Kentucky  
**Accountants' Report and Financial Statements**  
Reports Required by *Government Auditing Standards* and  
OMB Circular A-133  
June 30, 2005 and 2004

---

# Murray

## MURRAY STATE UNIVERSITY

### Contents

Independent Accountants' Report on Financial Statements and Supplementary Information .....	1
Management's Discussion and Analysis.....	3
<b>Financial Statements</b>	
Balance Sheets	
Murray State University .....	15
Statements of Financial Position	
Murray State University Foundation, Inc. ....	17
Murray State University Athletic Foundation, Inc. ....	18
Statements of Revenues, Expenses and Changes in Net Assets	
Murray State University.....	19
Statements of Activities	
Murray State University Foundation, Inc. ....	21
Murray State University Athletic Foundation, Inc. ....	23
Statements of Cash Flows	
Murray State University.....	25
Notes to Financial Statements .....	27

# Murray

## MURRAY STATE UNIVERSITY

### Supplementary Information

Schedule of Expenditures of Federal Awards.....	57
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards.....	73
Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs.....	75
Schedule of Findings and Questioned Costs.....	77
Summary Schedule of Prior Audit Findings .....	80



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

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

We have audited the accompanying basic financial statements of Murray State University (University) and its aggregate discretely presented component units, collectively a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and of its aggregate discretely presented component units as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

President F. King Alexander and  
Board of Regents  
Murray State University  
Page 2

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

BKD, LLP

September 9, 2005

*Page intentionally blank*

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

***Introduction***

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Murray State University (University) for the year ended June 30, 2005. 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 financial statements and related notes, and this discussion and analysis are the responsibility of management.

The University is a comprehensive public institution of higher learning located in western Kentucky and primarily serves students in Kentucky, Illinois, Missouri, Tennessee, and Indiana. Murray State has study centers in four other cities where it offers a diverse range of degree programs from associate to master levels, through a framework of approximately 30 departmental units in 5 colleges and 1 school, and contributes to the region and state through related research and public service programs. The University is a charter member of the Ohio Valley Conference and a Division I member of the NCAA. Murray State University serves as a residential, regional university offering core programs in the liberal arts, humanities, sciences and selected high-quality professional programs for approximately 10,100 students. The University has not only posted record enrollment figures for the past nine years, it has increased its graduation rate to an impressive 57.3 percent.

The tuition and fees for the 2004-05 academic year increased by \$274 per semester for a full time resident undergraduate student. Tuition and fees at the University continues to be significantly less than the national average.

Murray State University consistently ranks among the nation's best regional universities each year and has been recognized by *Kaplan, Inc.*, *Kiplinger* and *U.S. News & World Report* for its academic quality and affordability. For 15 consecutive years *U.S. News & World Report* has ranked the University as one of the best universities in America. In the 2006 edition of the publication, the University ranked ninth in the nation among public master's universities. The University ranked second in the South's public master's universities "Great Schools at a Great Price" category for 2006. The University's solid academic programs and affordable price have placed it in the top two best values among public schools in the South. This is the third consecutive year the University has been ranked in this category, and it is the only Kentucky university ranked in this class. Factors considered in the rankings are reputation, retention rate, graduation rate, class size, student-faculty ratio and SAT/ACT scoring.

The University continues to have a commitment to academic and extracurricular excellence, while retaining its status as an affordable institution of higher education.

**Financial Highlights**

- The University's financial position remained strong as of the end of the year, with assets of \$199.6 million and liabilities of \$51.6 million. Net assets, which represent the University's residual interest in assets after liabilities are deducted, were \$148 million or 74% of total assets. Net assets increased by \$4.3 million from 2004 to 2005.



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

- Fiscal operations were in accordance with the annual operating budget of approximately \$107 million. Notwithstanding a reduction in state appropriations, the University continued to be a strong employer for the region and employed approximately 3,940 individuals, including 575 faculty and 1,090 staff members and 2,275 students. These amounts include 1,350 regular and full time faculty and staff.
- State appropriations from the Commonwealth of Kentucky fell by a net of \$.8 million or 1.5% in 2005, which included a general appropriations reduction of \$1.6 million. Departmental reserves from the prior year were utilized to cover this appropriations reduction.
- Phase II of a multi-phase science complex was funded with \$15 million from the Commonwealth of Kentucky 2004-06 biennium budget. This second facility is expected to house Chemistry programs. Land site preparation has started for this project and construction is scheduled to start in spring 2006.

Construction of the phase I facility in the science complex has been substantially completed and currently houses the Biology program. The first phase was funded with \$13 million from the Commonwealth of Kentucky in the 2000-2002 biennium budget. A portion of the funding from phase II will be utilized to complete the second floor of this building, which will fully complete the interior and exterior of this building.

- Construction was completed for the new student recreation/wellness center in January 2005. The Susan E. Bauernfeind Student Recreation and Wellness Center opened to serve students, faculty, staff and alumni in the spring 2005.
- Construction began on the Western Regional Center for Emerging Technologies (business incubator), located on the north edge of the main campus, which is scheduled for substantial completion in the fall 2005. Funding of \$3 million was secured in 2002-03 from state and federal agencies to construct this facility. This facility will act to promote economic and technological development within the region, through the combined efforts of the University and state economic development initiatives.
- The University is conducting a fund raising campaign for the revitalization of Waterfield Library. Proceeds from this campaign are planned to be used for deferred maintenance, enhancements in library holdings and technology improvements, which included wireless connectivity throughout the library.
- The University began renovations to various facilities on the main campus to improve energy performance. Chevron/Texaco was contracted to study energy usage in the main campus buildings and recommended many changes to improve performance and produce costs savings. This campus wide project was funded from \$6.7 million of debt service issued and expected to be completed in the fall 2005. Chevron/Texaco guarantees costs savings will be realized over a number of years to cover the repayment of this debt. A major addition to the Equine Training Facility located on the West Farm campus was completed in August 2005 and began to service the academic programs for the School of Agriculture. Funding of almost \$1

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

million was utilized for this project, with the most significant portion being funded from the Kentucky Council on Postsecondary Education's Equine Trust Fund.

- A major upgrade to the main campus and residential colleges networking infrastructure was completed and funded with approximately \$1.6 million of masterlease debt financing. The debt will be repaid with student fee revenue. This upgrade increased network stability and allows the University to move forward with new Internet technologies.
- The University received a \$1 million technology and training grant from CampusEAI Consortium. This grant will provide the capability to cost effectively enhance the portal project initiative. These technologies will streamline access to University online services and personalize web-based information specifically for each end user. In addition to the technologies provided through the grant, the University purchased additional Oracle software that will enhance and integrate current applications into the portal platform. This software and support was purchased with \$370,000 of masterlease debt financing that will be repaid from the general operating budget.
- For the first time in several years, the University experienced a considerable decrease in health insurance claims during the fiscal year. Plan design, wellness initiatives, and employee awareness were significant factors in the cost of claims.

**Using the Financial Statements**

The University's financial statements consist of Balance Sheets (Statements of Net Assets), Statements of Revenues, Expenses and Changes in Net Assets (Income Statements), Statements of Cash Flows and Notes to the Financial Statements. These financial statements and accompanying Notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements.

These financial statements provide an entity-wide perspective and focus on the financial condition, results of operations, and cash flows of the University as a whole.

Financial statements have also been included for the University's component units, in accordance with the requirements of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These component units are the Murray State University Foundation, Inc. and the Murray State University Athletic Foundation, Inc. Financial statements for these entities consist of Statements of Financial Position (Balance Sheets) and Statements of Activities (Income Statements). These statements are prepared in accordance with the appropriate Financial Accounting Standards Board (FASB) pronouncements.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

**Balance Sheets**

The Balance Sheets present a financial picture of the University's financial condition at the end of the 2005 and 2004 fiscal years by reporting assets (current and noncurrent), liabilities (current and noncurrent), and net assets. Net assets, the difference between total assets and total liabilities, are an important indicator of the current financial condition, while the change in net assets is an indicator of whether the overall financial position has improved or worsened during the year.

*Assets*

Total assets at the end of the fiscal year 2005 were \$199.6 million, of which capital assets, net of depreciation, represented the largest portion. This group of assets totaled approximately \$119.3 million or 60% of total assets and was primarily comprised of university-owned land, buildings, equipment, and library holdings. Cash and cash equivalents amounted to \$42.1 million or 21% of total assets. Total assets increased by \$5.5 million during 2005, which was primarily due to the capitalization of major construction projects. Total assets increased by \$10.7 million during 2004, which was primarily due to \$3.3 million received for the Endowment Matching Program, the capitalization of Winslow Cafeteria, and construction costs of various projects.

*Liabilities*

Total liabilities at the end of the fiscal year 2005 were \$51.6 million. An increase in total long-term debt obligations, reduced further by a decrease in debt payments and accounts payables for phase I of the science complex and the student recreation/wellness center, were the primary reasons for an overall total liabilities increase during 2005 of \$1.2 million. Total long-term debt obligations amounted to \$36.8 million. These debt obligations increased by \$3.9 million during 2005, due primarily to the \$6.7 million Chevron Energy Performance masterlease, net of current year debt payments.

Total liabilities at the end of the fiscal year 2004 were \$50.4 million. During 2004, total liabilities decreased by \$4.1 million due to the use of deferred revenues, recorded in 2003, for the science complex phase I construction project. These deferred revenues were recognized as revenues in 2004 and used to pay for expenses related to construction.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

**Condensed Balance Sheets**

	June 30, 2005	June 30, 2004	June 30, 2003
<b>Assets</b>			
Current assets	\$ 40,690,369	\$ 33,665,438	\$ 29,216,953
Noncurrent assets	39,621,293	42,892,454	46,974,282
Capital assets	119,254,615	117,518,493	107,147,545
<b>Total assets</b>	<b>\$ 199,566,277</b>	<b>\$ 194,076,385</b>	<b>\$ 183,338,780</b>
<b>Liabilities</b>			
Current liabilities	\$ 18,355,649	\$ 20,571,802	\$ 24,961,998
Noncurrent liabilities	33,233,974	29,832,417	29,542,035
<b>Total liabilities</b>	<b>\$ 51,589,623</b>	<b>\$ 50,404,219</b>	<b>\$ 54,504,033</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$ 89,933,928	\$ 85,638,535	\$ 85,104,843
Restricted for			
Nonexpendable	14,781,227	14,684,636	11,380,920
Expendable			
Scholarships, research, instruction and other	4,578,913	3,729,092	2,552,561
Loans	4,919,668	4,977,530	4,985,017
Capital	3,174,364	9,135,468	4,100,350
Debt service	4,144,190	4,021,365	3,587,330
Unrestricted	26,444,364	21,485,540	17,123,726
<b>Total net assets</b>	<b>147,976,654</b>	<b>143,672,166</b>	<b>128,834,747</b>
<b>Total liabilities and net assets</b>	<b>\$ 199,566,277</b>	<b>\$ 194,076,385</b>	<b>\$ 183,338,780</b>

**Net Assets**

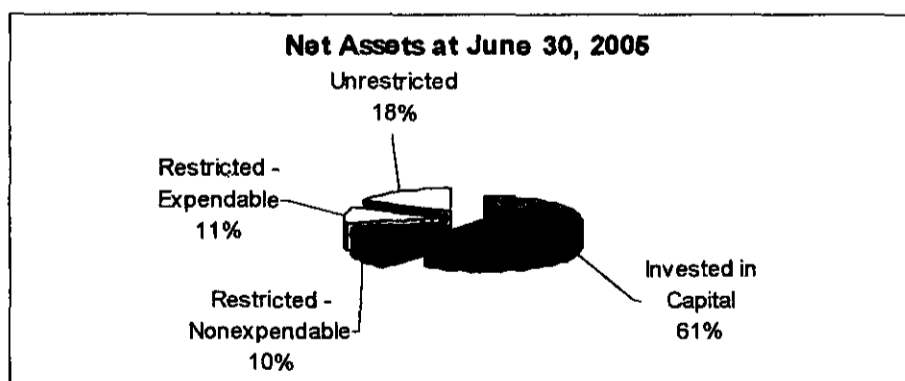
Net assets, which represent total equity, of the University were divided into three major categories, defined as follows:

- Invested in capital assets, net of related debt - This category represents the institution's equity in property, buildings, equipment, library holdings and other plant assets owned by the University, less related depreciation.
- Restricted - This category represents those assets subject to externally imposed restrictions governing their use and includes classifications of nonexpendable and expendable.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

- Restricted nonexpendable net assets - Restricted nonexpendable net assets consist solely of permanent endowments owned by the University. The corpus, as specified by the donor, is invested in perpetuity and may not be expended.
  - Restricted expendable net assets - Restricted expendable net assets consist of those assets that may be expended by the University, but must be spent for purposes as defined by the donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- Unrestricted - This category represents the net assets held by the University that have no formal restrictions placed upon them. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the unrestricted net assets have been designated for various programs and initiatives, capital projects and working capital requirements.

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



**Statements of Revenues, Expenses and Changes in Net Assets**

The Statements of Revenues, Expenses and Changes in Net Assets, which are generally referred to as the activities statement or income statement, present the revenues earned and expenses incurred and income or loss from operations for the current and prior fiscal years. Activities are reported as either operating or non-operating. Changes in total net assets as presented on the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Assets.

The Statements of Net Assets are prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. A public university's dependency on state appropriations will result in reported operating losses. The Governmental Accounting Standards Board requires state appropriations to be classified as non-operating revenues. The utilization of long-

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

lived capital assets is reflected in the financial statements as depreciation, which expenses the costs of an asset over its expected useful life.

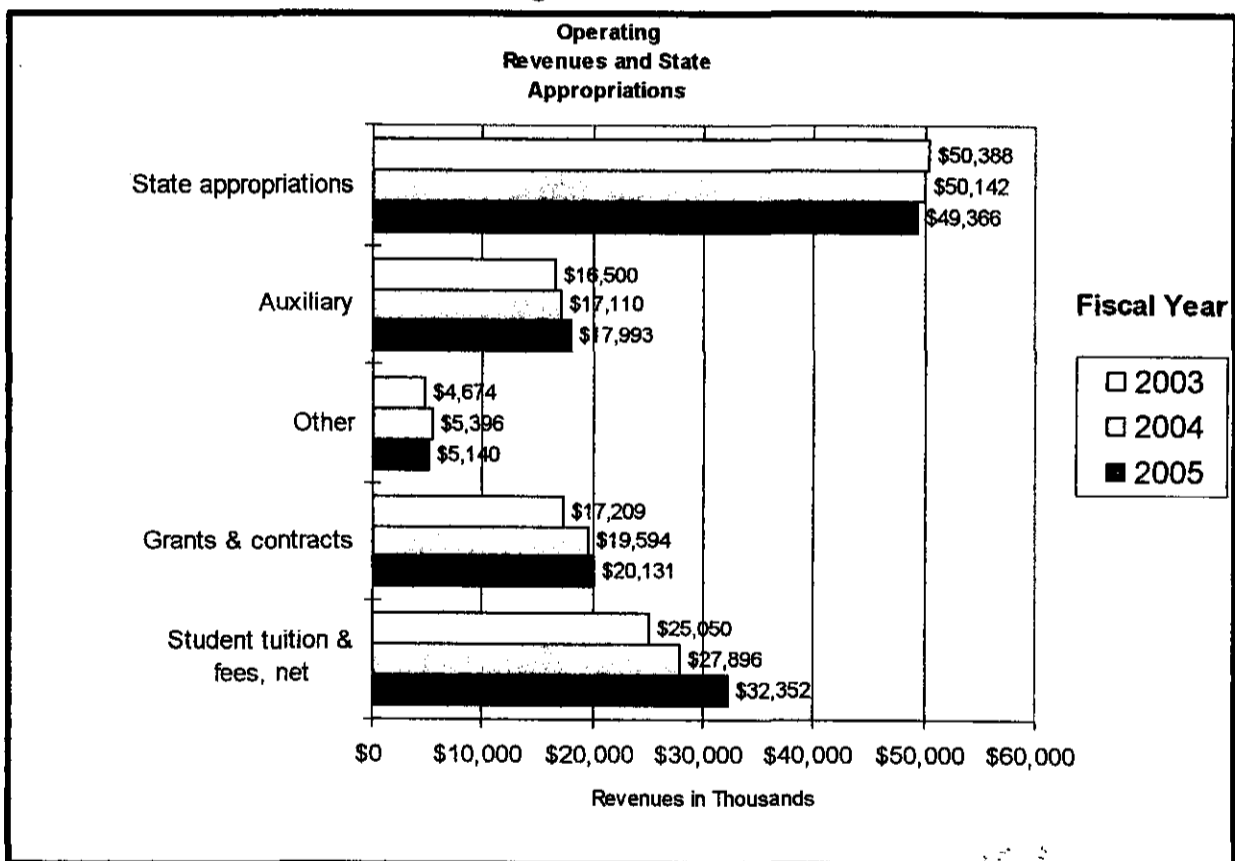
**Revenues**

Total operating revenues, which exclude state appropriations, for the 2005 fiscal year were \$75.6 million, including student tuition and fees, net of related discounts and allowances, of \$32.4 million, operating grants and contracts revenues of \$20.1 million, and auxiliary services net revenue of \$18 million.

Operating revenues increased during the year by \$5.6 million. This increase is comprised of \$5.3 million from net student tuition, fees, room, and board, driven by increased student enrollment and on campus residency, and \$.5 million from federal and state grants and contracts.

For 2005, the University received a net of \$49.4 million of state appropriations, which included a \$1.6 million appropriations reduction. In addition, the University experienced a \$1.3 million appropriations reduction in 2004. State appropriations are required to be classified as nonoperating revenues; however, these funds were used to support University operating activities.

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



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

*Expenses*

Total operating expenses for the 2005 fiscal year were \$131.7 million. Of this amount, \$109.1 million were for educational and general expenses, including instruction, academic support, and operation and maintenance. Instructional program expenses represent the most significant portion of the educational and general operating expenses, totaling \$47.0 million or 43% of the total educational and general portion. Remaining operating expenses were for depreciation and auxiliary services, which amounted to \$7.4 million and \$15.3 million, respectively. Depreciation for all areas of the University is reported as an operating expense and was not allocated to each program group, except for auxiliary enterprises.

Operating expenses increased for the year ended June 30, 2005, by \$7.2 million. Only minimal increases were reported for operating costs for services, materials, and supplies for departmental units. The primary reasons for increased operating expenses are salaries, utilities, property insurance and other fixed costs.

The net loss from operations for the year ended June 30, 2005, was \$56.1 million. Nonoperating revenues, net of expenses, amounted to \$57.1 million and non-debt related capital funding amounted to \$3.3 million, resulting in an increase in net assets of \$4.3 million for the year ended June 30, 2005.

The net loss from operations for the year ended June 30, 2004, was \$54.5 million. Nonoperating revenues, net of expenses, amounted to \$60.3 million and non-debt related capital funding amounted to \$9 million, resulting in an increase in net assets of \$14.8 million for the year ended June 30, 2004.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

**Condensed Statements of Revenues, Expenses and Changes in Net Assets**

	2005	2004	2003
<b>Operating revenues</b>			
Student tuition and fees, net	\$ 32,351,507	\$ 27,896,362	\$ 25,049,932
Grants and contracts	20,130,510	19,593,986	17,208,964
Other	5,140,180	5,395,820	4,673,883
Auxiliary, net	17,993,122	17,109,547	16,500,239
Total operating revenues	75,615,319	69,995,715	63,433,018
<b>Operating expenses</b>			
Instruction	47,040,216	46,574,969	45,804,242
Other educational and general	62,023,778	56,662,972	54,072,308
Depreciation	6,527,977	5,840,909	5,784,813
Auxiliary enterprises	15,267,241	14,592,820	14,769,901
Auxiliary depreciation	831,987	779,527	674,609
Total operating expenses	131,691,199	124,451,197	121,105,873
Operating loss	(56,075,880)	(54,455,482)	(57,672,855)
<b>Nonoperating revenues (expenses)</b>			
State appropriations	49,366,100	50,141,800	50,388,100
Other nonoperating revenues (expenses)	11,014,268	19,151,101	8,880,266
Total nonoperating revenues (expenses)	60,380,368	69,292,901	59,268,366
Increase in net assets	4,304,488	14,837,419	1,595,511
<b>Net assets, beginning of year</b>	143,672,166	128,834,747	127,239,236
<b>Net assets, end of year</b>	\$ 147,976,654	\$ 143,672,166	\$ 128,834,747

**Statements of Cash Flows**

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

The net cash used in operating activities reflects the net cash used for general operations of the University, which changed by \$.9 million during 2005.

The cash flows from noncapital financing activities, changed by \$.5 million during 2005. This change was due to a decrease in net state appropriations.



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

The net cash flows used in capital and related financing activities represent cash received and used for the acquisition, construction, and renovation of capital assets, which changed by \$7.3 million during 2005. A large portion of this change is due to reduced expenses in 2005 related to capital construction projects, such as the student recreation/wellness center and phase I of the science complex.

The cash flows provided by (used in) investing activities represent the cash activities of investments, which changed by \$2.8 million. This change is related to the purchase of investments for the energy performance project debt escrow fund.

The net cash used in operating activities reflects the net cash used for general operations of the University, which changed by \$1.2 million during 2004. A large portion of this change was due to savings and more efficient operations of auxiliary enterprises.

The cash flows from noncapital financing activities, changed by \$.5 million during 2004. This change was due to the increase of grants and contracts receipts. However, two significant transactions are reflected in this section of the 2004 Statement of Cash Flows. The \$3.3 million receipt of the Regional Universities Endowment Trust Fund proceeds awarded to the University in 2004 caused an increase in noncapital financing activities. In 2004, these funds were also transferred to the MSU Foundation for investment purposes, which caused a decrease for the same amount.

The net cash flows used in capital and related financing activities represent cash received and used for the acquisition, construction, and renovation of capital assets, which changed by \$13.2 million during 2004. A large portion of this change is due to expenses related to the continued construction of the science complex and the student recreation/wellness center.

The cash flows provided by investing activities represent the cash activities of investments related to bond reserve funds and endowment assets. Minimal changes in debt service reserve requirements were required for the year ended June 30, 2004.

**Condensed Statements of Cash Flows**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Cash provided/(used by):</b>			
Operating activities	\$ (48,520,987)	\$ (47,628,530)	\$ (48,819,153)
Noncapital financing activities	54,474,090	54,974,561	54,478,012
Capital and related financing activities	(5,788,732)	(13,041,031)	164,548
Investing activities	<u>(1,368,063)</u>	<u>1,508,087</u>	<u>1,483,471</u>
Net increase in cash	<u>(1,203,692)</u>	<u>(4,186,913)</u>	<u>7,306,878</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>43,341,386</u>	<u>47,528,299</u>	<u>40,221,421</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 42,137,694</u>	<u>\$ 43,341,386</u>	<u>\$ 47,528,299</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

**Capital Assets and Debt Administration**

The University had a \$1.7 million increase in capital assets during the fiscal year ended June 30, 2005. This change is primarily due an increase of \$1.1 million in equipment acquisitions. The Science Complex Phase I and Wellness Center projects, which total \$24 million, was transferred from construction in progress to the buildings assets during the year. Capital assets as of the year ended June 30, 2005, and changes during the year are as follows:

	Balance June 30, 2005	Net Change 2004-05
Land	\$ 6,791,881	\$ 310,316
Construction in progress	3,055,589	(19,509,585)
Museum and collectibles	497,193	-
Buildings	182,540,678	24,324,756
Non-building improvements	9,623,707	810,406
Equipment	19,865,288	1,596,216
Library holdings	25,957,764	952,808
Livestock	122,750	28,500
Accumulated depreciation	(129,200,235)	(6,777,295)
<b>Total</b>	<b>\$ 119,254,615</b>	<b>\$ 1,736,122</b>

The University issued new debt of \$7.5 million which included \$6.7 million for the improvement of energy performance on campus. The University also paid off \$3.5 million of long term debt.

Debt as of June 30, 2005, is summarized below:

	Balance June 30, 2005
Housing and Dining System Revenue Bonds	\$ 10,525,000
Consolidated Educational Buildings Revenue Bonds	5,260,000
Bond discount	(212,026)
City of Murray	10,000,000
Other (Note 11 of Notes to Financial Statements )	11,216,599
<b>Total</b>	<b>\$ 36,789,573</b>

**Infrastructure Assets**

Infrastructure assets are defined by GASB No. 34 as long-lived assets that are normally stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These types of assets will typically be permanent non-building additions that service the entire campus. The University has adopted the modified approach of accounting for its infrastructure assets. This approach requires that an asset management system be established and maintained. Such a system would

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Management's Discussion and Analysis**

assess and disclose that all eligible infrastructure assets are being preserved approximately at (or above) a condition level established. To date, the University has not identified any assets that should be classified as infrastructure.

**Economic Factors Affecting Future Periods**

- General state appropriations from the Commonwealth of Kentucky (Commonwealth) are expected to remain constant or slightly increase over the next period.
- The University provides health insurance to employees through a self-funded program. As reflected in national trends, the costs of health claims will continue to be a major expense for the institution.
- The Athletic Department's fundraising and sponsorship activities will transfer to the University from the Murray State University Athletic Foundation, effective July 1, 2005. This change should significantly improve institutional control of the Athletic Department.
- Prior to the 2006-07 academic year, the governing bodies of each public university within the Commonwealth of Kentucky had been delegated the authority to set tuition rates for its respective university. Beginning with the 2006-07 academic year, the Commonwealth of Kentucky's Council on Postsecondary Education will rescind this delegation and they will begin to approve the tuition rates for all public universities within the Commonwealth. The impact of this change is not yet known.
- The University has received a \$13 million project authorization from the Commonwealth to construct a new residential college facility to replace the existing Clark Residential College. Architects have been engaged for this project and building construction is planned to start in the spring 2006. In addition, the University has requested authorization from the Commonwealth from the 2006-08 biennial budget to replace the existing Richmond Residential College.
- The University's capital funding priority for the 2006-08 Commonwealth's biennium budget is \$15 million for phase III of the science complex. This phase will be for the third building in the complex and will house the Physics program.
- In partnerships with Murray Electric System, the University plans to begin a new energy project. This project will entail the construction of a building to house diesel generators on the main campus. These generators will allow the University to obtain better electrical utility rates per unit.

**Contacting the University's Financial Management**

This financial report is designed to provide a general overview of the University's finances and to show the University's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to Vice President for Finance and Administrative Services, 322 Sparks Hall, Murray, KY 42071.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Balance Sheets**  
**June 30, 2005 and 2004**

**ASSETS**

	<u>2005</u>	<u>2004</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 31,733,726	\$ 25,491,325
Accounts receivable, net	5,212,078	4,582,500
Inventories	1,982,920	2,021,246
Prepaid expenses	876,607	684,832
Loans receivable, net	869,983	771,011
Interest receivable	<u>15,055</u>	<u>114,524</u>
<b>Total current assets</b>	<u>40,690,369</u>	<u>33,665,438</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	10,403,968	17,850,061
Restricted investments	25,051,377	20,797,865
Accounts receivable, net	91,700	183,400
Loans receivable, net	3,641,037	3,604,160
Capital assets	248,454,850	239,941,433
Accumulated depreciation	(129,200,235)	(122,422,940)
Debt issuance costs, net	<u>433,211</u>	<u>456,968</u>
<b>Total noncurrent assets</b>	<u>158,875,908</u>	<u>160,410,947</u>
<b>Total assets</b>	<u>\$ 199,566,277</u>	<u>\$ 194,076,385</u>

See Notes to Financial Statements

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Balance Sheets**  
**June 30, 2005 and 2004**

**LIABILITIES AND NET ASSETS**

	<u>2005</u>	<u>2004</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 6,048,999	\$ 7,689,126
Self-insured health liability	1,079,117	1,152,763
Accrued payroll	3,437,563	3,367,640
Interest payable	237,831	241,347
Deposits	167,798	207,083
Deferred revenue	3,622,937	4,716,368
Current maturities of long-term liabilities	<u>3,761,404</u>	<u>3,197,475</u>
Total current liabilities	<u>18,355,649</u>	<u>20,571,802</u>
<b>Noncurrent Liabilities</b>		
Deposits	205,805	171,933
Revenue bonds, notes payable, and capital leases	<u>33,028,169</u>	<u>29,660,484</u>
Total noncurrent liabilities	<u>33,233,974</u>	<u>29,832,417</u>
Total liabilities	<u>51,589,623</u>	<u>50,404,219</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	89,933,928	85,638,535
Restricted for		
Nonexpendable – permanent endowments	14,781,227	14,684,636
Expendable		
Scholarships, research, instruction and other	4,578,913	3,729,092
Loans	4,919,668	4,977,530
Capital assets	3,174,364	9,135,468
Debt service	4,144,190	4,021,365
Unrestricted	<u>26,444,364</u>	<u>21,485,540</u>
Total net assets	<u>147,976,654</u>	<u>143,672,166</u>
Total liabilities and net assets	<u>\$ 199,566,277</u>	<u>\$ 194,076,385</u>

Murray State University Foundation, Inc.  
 Statements of Financial Position  
 June 30, 2005 and 2004

**ASSETS**

	2005	2004
Cash	\$ 115,694	\$ 29,920
Accounts receivable, net of allowance; 2005 - \$16,740, 2004 - \$16,256	70,327	67,376
Investments	54,440,112	47,726,626
Prepaid and other current assets	33,832	29,635
Real estate held for sale	88,710	462,085
Contributions receivable, net of allowance; 2005 - \$33,148, 2004 - \$47,770	625,594	902,086
Notes receivable	185,809	202,037
Property and equipment, net of accumulated depreciation; 2005 - \$1,585,764, 2004 - \$1,460,204	3,202,959	3,284,587
Total assets	\$ 58,763,037	\$ 52,704,352

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 159,133	\$ 165,334
Accrued expenses	32,939	31,034
Deferred revenue	38,613	33,368
Assets held for others	17,534,480	16,273,654
Annuities payable	221,762	236,484
Capital lease obligations	83,802	120,273
Total liabilities	18,070,729	16,860,147

**Net Assets**

Unrestricted	6,041,631	5,809,256
Temporarily restricted	12,210,710	8,975,425
Permanently restricted	22,439,967	21,059,524
Total net assets	40,692,308	35,844,205
Total liabilities and net assets	\$ 58,763,037	\$ 52,704,352

Murray State University Athletic Foundation, Inc.  
 Statements of Financial Position  
 June 30, 2005 and 2004

**ASSETS**

	2005	2004
Cash	\$ 180,285	\$ 115,243
Investments	108,968	88,421
Contributions receivable, net of allowance; 2005 - \$1,800, 2004 - \$13,000	34,302	34,237
Other receivables	34,297	93,016
Real estate held for sale	603,595	1,231,525
Equipment, net of accumulated depreciation; 2005 - \$6,623, 2004 - \$3,521	5,750	8,851
Total assets	\$ 967,197	\$ 1,571,293

**LIABILITIES AND NET ASSETS**

**Liabilities**

Line of credit	\$ —	\$ 325,000
Accounts payable to Murray State University	435,897	—
Accounts payable and accrued expenses	32,927	45,118
Note payable	607,672	1,215,137
Total liabilities	1,076,496	1,585,255

**Net Assets (Deficit)**

Unrestricted	(192,072)	(125,879)
Temporarily restricted	82,773	111,917
Total net assets (deficit)	(109,299)	(13,962)
Total liabilities and net assets (deficit)	\$ 967,197	\$ 1,571,293

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<b>Revenues</b>		
Operating revenues		
Student tuition and fees	\$ 52,096,603	\$ 43,227,944
Less discounts and allowances	<u>(19,745,096)</u>	<u>(15,331,582)</u>
Net tuition and fees	<u>32,351,507</u>	<u>27,896,362</u>
Federal grants and contracts	12,463,138	12,534,110
State grants and contracts	7,421,792	6,815,631
Local and private grants and contracts	<u>245,580</u>	<u>244,245</u>
Total grants and contracts	<u>20,130,510</u>	<u>19,593,986</u>
Sales and services of educational departments	3,429,670	3,551,156
Other operating revenues	<u>1,710,510</u>	<u>1,844,664</u>
Total sales, services, and other revenues	<u>5,140,180</u>	<u>5,395,820</u>
Auxiliary enterprises revenues (Revenues are pledged as security for the Housing and Dining Revenue System Bond Series A - P)	18,742,513	17,830,810
Less discounts and allowances	<u>(749,391)</u>	<u>(721,263)</u>
Net auxiliary revenue	<u>17,993,122</u>	<u>17,109,547</u>
Total operating revenues	<u>75,615,319</u>	<u>69,995,715</u>
<b>Expenses</b>		
Operating expenses		
Instruction	47,040,216	46,574,969
Research	2,647,825	3,495,188
Public service	5,803,477	5,446,975
Libraries	1,621,110	1,640,583
Academic support	5,418,991	5,216,651
Student services	11,201,585	10,833,270
Institutional support	10,918,645	10,100,759
Operational and maintenance of plant	17,439,073	13,229,253
Student financial aid	6,973,072	6,700,293
Depreciation	6,527,977	5,840,909
Auxiliary enterprises	15,267,241	14,592,820
Auxiliary depreciation	<u>831,987</u>	<u>779,527</u>
Total operating expenses	<u>131,691,199</u>	<u>124,451,197</u>
<b>Operating Loss</b>	<b>\$ (56,075,880)</b>	<b>\$ (54,455,482)</b>

See Notes to Financial Statements



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	\$ 50,999,000	\$ 51,472,900
Less: State appropriation reduction	(1,632,900)	(1,331,100)
State endowment match	—	3,259,000
Restricted student fees (Revenues are pledged as security for the City of Murray debt agreement)	646,417	637,850
Federal grants and contracts	1,747,094	1,328,844
State grants and contracts	2,805,482	2,307,248
Local and private grants and contracts	1,220,515	1,855,761
Gifts	578,337	360,470
Investment income	2,464,474	1,797,883
Interest on capital asset-related debt	(1,503,252)	(1,073,989)
Loss on deletion and disposal of capital assets	(156,020)	(131,729)
Bond amortization	(51,311)	(165,608)
	<u>57,117,836</u>	<u>60,317,530</u>
<b>Net nonoperating revenues (expenses)</b>		
	<u>57,117,836</u>	<u>60,317,530</u>
<b>Income before Other Revenues, Expenses, Gains or Losses</b>	1,041,956	5,862,048
State capital appropriations	1,274,783	8,142,030
Capital grants	1,468,179	492,405
Capital gifts	397,807	176,178
Insurance proceeds on capital asset loss	121,763	164,758
	<u>121,763</u>	<u>164,758</u>
<b>Increase in Net Assets</b>	4,304,488	14,837,419
<b>Net Assets, Beginning of Year</b>	<u>143,672,166</u>	<u>128,834,747</u>
<b>Net Assets, End of Year</b>	<u>\$ 147,976,654</u>	<u>\$ 143,672,166</u>

Murray State University Foundation, Inc.  
 Statements of Activities  
 Years Ended June 30, 2005 and 2004

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, Gains and Other Support</b>				
Contributions	\$ 131,648	\$ 3,643,647	\$ 868,513	\$ 4,643,808
Revenues from operations of golf course	506,478	—	—	506,478
Fees	128,945	—	—	128,945
Investment return	1,111,340	1,410,345	340,475	2,862,160
Other	240,468	13,428	171,455	425,351
Reclassification based on donor intent	—	—	—	—
Net assets released from restrictions	<u>1,832,135</u>	<u>(1,832,135)</u>	<u>—</u>	<u>—</u>
Total revenues, gains and other support	<u>3,951,014</u>	<u>3,235,285</u>	<u>1,380,443</u>	<u>8,566,742</u>
<b>Expenses and Losses</b>				
Payments made on behalf of Murray State University	2,242,375	—	—	2,242,375
Golf course	555,052	—	—	555,052
General and administrative	921,212	—	—	921,212
Loss on impairment of real estate held for sale	—	—	—	—
Total expenses and losses	<u>3,718,639</u>	<u>—</u>	<u>—</u>	<u>3,718,639</u>
<b>Change in Net Assets</b>	232,375	3,235,285	1,380,443	4,848,103
<b>Net Assets, Beginning of Year</b>	<u>5,809,256</u>	<u>8,975,425</u>	<u>21,059,524</u>	<u>35,844,205</u>
<b>Net Assets, End of Year</b>	<u>\$ 6,041,631</u>	<u>\$ 12,210,710</u>	<u>\$ 22,439,967</u>	<u>\$ 40,692,308</u>

See Notes to Financial Statements

Murray State University Foundation, Inc.  
 Statements of Activities  
 Years Ended June 30, 2005 and 2004

	2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, Gains and Other Support</b>				
Contributions	\$ 82,999	\$ 923,198	\$ 3,875,339	\$ 4,881,536
Revenues from operations of golf course	476,488	—	—	476,488
Fees	116,607	—	—	116,607
Investment return	1,040,133	2,084,000	3,859	3,127,992
Other	168,520	294,003	63,115	525,638
Reclassification based on donor intent	(48,053)	440,343	(392,290)	—
Net assets released from restrictions	<u>1,584,088</u>	<u>(1,584,088)</u>	<u>—</u>	<u>—</u>
Total revenues, gains and other support	<u>3,420,782</u>	<u>2,157,456</u>	<u>3,550,023</u>	<u>9,128,261</u>
<b>Expenses and Losses</b>				
Payments made on behalf of Murray State University	1,354,374	—	—	1,354,374
Golf course	558,962	—	—	558,962
General and administrative	757,939	—	—	757,939
Loss on impairment of real estate held for sale	<u>229,714</u>	<u>—</u>	<u>—</u>	<u>229,714</u>
Total expenses and losses	<u>2,900,989</u>	<u>—</u>	<u>—</u>	<u>2,900,989</u>
<b>Change in Net Assets</b>	519,793	2,157,456	3,550,023	6,227,272
<b>Net Assets, Beginning of Year</b>	<u>5,289,463</u>	<u>6,817,969</u>	<u>17,509,501</u>	<u>29,616,933</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,809,256</u>	<u>\$ 8,975,425</u>	<u>\$ 21,059,524</u>	<u>\$ 35,844,205</u>

Murray State University Athletic Foundation, Inc.  
 Statements of Activities  
 Years Ended June 30, 2005 and 2004

	2005		
	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 70,775	\$ 435,503	\$ 506,278
Sponsorships and promotions	387,489	—	387,489
Fund raising events	72,677	52,003	124,680
Investment return	7,823	—	7,823
Gain on sale of real estate held for sale	335,198	—	335,198
Other	30,279	—	30,279
Net assets released from restrictions	<u>516,650</u>	<u>(516,650)</u>	<u>—</u>
Total revenues, gains and other support	<u>1,420,891</u>	<u>(29,144)</u>	<u>1,391,747</u>
<b>Expenses</b>			
Sponsorships and promotions	370,452	—	370,452
Contributions to Murray State University			
Athletic department	668,221	—	668,221
General operations	70,226	—	70,226
Contribution to Murray State University Foundation	—	—	—
General and administrative	236,589	—	236,589
Fund raising events	61,644	—	61,644
Membership activities	10,661	—	10,661
Interest	<u>69,291</u>	<u>—</u>	<u>69,291</u>
Total expenses	<u>1,487,084</u>	<u>—</u>	<u>1,487,084</u>
<b>Change in Net Assets (Deficit)</b>	(66,193)	(29,144)	(95,337)
<b>Net Assets (Deficit), Beginning of Year</b>	<u>(125,879)</u>	<u>111,917</u>	<u>(13,962)</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ (192,072)</u>	<u>\$ 82,773</u>	<u>\$ (109,299)</u>

See Notes to Financial Statements

Murray State University Athletic Foundation, Inc.  
 Statements of Activities  
 Years Ended June 30, 2005 and 2004

	2004		
	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 95,503	\$ 591,298	\$ 686,801
Sponsorships and promotions	492,908	140	493,048
Fund raising events	116,509	16,310	132,819
Investment return	12,360	—	12,360
Gain on sale of real estate held for sale	1,780,954	—	1,780,954
Other	56,273	475	56,748
Net assets released from restrictions	<u>632,956</u>	<u>(632,956)</u>	<u>—</u>
Total revenues, gains and other support	<u>3,187,463</u>	<u>(24,733)</u>	<u>3,162,730</u>
<b>Expenses</b>			
Sponsorships and promotions	324,773	—	324,773
Contributions to Murray State University			
Athletic department	1,004,727	—	1,004,727
General operations	95,120	—	95,120
Contribution to Murray State University			
Foundation	35,300	—	35,300
General and administrative	346,324	—	346,324
Fund raising events	61,283	—	61,283
Membership activities	23,157	—	23,157
Interest	<u>104,291</u>	<u>—</u>	<u>104,291</u>
Total expenses	<u>1,994,975</u>	<u>—</u>	<u>1,994,975</u>
<b>Change in Net Assets (Deficit)</b>	1,192,488	(24,733)	1,167,755
<b>Net Assets (Deficit), Beginning of Year</b>	<u>(1,318,367)</u>	<u>136,650</u>	<u>(1,181,717)</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ (125,879)</u>	<u>\$ 111,917</u>	<u>\$ (13,962)</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Statements of Cash Flows**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 32,726,025	\$ 27,695,754
Grants and contracts	19,220,602	18,752,655
Salaries, wages, and benefits	(72,347,127)	(72,890,855)
Payments to suppliers	(28,716,663)	(22,856,859)
Payments to students for financial aid	(6,973,072)	(6,700,293)
Computer loans issued to employees	(39,833)	(50,401)
Collection of computer loans to employees	43,444	55,255
Loans issued to students	(1,297,203)	(1,105,122)
Collection of loans to students	1,161,354	1,113,468
Sales and services	3,183,549	3,977,012
Other operating revenues	1,708,241	1,843,745
Auxiliary enterprises revenues		
Food service	5,877,915	5,498,227
Housing	6,785,347	6,518,309
Book store	4,971,841	4,845,229
Other	238,424	268,166
Auxiliary enterprises payments		
Salaries, wages, and benefits	(4,658,079)	(4,650,122)
Payment to suppliers	(10,405,752)	(9,942,698)
	(48,520,987)	(47,628,530)
Net cash used in operating activities		
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	49,366,100	50,141,800
State endowment match	—	3,259,000
Grants and contracts	5,773,091	5,491,853
Endowment transfers to MSU Foundation	(770,350)	(4,017,274)
Gifts for other than capital purposes	100,100	100,454
Agency transactions	5,149	(1,272)
	54,474,090	54,974,561
Net cash provided by noncapital financing activities		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from capital debt	7,465,190	6,511,226
Payment receipt for loan issued for capital project	91,700	54,200
Restricted student fees pledged for debt service	646,417	637,850
Insurance proceeds	121,763	164,758
State capital appropriations	546,402	970,147
Purchases of capital assets	(11,195,885)	(14,864,692)
Capital gift	135,400	20,000
Capital grants	1,468,179	492,405
Principal paid on capital debt and leases	(3,561,130)	(5,942,600)
Interest paid on capital debt and leases	(1,506,768)	(1,084,325)
	(5,788,732)	(13,041,031)
Net cash used in capital and related financing activities		

See Notes to Financial Statements

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Statements of Cash Flows**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	\$ 6,747,641	\$ 5,875,010
Purchase of investments	(9,928,475)	(5,979,952)
Interest receipts on investments	<u>1,812,771</u>	<u>1,613,029</u>
Net cash (used in) provided by investing activities	<u>(1,368,063)</u>	<u>1,508,087</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,203,692)	(4,186,913)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>43,341,386</u>	<u>47,528,299</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 42,137,694</u>	<u>\$ 43,341,386</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets</b>		
Cash and cash equivalents	\$ 31,733,726	\$ 25,491,325
Restricted cash and cash equivalents	<u>10,403,968</u>	<u>17,850,061</u>
Total cash and cash equivalents	<u>\$ 42,137,694</u>	<u>\$ 43,341,386</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>		
Operating loss	\$ (56,075,880)	\$ (54,455,482)
Depreciation	7,359,964	6,620,436
Bad debt	169,248	128,894
Changes in assets and liabilities		
Accounts receivable, net	732,388	(619,127)
Inventories	38,326	(147,277)
Prepaid expenses	(191,775)	(99,049)
Accounts payable	(171,624)	672,768
Self-insured health liability	(73,646)	12,120
Accrued payroll	69,923	77,716
Deposits	(12,858)	(19,633)
Deferred revenue	<u>(365,053)</u>	<u>200,104</u>
Net cash used in operating activities	<u>\$ (48,520,987)</u>	<u>\$ (47,628,530)</u>
<b>Supplemental Cash Flows Information</b>		
Gifts of capital assets	\$ 262,407	\$ 156,178
Accounts payable incurred for capital assets	\$ 274,268	\$ 1,168,353

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

***Nature of Operations***

Murray State University (University) is a state-supported institution of higher education located in Murray, Kentucky, and is accredited by the Southern Association of Colleges and Schools. The University awards graduate and undergraduate degrees from five colleges and one school and serves a student population of approximately 10,100. The University is a component unit of the Commonwealth of Kentucky and is included in the general-purpose financial statements of the Commonwealth.

***Basis of Accounting and Financial Statement Presentation***

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the University 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 with or contradict GASB pronouncements.

During 2004, the University retroactively changed its method of financial statement presentation and disclosure by adopting the provisions of Governmental Accounting Standards Board Statement No. 39 (GASB No. 39), *Determining Whether Certain Organizations are Component Units*. GASB No. 39 requires certain organizations be reported as component units of a primary government based on the nature and significance of that organization's relationship to the primary government. Application of this statement resulted in including Murray State University Foundation, Inc. and Murray State University Athletic Foundation, Inc. (the Foundations) as discretely presented component units of the University. The Foundations are private nonprofit organizations that report under FASB standards, including FASB No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information in the University's financial report for these differences.



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

***Cash and Cash Equivalents***

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.

***Restricted Cash, Cash Equivalents, and Investments***

Cash, cash equivalents, 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.

***Investments***

The University accounts for its investments at fair value. Fair value is determined using quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

Assets held by the Murray State University Foundation, Inc. (Foundation) represent those gifts and donations made directly to the University, which are held by the Foundation for investment purposes. The net appreciation and income of donor restricted endowments are available to the University for expenditure to the extent permitted by Kentucky law and the spending policy of Murray State University Foundation, Inc. The recognition of gifts, donations, and endowment pledges are accounted for by the University in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

***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.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

***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. Assets under capital leases are amortized over the estimated useful life of the asset, or the lease term, whichever is shorter. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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

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

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of borrowing. Total interest capitalized was \$0 and \$454,276 for the years ended June 30, 2005 and June 30, 2004, respectively.

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.

***Debt Issuance Costs***

Debt issuance costs incurred have been deferred and are being amortized over the life of the debt using the straight line method. Total amortization for both years ended June 30, 2005 and 2004, was \$23,757 and \$22,591, respectively.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

***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.

***Deferred Revenue***

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

***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 time or purpose restrictions imposed by external third parties.

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

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

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

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

***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.

***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 non-exchange transactions. In a nonexchange transaction, the University receives value without directly giving equal value back, such as a gift or grant for which there is no return requirement. Additionally, certain significant revenues relied upon for operations, such as state appropriations, investment income and endowment income, are recorded as nonoperating revenues, in accordance with GASB No. 35.

***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. Payments made directly to students are presented as student financial aid expenses.

***Income Taxes***

The University is a component of the Commonwealth of Kentucky and is not subject to Federal income tax as described in section 115 of the Internal Revenue Code. However, the University is subject to Federal income tax on any unrelated business taxable income.

  
**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
 June 30, 2005 and 2004

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

***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 three pronouncements. Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* provides guidance regarding impairment of capital assets and insurance recoveries. The University expects to first apply the new statement for the year ended June 30, 2006. Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* provides uniform financial reporting standards for other postemployment benefits (OPEB) and becomes effective for the year ended June 30, 2007. Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* further provides guidance regarding the reporting of OPEB benefits and becomes effective for the year ended June 30, 2008. The impact of applying these new statements has not yet been determined.

**Note 2: Accounts Receivable**

Accounts receivable consisted of:

	2005	2004
Current accounts receivable:		
Student tuition and fees	\$ 2,014,976	\$ 1,455,086
Grants and contracts	2,985,869	2,856,737
Auxiliary fees	350,726	494,952
Employee computer loans	15,447	19,058
Outside sales	680,085	486,141
State agencies	6,700	5,535
Capital construction receivable	147,195	91,796
Allowance for doubtful accounts	(988,920)	(826,805)
Total current accounts receivable	5,212,078	4,582,500
Noncurrent accounts receivable:		
Capital construction receivable	91,700	183,400
Total accounts receivable	\$ 5,303,778	\$ 4,765,900

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 3: Inventories**

Inventories consisted of:

	2005	2004
Inventories		
University bookstore – resale	\$ 1,449,850	\$ 1,466,376
Physical plant – supplies	402,074	407,151
Food services – resale and supplies	117,677	123,616
Central stores – supplies	13,319	24,103
Total inventories	\$ 1,982,920	\$ 2,021,246

**Note 4: Loans Receivable**

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the loans receivable at June 30, 2005 and 2004. The Program provides for service cancellation of a loan at rates of 15% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts cancelled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2005 and 2004, the allowance for uncollectible loans was \$207,105 and \$206,802, respectively.

Loans receivable consisted of:

	2005	2004
Current loans receivable:		
University loan programs	\$ 88,740	\$ 64,547
Federal nursing program	80,442	70,699
Federal Perkins program	700,801	635,765
Total current loans receivable, net	869,983	771,011
Noncurrent loans receivable:		
Federal nursing program	359,702	344,447
Federal Perkins program	3,281,335	3,259,713
Total noncurrent loans receivable, net	3,641,037	3,604,160
Total loans receivable, net	\$ 4,511,020	\$ 4,375,171

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 5: Deposits, Investments, and Investment Income**

**Deposits**

At June 30, 2005 and June 30, 2004, the carrying amounts of the University's bank balances and deposits were \$42,137,694 and \$43,341,386, respectively.

The Federal Deposit Insurance Corporation (FDIC) insures each local bank balance deposit for \$100,000. Deposits in excess of \$100,000 are secured by pledging Treasury or U.S. Government Agency securities having a quoted value equal to the total deposits less the FDIC insured amount as per Kentucky state statute KRS 41.240.

The University also maintains cash deposits with the Commonwealth of Kentucky, as overseen by the State Investment Commission (the Commission). The Commission is charged with the oversight of the Commonwealth's investment programs pursuant to KRS 42.500. The Commonwealth's investments are categorized into four distinct classifications or "pools". The Short-Term Pool consists primarily of General Fund cash balances and provides liquidity for the remaining pools. The Intermediate-Term Pool represents Agency Fund investments, state held component unit and fiduciary fund accounts held for the benefit of others by the state. The Long-Term Pool invests the Budget Reserve Trust Fund account and any other funds deemed appropriate for the pool where liquidity is not a serious concern. The remaining fund is the Bond Proceeds Pool where capital construction bond proceeds are invested until expended for their intended purpose. Shares of the pool represent a divisible interest in the underlying securities and are not federally insured or guaranteed by the U.S. Government, FDIC, or any federal agency. The pools have not been approved by the Securities and Exchange Commission. The University's shares within the pools may indirectly expose it to risks associated with fixed income investments; however, specific information about any such transactions is not available to the University.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk.

Deposits as of June 30, 2005 and 2004 consisted of:

	<b>2005</b>	<b>2004</b>
Depository accounts:		
Local bank deposits, collateral held as a pledge in the University's name	\$ 6,629,654	\$ 7,640,501
Cash on hand	78,464	72,692
Foreign currency deposits	285,997	161,419
State Investment Pool – uninsured and uncollateralized	<u>35,143,579</u>	<u>35,466,774</u>
 Total deposits	 <u>\$ 42,137,694</u>	 <u>\$ 43,341,386</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 5: Deposits, Investments, and Investment Income (Continued)**

Deposits as presented in the balance sheet captions include:

	<b>2005</b>	<b>2004</b>
Cash and cash equivalents, current	\$ 31,733,726	\$ 25,491,325
Restricted cash and cash equivalents	10,403,968	17,850,061
Total deposits	\$ 42,137,694	\$ 43,341,386

**Investments**

Investments consisted of:

	<b>June 30, 2005 Fair Value</b>	<b>June 30, 2004 Fair Value</b>
Money market funds	\$ 8,002,979	\$ 2,818,528
Repurchase agreements	—	2,003,615
Subtotal – restricted for capital purposes	8,002,979	4,822,143
Restricted assets held by Murray State University Foundation	17,048,398	15,975,722
Total investments	\$ 25,051,377	\$ 20,797,865

Restricted investments for capital purposes are comprised of amounts invested for sinking fund and debt service reserves. 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.

University investments held by the Murray State University Foundation, Inc. are comprised of private donations received directly by the University and consist of expendable restricted funds as well as endowments. Assets held by the Foundation are invested primarily in an investment pool managed by the Foundation and are carried at fair value.



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 5: Deposits, Investments, and Investment Income (Continued)**

The assets in the pool are invested as follows:

	<u>2005</u>	<u>2004</u>
Percentage of pool invested in:		
Mutual funds in equity securities	61%	58%
Mutual funds in fixed income securities	34	37
Other	<u>5</u>	<u>5</u>
Total	<u>100%</u>	<u>100%</u>

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not within its investment policy formally limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

*Credit Risk.* Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires investments to be in compliance with State statute. The University has no further policy that would limit its investment choices.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The University places no limit on the amount that may be invested in any one issuer. The University does not hold more than 5% of its investments with a single issuer, other than those investments held in mutual funds.

**Investment Income**

Investment income for the years ended June 30, 2005 and 2004, consisted of:

	<u>2005</u>	<u>2004</u>
Assets held by the University:		
Interest income	\$ 1,405,163	\$ 549,242
Assets held by MSU Foundation:		
Investment income	610,465	532,890
Net increase in fair value of investments	<u>448,846</u>	<u>715,751</u>
Total investment income	<u>\$ 2,464,474</u>	<u>\$ 1,797,883</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 6: Regional University Excellence Trust Fund**

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

The following is a summary of the funding for the RUETF as of June 30, 2005:

<u>Funding Period</u>	<u>External Match Receipts</u>					<u>External Match Pledges</u>
	<u>CPE Funding Available</u>	<u>CPE Funding Received</u>	<u>Held By University</u>	<u>Held By Foundation</u>	<u>Total</u>	
1998-2000	\$ 1,710,000	\$ 1,710,000	\$ 878,250	\$ 831,750	\$ 1,710,000	\$ —
2000-2002	3,521,787	3,521,787	—	3,411,682	3,411,682	110,105
2002-2004	<u>3,259,000</u>	<u>3,259,000</u>	<u>1,468,041</u>	<u>1,790,959</u>	<u>3,259,000</u>	<u>—</u>
Total	<u>\$ 8,490,787</u>	<u>\$ 8,490,787</u>	<u>\$ 2,346,291</u>	<u>\$ 6,034,391</u>	<u>\$ 8,380,682</u>	<u>\$ 110,105</u>

The following is a summary of the funding for the RUETF as of June 30, 2004:

<u>Funding Period</u>	<u>External Match Receipts</u>					<u>External Match Pledges</u>
	<u>CPE Funding Available</u>	<u>CPE Funding Received</u>	<u>Held By University</u>	<u>Held By Foundation</u>	<u>Total</u>	
1998-2000	\$ 1,710,000	\$ 1,710,000	\$ 878,250	\$ 824,250	\$ 1,702,500	\$ 7,500
2000-2002	3,521,787	3,521,787	—	2,734,834	2,734,834	786,953
2002-2004	<u>3,259,000</u>	<u>3,259,000</u>	<u>1,468,041</u>	<u>1,790,959</u>	<u>3,259,000</u>	<u>—</u>
Total	<u>\$ 8,490,787</u>	<u>\$ 8,490,787</u>	<u>\$ 2,346,291</u>	<u>\$ 5,350,043</u>	<u>\$ 7,696,334</u>	<u>\$ 794,453</u>

The University's external match pledges have not been recorded for financial reporting purposes in accordance with GASB No. 33. The above pledges must be fulfilled within a five year period of time due to the guidelines of the funding program.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 7: Capital Assets**

Capital asset activity for the year ended June 30, 2005, was:

	Balance June 30, 2004	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2005
Land	\$ 6,481,565	\$ —	\$ 310,316	\$ —	\$ 6,791,881
Construction in progress	22,565,174	8,738,011	(26,118,440)	(2,129,156)	3,055,589
Museum and collectibles	497,193	—	—	—	497,193
<b>Total capital assets not being depreciated</b>	<u>29,543,932</u>	<u>8,738,011</u>	<u>(25,808,124)</u>	<u>(2,129,156)</u>	<u>10,344,663</u>
Buildings	158,215,922	—	24,424,756	(100,000)	182,540,678
Non-building improvements	8,813,301	—	930,107	(119,701)	9,623,707
Equipment	18,269,072	1,616,369	453,261	(473,414)	19,865,288
Library holdings	25,004,956	998,383	—	(45,575)	25,957,764
Livestock	94,250	28,500	—	—	122,750
<b>Total other capital assets</b>	<u>210,397,501</u>	<u>2,643,252</u>	<u>25,808,124</u>	<u>(738,690)</u>	<u>238,110,187</u>
<b>Total capital assets before depreciation</b>	<u>239,941,433</u>	<u>11,381,263</u>	<u>—</u>	<u>(2,867,846)</u>	<u>248,454,850</u>
<b>Less accumulated depreciation</b>					
Buildings	86,156,323	4,544,056	—	(94,889)	90,605,490
Improvements other than buildings	4,221,202	395,838	—	—	4,617,040
Equipment	13,183,426	1,367,809	—	(444,484)	14,106,751
Library holdings	18,844,985	1,041,440	—	(43,296)	19,843,129
Livestock	17,004	10,821	—	—	27,825
<b>Total accumulated depreciation</b>	<u>122,422,940</u>	<u>\$ 7,359,964</u>	<u>\$ —</u>	<u>\$ (582,669)</u>	<u>129,200,235</u>
<b>Capital assets, net</b>	<u>\$ 117,518,493</u>				<u>\$ 119,254,615</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 7: Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2004, was:

	Balance June 30, 2003	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2004
Land	\$ 6,350,424	\$ —	\$ 165,976	\$ (34,835)	\$ 6,481,565
Construction in progress	13,227,507	17,488,948	(5,948,040)	(2,203,241)	22,565,174
Museum and collectibles	<u>427,769</u>	<u>69,424</u>	<u>—</u>	<u>—</u>	<u>497,193</u>
Total capital assets not being depreciated	<u>20,005,700</u>	<u>17,558,372</u>	<u>(5,782,064)</u>	<u>(2,238,076)</u>	<u>29,543,932</u>
Buildings	153,969,531	—	4,265,441	(19,050)	158,215,922
Non-building improvements	8,313,401	—	499,900	—	8,813,301
Equipment	17,390,672	551,214	1,016,723	(689,537)	18,269,072
Library holdings	23,920,009	1,201,817	—	(116,870)	25,004,956
Livestock	<u>44,250</u>	<u>50,000</u>	<u>—</u>	<u>—</u>	<u>94,250</u>
Total other capital assets	<u>203,637,863</u>	<u>1,803,031</u>	<u>5,782,064</u>	<u>(825,457)</u>	<u>210,397,501</u>
Total capital assets before depreciation	<u>223,643,563</u>	<u>19,361,403</u>	<u>—</u>	<u>(3,063,533)</u>	<u>239,941,433</u>
Less accumulated depreciation					
Buildings	82,206,893	3,949,430	—	—	86,156,323
Improvements other than buildings	3,839,832	381,370	—	—	4,221,202
Equipment	12,513,030	1,252,884	—	(582,488)	13,183,426
Library holdings	17,927,705	1,028,306	—	(111,026)	18,844,985
Livestock	<u>8,558</u>	<u>8,446</u>	<u>—</u>	<u>—</u>	<u>17,004</u>
Total accumulated depreciation	<u>116,496,018</u>	<u>\$ 6,620,436</u>	<u>\$ —</u>	<u>\$ (693,514)</u>	<u>122,422,940</u>
Capital assets, net	<u>\$ 107,147,545</u>				<u>\$ 117,518,493</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 8: Accounts Payable**

Accounts payable consisted of:

	<b>2005</b>	<b>2004</b>
Current accounts payable:		
Vendors	\$ 4,043,690	\$ 6,808,813
Payroll benefits and withholdings	1,992,549	872,362
Loans	12,760	7,951
Total accounts payable	\$ 6,048,999	\$ 7,689,126

**Note 9: Employee Benefits**

***Kentucky Teachers Retirement System***

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

The Kentucky Teachers Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800 or by calling (502) 848-8500.

Funding for the plan is provided from eligible employees who contribute 6.16% of their salary through payroll deductions and the University, which also contributes 13.84% of current eligible employees' salaries to the KTRS. Kentucky Revised Statutes and the KTRS Board of Trustees establish contribution requirements of the plan members and the University. The University's contributions to KTRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$3,687,406, \$3,681,254, and \$3,630,784, respectively, and were equal to the required contributions.

***Kentucky Employee Retirement System***

Substantially all other full-time University employees are required by law to participate in the Kentucky Employee Retirement System (KERS), a cost sharing multiple-employer, public employee retirement system. KERS provides retirement benefits based on an employee's final average salary and number of years of service. Benefits are subject to certain reductions if the

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 9: Employee Benefits (Continued)**

employee retires before reaching age 65 or has less than 27 years of service. The plan also provides for disability, death and survivor benefits and medical insurance.

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

Funding of the plan is from eligible employees who contribute 5.00% of their salary through payroll deductions and the University, which also contributes 5.89% of current eligible employees' salaries to the non-hazardous KERS fund. Employees covered by the hazardous KERS fund contribute 8.00% of gross salary and the University contributes 18.84 % of gross salaries. The Kentucky Revised Statutes and the Board of Trustees of the Kentucky Retirement Systems determine contribution rates each biennium. The University's contributions to KERS for the years ended June 30, 2005, 2004, and 2003 were \$835,942, \$820,956, and \$787,271, respectively, and were equal to the required contributions.

**University Health Self-Insurance Program**

The University maintains a self-insurance program for employees' health insurance. The University pays approximately 78% of the expenses of the plan for permanent full-time employees and their families. Expenses incurred to cover claims paid by the University under the plan for years ended June 30, 2005 and 2004 totaled \$3,678,402 and \$4,847,924 respectively, excluding administrative and stop-loss fees. Stop-loss and administrative fees incurred for the years ended June 30, 2005 and 2004 were \$716,324 and \$621,505 respectively. The University's stop-loss insurance limits its exposure for claims to \$100,000 per individual.

Changes in the liability for self insurance are follows:

	2005	2004
Liability, beginning of year	\$ 1,152,763	\$ 1,140,643
Accruals for current year claims and changes in estimate (includes employee and employer contributions)	5,374,011	6,331,905
Administrative and stop loss fees	(716,324)	(621,505)
Claims paid	(4,731,333)	(5,698,280)
Liability, end of year	\$ 1,079,117	\$ 1,152,763

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 10: Deferred Revenue**

Deferred revenue consisted of:

	2005	2004
Current deferred revenue:		
Prepaid tuition and fees	\$ 1,589,722	\$ 1,360,294
International studies programs	553,226	358,981
Grants and contracts	717,938	1,498,712
Auxiliary enterprises	5,110	13,059
Capital state appropriations	756,941	1,485,322
Total current deferred revenue	\$ 3,622,937	\$ 4,716,368

**Note 11: Revenue Bonds, Notes Payable and Capital Leases**

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2005:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long Term Portion
Bonds payable	\$ 18,127,000	\$ —	(2,342,000)	\$ 15,785,000	\$ 2,345,000	\$ 13,440,000
Less bond discounts	(239,581)	—	27,555	(212,026)	(27,554)	(184,472)
Bonds payable, net of discounts	17,887,419	—	(2,314,445)	15,572,974	2,317,446	13,255,528
City of Murray payable	10,000,000	—	—	10,000,000	90,000	9,910,000
Capital leases	1,703,193	—	(144,193)	1,559,000	97,000	1,462,000
Master lease notes payable	2,932,254	7,445,190	(956,713)	9,420,731	1,073,272	8,347,459
Notes payable	234,400	—	(90,000)	144,400	144,400	—
MSU Foundation notes payable	100,693	20,000	(28,225)	92,468	39,286	53,182
Total bonds, notes and capital leases	\$ 32,857,959	\$ 7,465,190	\$ (3,533,576)	\$ 36,789,573	\$ 3,761,404	\$ 33,028,169

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 11: Revenue Bonds, Notes Payable and Capital Leases (Continued)**

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2004:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long Term Portion
Bonds payable	\$ 17,647,000	\$ 5,355,000	\$ (4,875,000)	\$ 18,127,000	\$ 2,342,000	\$ 15,785,000
Less bond discounts	<u>(232,547)</u>	<u>(69,708)</u>	<u>62,674</u>	<u>(239,581)</u>	<u>(27,554)</u>	<u>(212,027)</u>
Bonds payable, net of discounts	17,414,453	5,285,292	(4,812,326)	17,887,419	2,314,446	15,572,973
City of Murray payable	10,000,000	—	—	10,000,000	—	10,000,000
Capital leases	1,866,132	—	(162,939)	1,703,193	144,194	1,558,999
Master lease notes payable	2,605,059	1,135,226	(808,031)	2,932,254	620,610	2,311,644
Notes payable	305,768	—	(71,368)	234,400	90,000	144,400
MSU Foundation notes payable	<u>104,955</u>	<u>21,000</u>	<u>(25,262)</u>	<u>100,693</u>	<u>28,225</u>	<u>72,468</u>
Total bonds, notes and capital leases	<u>\$ 32,296,367</u>	<u>\$ 6,441,518</u>	<u>\$ (5,879,926)</u>	<u>\$ 32,857,959</u>	<u>\$ 3,197,475</u>	<u>\$ 29,660,484</u>

**Maturity Information**

A schedule of the mandatory principal and interest payments (excluding bond discounts) is presented below:

Years Ending June 30	Bonds	Notes	Total Principal	Interest	Total Payments
2006	\$ 2,345,000	\$ 1,346,957	\$ 3,691,957	\$ 1,389,354	\$ 5,081,311
2007	2,460,000	1,348,083	3,808,083	1,317,159	5,125,242
2008	985,000	1,199,175	2,184,175	1,151,231	3,335,406
2009	1,030,000	922,316	1,952,316	1,072,345	3,024,661
2010	860,000	869,483	1,729,483	1,004,496	2,733,979
2011-2015	3,685,000	3,929,168	7,614,168	4,080,735	11,694,903
2016-2020	3,520,000	3,232,417	6,752,417	2,528,802	9,281,219
2021-2025	900,000	2,150,000	3,050,000	1,500,975	4,550,975
2026-2030	—	2,705,000	2,705,000	877,136	3,582,136
2031-2033	<u>—</u>	<u>1,955,000</u>	<u>1,955,000</u>	<u>162,789</u>	<u>2,117,789</u>
Total	<u>\$ 15,785,000</u>	<u>\$ 19,657,599</u>	<u>\$ 35,442,599</u>	<u>\$ 15,085,022</u>	<u>\$ 50,527,621</u>



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 11: Revenue Bonds, Notes Payable and Capital Leases (Continued)**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Original Issue	Balance Due June 30, 2005	Interest Expense, Current Year	Bonds/Notes Maturing 2005-2006
<b>Housing and Dining System Revenue Bonds Payable</b>				
Series I bonds dated September 1, 1965, with interest at 3 5/8%; final principal payment due September 1, 2004; Hart Hall	\$ 2,250,000	\$ —	\$ 929	\$ —
Series J bonds dated September 1, 1965, with interest of 3.34%; final principal payment due September 1, 2004; College Court III.	510,000	—	250	—
Series L bonds dated September 1, 1968, with interest at 3.00%; final principal payment due September 1, 2008; Regents Hall	2,000,000	720,000	22,395	170,000
Series M bonds dated June 26, 1997, with interest from 4.00% to 5.40%; final principal payment due September 1, 2017; Winslow Cafeteria	825,000	620,000	31,953	35,000
Series N bonds dated May 12, 1999, with interest from 4.35% to 4.90%; final principal payment due September 1, 2018; fire safety for residence halls	6,370,000	5,245,000	232,660	255,000
Series O bonds dated June 1, 2001, with interest from 4.00% to 5.00%; final principal payment due September 1, 2021; Hart Hall	1,610,000	1,535,000	72,884	60,000
Series P bonds dated June 18, 2004, with interest from 1.10% to 4.25%; final principal payment due September 1, 2024; Winslow Cafeteria	<u>2,500,000</u>	<u>2,405,000</u>	<u>83,208</u>	<u>100,000</u>
<b>Total housing and dining system revenue bonds payable</b>	<b>\$ <u>16,065,000</u></b>	<b>\$ <u>10,525,000</u></b>	<b>\$ <u>444,279</u></b>	<b>\$ <u>620,000</u></b>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 11: Revenue Bonds, Notes Payable and Capital Leases (Continued)**

	Original Issue	Balance Due June 30, 2005	Interest Expense, Current Year	Bonds/Notes Maturing 2005-2006
<b>Consolidated Educational Buildings</b>				
<b>Revenue Bonds Payable</b>				
Series G (second series) dated March 1, 1993, with interest from 3.10% to 5.60%; final principal payment due May 1, 2007; I&T building	\$ 11,660,000	\$ 2,935,000	\$ 225,077	\$ 1,425,000
Series H (second series) dated September 1, 2003, with interest from 2.00% to 3.80%; final principal payment due May 1, 2012; Underground condensate lines for Old Fine Arts building	<u>2,855,000</u>	<u>2,325,000</u>	<u>74,546</u>	<u>300,000</u>
Total consolidated educational buildings revenue bonds payable	<u>14,515,000</u>	<u>5,260,000</u>	<u>299,623</u>	<u>1,725,000</u>
Bonds payable before discount	30,580,000	15,785,000	743,902	2,345,000
Less bond discount	<u>—</u>	<u>(212,026)</u>	<u>—</u>	<u>(27,554)</u>
Total bonds payable	<u>\$ 30,580,000</u>	<u>\$ 15,572,974</u>	<u>\$ 743,902</u>	<u>\$ 2,317,446</u>
<b>City of Murray Payable</b>				
Agreement dated 12/30/02 with interest of 2.50% to 4.85%; final principal payment due June 1, 2003	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 455,045</u>	<u>\$ 90,000</u>
<b>Master Lease Payable</b>				
Residential networking – Master lease dated August 18, 2000, with interest from 5.20% to 5.59%; final principal payment due August 18, 2007	\$ 800,000	\$ 289,308	\$ 19,325	\$ 129,318
Deferred Maintenance – Master lease dated May 10, 2002, with interest at 4.79%; final principal payment due May 10, 2007	2,232,000	1,487,780	63,734	342,674
Campus Networking Upgrade – Master lease dated March 24, 2004, with interest of 3.16% to 3.30%; Final principal payment due April 1, 2008	1,627,727	935,767	31,068	379,976

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 11: Revenue Bonds, Notes Payable and Capital Leases (Continued)**

	Original Issue	Balance Due June 30, 2005	Interest Expense, Current Year	Bonds/Notes Maturing 2005-2006
Campus Energy Performance Upgrade – Masterlease dated February 10, 2005, with interest of 3.94%. Final principal payment due August 10, 2017	<u>6,707,876</u>	<u>6,707,876</u>	<u>94,664</u>	<u>221,304</u>
Total Master lease payable	<u>\$ 11,367,603</u>	<u>\$ 9,420,731</u>	<u>\$ 208,791</u>	<u>\$ 1,073,272</u>
<b>Notes Payable</b>				
Kentucky Virtual University dated July 30, 2002, with interest rate at 0%; final principal payment due December 1, 2005.	<u>\$ 294,400</u>	<u>\$ 144,400</u>	<u>\$ —</u>	<u>\$ 144,400</u>
Total notes payable	<u>\$ 294,400</u>	<u>\$ 144,400</u>	<u>\$ —</u>	<u>\$ 144,400</u>
<b>MSU Foundation Payable</b>				
Other liabilities – MSU Foundation; various notes for purchase of academic equipment; final principal due April 2, 2008	<u>\$ 302,013</u>	<u>\$ 92,468</u>	<u>\$ 7,776</u>	<u>\$ 39,286</u>
Total MSU Foundation payable	<u>\$ 302,013</u>	<u>\$ 92,468</u>	<u>\$ 7,776</u>	<u>\$ 39,286</u>
<b>Capital Leases</b>				
University of Kentucky dated June 25, 1998, with interest rate at 5.14%; final principal payment due January 1, 2017	<u>\$ 2,200,000</u>	<u>\$ 1,559,000</u>	<u>\$ 86,428</u>	<u>\$ 97,000</u>
Equipment leases	<u>715,285</u>	<u>—</u>	<u>1,310</u>	<u>—</u>
Total capital leases	<u>\$ 2,915,285</u>	<u>\$ 1,559,000</u>	<u>\$ 87,738</u>	<u>\$ 97,000</u>
<b>Total all Bond Issues, Notes Payable and Capital Leases</b>	<u>\$ 55,459,301</u>	<u>\$ 36,789,573</u>	<u>\$ 1,503,252</u>	<u>\$ 3,761,404</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 11: Revenue Bonds, Notes Payable and Capital Leases (Continued)**

**Capital Leases**

The University leases certain equipment and facilities, under capital lease agreements. The recorded cost of these assets and accumulated depreciation thereon were as follows:

	<b>2005</b>	<b>2004</b>
Capital lease assets, at cost	\$ 2,516,960	\$ 2,516,960
Less accumulated depreciation	<u>(1,691,960)</u>	<u>(1,595,574)</u>
Net book value	<u>\$ 825,000</u>	<u>\$ 921,386</u>

Remaining minimum annual lease payments pursuant to these leases are as follows:

	<b>Year Ending June 30</b>	<b>Total</b>
2006	\$ 178,974	
2007	179,259	
2008	179,231	
2009	179,870	
2010	179,118	
2011-2015	896,666	
2016-2018	<u>358,339</u>	
	2,151,457	
Less amount representing interest	<u>(592,457)</u>	
Present value of capital lease obligations	<u>\$ 1,559,000</u>	

**Note 12: Deposits**

The deposits held by the University consisted of:

	<b>2005</b>	<b>2004</b>
Current:		
Horse stall rentals	\$ 2,870	\$ 5,139
Racer card declining balances	63,820	56,375
Housing deposits	58,251	107,861
Agency account balances	<u>42,857</u>	<u>37,708</u>
Total current deposits	<u>167,798</u>	<u>207,083</u>
Noncurrent:		
Housing deposits	<u>205,805</u>	<u>171,933</u>
Total deposits	<u>\$ 373,603</u>	<u>\$ 379,016</u>

Noncurrent housing deposit additions were \$134,000 and \$101,394 for years ended June 30, 2005 and 2004, respectively. Noncurrent housing deposit deductions were \$100,128 and \$121,007 for years ended June 30, 2005 and 2004, respectively.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 13: Unrestricted Net Assets**

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

	<b>2005</b>	<b>2004</b>
Unrestricted net assets		
Allocated for		
Prior year carryovers		
Renovation and maintenance	\$ 2,230,527	\$ 1,099,668
Departmental operations	8,644,032	8,917,670
Encumbrances	697,277	475,297
Working capital	2,673,297	1,818,710
Revenue contingency	2,498,013	2,573,645
General contingency	8,801,218	5,700,550
Self insurance	900,000	900,000
Total unrestricted net assets	\$ 26,444,364	\$ 21,485,540

**Note 14: Component Units**

***Murray State University Foundation, Inc.***

Murray State University Foundation, Inc. (Foundation) is a Kentucky nonprofit corporation formed to receive, invest, and expend funds for the enhancement and improvement of the University. It is a legally separate, tax-exempt component unit of the University that manages certain endowments and investments on behalf of the University. The Foundation has a Board of Trustees separate from that of the University; however, the President and certain other officers of the University are also officers of the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statement package.

During the year ended June 30, 2005 and June 30, 2004, the Foundation made payments of \$2,242,375 and \$1,354,374, respectively, on behalf of the University from restricted sources. Accounts receivable from the Foundation and accounts payable to the Foundation as of June 30, 2005 and June 30, 2004, respectively, were not significant. Complete financial statements for the Foundation can be obtained from the MSU Foundation Office, 100 Nash House, Murray, Kentucky, 42071.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 14: Component Units (Continued)**

The Murray State Campus Improvement Corporation, a nonprofit nonstock corporation, was created in May 2003 for the exclusive benefit and support of the Murray State University Foundation, Inc., to perform functions of or carry out the purposes of the Foundation, and to handle real and personal property activity for Murray State University. There was no financial activity of the Murray State Campus Improvement Corporation for the years ended June 30, 2005 and 2004.

***Murray State University Athletic Foundation, Inc.***

Murray State University Athletic Foundation, Inc. (Racer Foundation) is a Kentucky nonprofit corporation formed to enhance the academic and athletic experience of the Murray State University student-athlete. The Racer Foundation has a Board of Directors separate from that of the University. The University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Racer Foundation holds and invests. Expenditures are restricted by the donors to University athletic activities. Because the majority of these restricted resources held by the Racer Foundation can only be used by, or for the benefit of, the University, the Racer Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2005, the Racer Foundation distributed \$589,986 to the University, made payments of \$78,235 on behalf of the University, and transferred assets to the University of \$70,226. During the year ended June 30, 2004, the Racer Foundation distributed \$848,656 to the University, made payments of \$156,071 on behalf of the University, and transferred assets to the University of \$95,120. The total benefits for University athletics for the years ended June 30, 2005 and 2004, was \$738,447 and \$1,099,847, respectively. Accounts receivable from the Racer Foundation were \$435,897 and \$0 as of June 30, 2005 and June 30, 2004, respectively. Complete financial statements for the Racer Foundation can be obtained from the MSU Athletic Foundation Office, Stewart Stadium, Murray, Kentucky, 42071.

---

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 15: Risk Management**

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

**Note 16: Contingencies and Commitments**

***Claims and Litigation***

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

***Commitments***

The University has outstanding commitments under construction contracts of approximately \$2,900,000 and \$6,300,000 as of June 30, 2005 and 2004, respectively.

***Government Grants***

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 17: Natural Expense Classifications with Functional Classifications**

The University's operating expenses by functional classification for the year ended June 30, 2005 were as follows:

Fund Classification	Year Ended June 30, 2005						
	Natural Classification						Total
	Compensation and Benefits	Operations	Utilities	Non-capitalized Equipment	Scholarships	Depreciation	
Instruction	\$ 40,105,179	\$ 5,949,573	\$ 233,544	\$ 728,708	\$ 23,212	\$ —	\$ 47,040,216
Research	1,586,163	967,212	—	94,450	—	—	2,647,825
Public service	4,418,411	1,046,376	227,172	111,518	—	—	5,803,477
Libraries	1,343,648	237,880	27	39,555	—	—	1,621,110
Academic support	3,344,021	1,665,630	11,799	396,715	826	—	5,418,991
Student services	6,983,599	3,921,671	73,036	203,114	20,165	—	11,201,585
Institutional support	9,573,747	885,482	216,796	242,620	—	—	10,918,645
Operations and maintenance	4,849,358	7,680,518	4,726,757	182,440	—	—	17,439,073
Financial aid	1,764	42,439	—	—	6,928,869	—	6,973,072
Depreciation	—	—	—	—	—	6,527,977	6,527,977
Auxiliary	4,658,079	10,405,751	—	112,117	91,294	—	15,267,241
Auxiliary depreciation	—	—	—	—	—	831,987	831,987
<b>Total expenses</b>	<b>\$ 76,863,969</b>	<b>\$ 32,802,532</b>	<b>\$ 5,489,131</b>	<b>\$ 2,111,237</b>	<b>\$ 7,064,366</b>	<b>\$ 7,359,964</b>	<b>\$ 131,691,199</b>

The University's operating expenses by functional classification for the year ended June 30, 2004 were as follows:

Fund Classification	Year Ended June 30, 2004						
	Natural Classification						Total
	Compensation and Benefits	Operations	Utilities	Non-capitalized Equipment	Scholarships	Depreciation	
Instruction	\$ 40,138,755	\$ 5,649,412	\$ —	\$ 739,640	\$ 47,162	\$ —	\$ 46,574,969
Research	1,566,291	1,615,688	—	313,209	—	—	3,495,188
Public service	4,399,281	1,000,248	—	47,446	—	—	5,446,975
Libraries	1,323,735	222,616	—	94,232	—	—	1,640,583
Academic support	3,420,593	1,518,477	—	276,649	932	—	5,216,651
Student services	6,892,184	3,779,396	—	131,705	29,985	—	10,833,270
Institutional support	9,319,662	573,179	—	207,918	—	—	10,100,759
Operations and maintenance	5,071,286	2,737,772	5,214,088	206,107	—	—	13,229,253
Financial aid	6,879	71,200	—	—	6,622,214	—	6,700,293
Depreciation	—	—	—	—	—	5,840,909	5,840,909
Auxiliary	4,687,665	9,768,822	—	65,670	70,663	—	14,592,820
Auxiliary depreciation	—	—	—	—	—	779,527	779,527
<b>Total expenses</b>	<b>\$ 76,826,331</b>	<b>\$ 26,936,810</b>	<b>\$ 5,214,088</b>	<b>\$ 2,082,576</b>	<b>\$ 6,770,956</b>	<b>\$ 6,620,436</b>	<b>\$ 124,451,197</b>



**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 18: Segment Information**

***Housing and Dining System***

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

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

***Condensed Balance Sheets***

	2005	2004
<b>Assets</b>		
Current assets	\$ 3,453,983	\$ 3,053,483
Noncurrent assets	2,599,923	3,001,872
Capital assets, net of accumulated depreciation	<u>9,974,190</u>	<u>9,694,798</u>
Total assets	<u>16,028,096</u>	<u>15,750,153</u>
<b>Liabilities</b>		
Current liabilities	6,616,423	6,310,491
Noncurrent liabilities	<u>10,670,852</u>	<u>11,368,334</u>
Total liabilities	<u>17,287,275</u>	<u>17,678,825</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	(312,986)	(1,273,543)
Restricted		
Expendable capital	990,757	936,767
Expendable debt service	1,230,683	1,666,978
Unrestricted	<u>(3,167,633)</u>	<u>(3,258,874)</u>
Total net assets	<u>(1,259,179)</u>	<u>(1,928,672)</u>
Total liabilities and net assets	<u>\$ 16,028,096</u>	<u>\$ 15,750,153</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 18: Segment Information (Continued)**

**Condensed Statements of Revenues, Expenses  
and Changes in Net Assets**

	2005	2004
Operating revenues	\$ 12,772,576	\$ 12,049,615
Operating expenses	(10,635,598)	(10,163,688)
Depreciation expense	<u>(830,486)</u>	<u>(775,068)</u>
Operating income	1,306,492	1,110,859
Nonoperating revenues (expenses)	<u>(636,999)</u>	<u>(1,769,318)</u>
Change in net assets	669,493	(658,459)
Net assets, beginning of year	<u>(1,928,672)</u>	<u>(1,270,213)</u>
Net assets, end of year	<u>\$ (1,259,179)</u>	<u>\$ (1,928,672)</u>

**Condensed Statements of Cash Flows**

	2005	2004
Cash flows from		
Operating activities	\$ 2,462,413	\$ 2,045,389
Noncapital financing activities	(1,373,178)	(978,208)
Capital and related financing activities	(1,182,680)	(872,230)
Investing activities	<u>515,169</u>	<u>(167,240)</u>
Net increase in cash	421,724	27,711
Cash, beginning of year	<u>2,760,398</u>	<u>2,732,687</u>
Cash, end of year	<u>\$ 3,182,122</u>	<u>\$ 2,760,398</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 18: Segment Information (Continued)**

***Susan E. Bauernfeind Student Recreation and Wellness Center***

The University entered into an agreement with the City of Murray, Kentucky on December 30, 2002, to finance the construction of a student recreation/wellness center. The University established a \$3.00 per credit hour student fee, effective for the Fall 2002 semester, to be designated as the Wellness Center Fee. A portion of the revenues from this fee will be used to fund all debt and debt related expenses according to the terms and provisions of the Memorandum of Agreement between the University and the City of Murray.

Condensed financial information as of and for the years ended June 30, 2005 and June 30, 2004, of the University's Wellness Center segment are as follows:

***Condensed Balance Sheet***

	2005	2004
<b>Assets</b>		
Current assets	\$ 130	\$ 593,634
Noncurrent assets	1,376,075	4,172,992
Capital assets, net of accumulated depreciation	<u>10,018,905</u>	<u>7,188,513</u>
Total assets	<u>11,395,110</u>	<u>11,955,139</u>
<b>Liabilities</b>		
Current liabilities	230,446	626,437
Noncurrent liabilities	<u>10,000,000</u>	<u>10,000,000</u>
Total liabilities	<u>10,230,446</u>	<u>10,626,437</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	354,999	—
<b>Restricted</b>		
Expendable capital	818,643	1,221,599
Expendable debt service	(37,401)	(37,210)
Expendable maintenance reserve	221,470	144,313
Unrestricted	<u>(193,047)</u>	<u>—</u>
Total net assets	<u>1,164,664</u>	<u>1,328,702</u>
Total liabilities and net assets	<u>\$ 11,395,110</u>	<u>\$ 11,955,139</u>

**Murray State University**  
**A Component Unit of the State of Kentucky**  
**Notes to Financial Statements**  
June 30, 2005 and 2004

**Note 18: Segment Information (Continued)**

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

	2005	2004
Operating revenues	\$ 48,067	\$ —
Operating expenses	(268,235)	—
Depreciation	(274,721)	—
Operating income (loss)	(494,889)	—
Nonoperating revenues		
Restricted student fees	646,417	\$ 637,850
Investment income	52,492	38,725
Transfer of reserve payment - current fund	71,868	143,735
Transfer of lease payment - current fund	27,122	—
Cost of issuance amortization	(12,003)	(12,003)
Interest on capital asset-related debt	(455,045)	(769)
Nonoperating revenues	330,851	807,538
Change in net assets	(164,038)	807,538
Net assets, beginning of year	1,328,702	521,164
Net assets, end of year	\$ 1,164,664	\$ 1,328,702

**Condensed Statement of Cash Flows**

	2005	2004
Cash flows from		
Operating activities	\$ (220,169)	\$ —
Capital and related financing activities	(3,503,040)	(5,289,014)
Investing activities	165,249	285,357
Net decrease in cash	(3,557,960)	(5,003,657)
Cash, beginning of year	4,404,895	9,408,552
Cash, end of year	\$ 846,935	\$ 4,404,895

**SUPPLEMENTARY INFORMATION**

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
<b>Student Financial Aid - Cluster</b>				
Department of Education:				
SEOG Program			84.007	\$ 325,256
Federal Family Education Loan Program			84.032	21,974,934
Work-study Program			84.033	470,031
Perkins Student Loan Fund (includes current year advances and prior year loan balances)			84.038	5,740,445
Pell Grant Program			84.063	<u>6,668,014</u>
				<u>35,178,680</u>
Department of Health and Human Services:				
Nurse Anesthetist Traineeships			93.124	6,940
Professional Nurse Traineeships			93.358	23,491
Student Nursing Loan Program			93.364	<u>544,885</u>
				<u>575,316</u>
<b>Total Student Financial Aid</b>				<u>\$ 35,753,996</u>

MURRAY STATE UNIVERSITY  
 A COMPONENT UNIT OF THE STATE OF KENTUCKY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
<b>Research and Development - Cluster</b>				
Department of Agriculture:				
Enhancement of Diagnostic Service at Murray State University BVC			10.025	\$ 17,440
Surveying Cerulean Warblers and Selected Forest Interior Birds	Land Between the Lakes	AG-4870-53-4870-4-0040	10.028	1,778
Variable Rate Nitrogen Management	University of Kentucky Research Foundation	UKRF 4-71887-03-304	10.200	18,090
Clinical Skill Builder for Food and Nutrition			10.217	<u>9,252</u>
				<u>46,560</u>
Department of Commerce:				
NIST Summer Undergraduate Research Fellowship 2004			11.609	1,294
NIST Summer Undergraduate Research Fellowship 2005			11.609	<u>5,421</u>
				<u>6,715</u>
United States Army Corps of Engineers:				
Waterfowl and Bald Eagle Ecology for Olmstead Lock and Dam 2004-05	Kentucky Department of Fish and Wildlife		12.114	<u>17,499</u>
Department of Defense:				
ARINC Land Analysis	ARINC Incorporated	169760	12.300	<u>11,028</u>
Department of Interior:				
Evaluation of Mussel Resources in Kentucky Dam Tailwater 2004			15.632	\$ 11,142

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Interior: (Continued)				
Assessment of Assemblages of Turtle Species at Select Locations in Western Kentucky	Kentucky Commerce Cabinet	M-04209462	15.634	\$ 13,357
Development and Immunity of Dragonfly Nymphs: Indicators of Water Quality	University of Kentucky Research Foundation	UKRF 4-64694-05-387	15.805	799
Waterfowl and Bald Eagle Ecology for Olmsted Lock and Dam Project	Kentucky Department of Fish and Wildlife	M-04053900	15.812	<u>163</u>
				<u>25,461</u>
Department of Justice - Homeland Security:				
Simulations of Catastrophic Events and Associated Emergency Response Planning	Eastern Kentucky University	EKU 05-343	16.560	<u>29,120</u>
Office of Personnel Management:				
MARC: Fort Campbell, Kentucky	U. S. Army, Fort Campbell, Kentucky	MIPR5EBLCMUR019RTLCE	27.001	<u>77,146</u>
National Aeronautics and Space Administration:				
Utilization of Remote Sensing to Model Current and Future Threats to Amphibian	Western Kentucky University Research Foundation	WKURF 516107-04-06		1,697
Robust Systems Using Evolvable Neural Nets	Western Kentucky University Research Foundation	WKURF 516140-05-13		14,259
Campus Objectives 2004-05	Western Kentucky University Research Foundation	WKU 516108-05-21		<u>2,500</u>
				<u>18,456</u>
National Science Foundation:				
RUI: Inverse Spectral Problems in One and Two Dimensions			47.049	40,413
Mathematical Modeling of the Chemotherapy Immunotherapy and Vaccine Therapy	Harvey Mudd College	DMS-0414011	47.049	10,802
Plio-Pleistocene Mammal Faunas and Environmental Change in Meade Basin			47.050	\$ 13,202



MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
National Science Foundation:				
Model Reference Current Injection	Georgia Institute of Technology	E-21-F30-G1	47.074	\$ 679
RUI: Collaborative Research on Mechanisms Underlying Salamander			47.074	87,636
Biogeochemical and Ecological Processes			47.074	78,053
Center for Watershed Environments	University of Kentucky Research Foundation	UKRF-4-65499-02-330	47.076	556,335
Development of An Ion Beam Analysis Laboratory in Support of the Proposed	University of Kentucky Research Foundation	UKRF-4-65499-04-350	47.076	<u>21,674</u>
				<u>808,794</u>
Tennessee Valley Authority:				
Coliform Sampling in Kentucky Lake Year II and III			62.001	2,008
Kentucky 99 Project			62.001	<u>2,918</u>
				<u>4,926</u>
Environmental Protection Agency:				
Total Maximum Daily Load Development for the Clarks River Basin	Environmental and Public Protection Cabinet		66.419	28,049
Biological Baseline Conditions in the Little River Watershed	Environmental and Public Protection Cabinet	M-04103404	66.460	11,920
EPA Epscor - White			66.500	31,691
EPA Epscor - Whiteman			66.500	<u>56,808</u>
				<u>128,468</u>
Department of Energy:				
Kentucky Research Consortium For Energy and Environment	University of Kentucky Research Foundation	UKRF 4-67380-04-247	81.092	<u>\$ 108,722</u>

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Health and Human Services:				
Cobre: Center for Neural Regenerations/Core B Consortium Year 5	University of Louisville Research Foundation	00-0651B5	93.389	\$ 29,716
Cardiac Na+ Channel Gating and Local Anesthetic Block			93.859	<u>24,959</u>
				<u>54,675</u>
<b>Total Research and Development</b>				<b><u>\$ 1,337,570</u></b>
<b>Other-</b>				
Department of Agriculture:				
Enhancement of Diagnostic Services at MSU BVC 2004-05			10.025	\$ 150,000
Creating a Geographic Information System for Land Between the Lakes Modification 4	Land Between The Lakes	01-CS-11086001-003	10.202	17,315
Creating a Geographic Information System for Land Between the Lakes Modification 6	Land Between The Lakes	01-CS-11086001-003	10.202	63,024
KIIS Spanish Language and Cultural Immersion - Pro 5	University of Kentucky Research Foundation	UKRF 4-65277-05-294	10.224	8,080
Rural Business Enterprise Grant 2004-05	Kentucky Agriculture Rural Development	20-018-611005783	10.769	<u>44,300</u>
				<u>282,719</u>
Department of Commerce:				
Regional Center for Emerging Technology Building - EDA			11.300	<u>\$ 748,087</u>

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Justice:				
KIIS Louisville Metro Police Department Spanish Language and Culture Training (PRO 3)	Louisville Metro Police Department	MOA No. OSP 2004-150	16.592	\$ 14,040
KIIS Louisville Metro Police Department Spanish Language and Culture Training (PRO 4)	Louisville Metro Police Department	MOA No. OSP 2004-151	16.592	13,840
KIIS Lexington Police Spanish Language and Culture Training (PRO 8)	Lexington Fayette Urban County Government	MOA No. OSP 2005-021	16.592	13,500
KIIS Louisville Metro Police Spanish Language and Culture Training (PRO 1)	Louisville Metro Police Department	MOA No. OSP 2005-054	16.592	11,120
KIIS Spanish Language Refresher Course (PRO 9)	The Kentucky State Police	MOA No. OSP 2005-062	16.592	1,500
KIIS Kentucky State Police Spanish Language Pre-Immersion (PRO 7)	The Kentucky State Police	MOA No. OSP 2005-179	16.592	18,000
KIIS Spanish Language and Cultural Immersion (PRO 13)	Lexington Fayette Urban County Government	2005-204	16.592	11,250
Cops Universal Hiring Program			16.710	16,548
KIIS Spanish Language and Cultural Immersion (PRO 6)	The Kentucky Police Corps	MOA No. OSP 2005-019	16.712	31,740
High Risk Drinking	Morehead State University		16.727	134
				<u>131,672</u>
Department of Labor:				
Workforce Connections 03-04 (Note A)	West Kentucky Workforce Investment Board	A04208	17.259	482
Workforce Connections 04-05 (Note A)	West Kentucky Workforce Investment Board	A05521	17.259	41,563
Career Discovery Center 03-04 (Note A)	West Kentucky Workforce Investment Board	A040200	17.260	1,766
Career Discovery Center 04-05 (Note A)	West Kentucky Workforce Investment Board	A050200	17.260	270,771
				<u>\$ 314,582</u>

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
Federal Highway Administration:				
Civil War Trail	Kentucky Heritage Council	M-02269872	20.205	\$ 24,053
National Endowment for the Arts and Humanities:				
Meet the Composer - Mary Lynn Lightfoot	Southern Arts Federation	2436	45.025	500
Meet the Composer - Lori Laitman	Southern Arts Federation	2422	45.025	510
Federico Garcia Lorea: His Life and Works	Kentucky Humanities Council	2004-037	45.129	52
The Art and Science of Families Reading Together	Kentucky Humanities Council	2005-028	45.129	1,200
				<u>2,262</u>
National Science Foundation:				
Project Access			47.076	76,804
Faculty Institutes for Reforming Science Teaching thru Field Stations II	University of Oregon	204621C	47.076	40,794
Computer Science, Engineering and Mathematics Scholarships			47.076	24,751
Computer Science, Engineering and Mathematics Scholarship Program (2004-08)			47.076	36,096
Inquiry-Based Reconstruction of Intro Bio Curriculum			47.077	1,849
				<u>180,294</u>
Small Business Administration:				
Small Business Development Center 03-04	University of Kentucky Research Foundation	UKRF 4-67244-04-171	59.037	51,595
Small Business Development Center 04-05	University of Kentucky Research Foundation	UKRF 4-68323-05-209	59.037	134,146
				<u>\$ 185,741</u>

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
<b>Environmental Protection Agency:</b>				
Kentucky Nonpoint Source Education For Landuse Development	Western Kentucky University Research Foundation	WKURF 541205-05-01	66.460	\$ 5,600
Model Environmental Education For Secondary Pre-Service Teachers/Springboard			66.951	14,114
Modeling Statewide Capacity Building Using Training of Network of Environmental Education			66.951	66,766
Model Environmental Education for Secondary Preservice Teachers			66.951	<u>5,545</u>
				<u>92,025</u>
<b>Department of Education:</b>				
Special Education Traineeship 03-04	Northern Kentucky University		84.027	5,460
Special Education Traineeship 04-05	Northern Kentucky University		84.027	122,265
Special Education Alternative Certification Model Program	Kentucky Department of Education	M-04147430	84.02A	161,743
Student Support Services 02-03 (Note B)			84.04A	146
Student Support Services 03-04 (Note B)			84.04A	45,718
Student Support Services 04-05 (Note B)			84.04A	194,066
Student Support Services 04-05 - Grant Aid (Note B)			84.04A	10,200
Educational Talent Search 03-04 (Note B)			84.04A	74,589
Educational Talent Search 04-05 (Note B)			84.04A	232,458
Upward Bound 03-04 (Note B)			84.04A	(935)
Upward Bound 04-05 (Note B)			84.04A	346,834
Upward Bound 05-06 (Note B)			84.04A	\$ 57,884

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Education: (Continued)				
Upward Bound AIMS 03-04 (Note B)			84.0M	\$ 49,704
Upward Bound AIMS 04-05 (Note B)			84.0M	168,947
Vocational Education: Professional Development	Kentucky Cabinet For Workforce Development	DBB0 2424 46204 102KK49	84.048	2
Vocational Education: Improve Technical Education Programs	Kentucky Cabinet For Workforce Development		84.048	220
Perkins Title I Vocational Education Program 03-04	Kentucky Cabinet For Workforce Development		84.048	725
Murray Independent School Tech Prep 04-05	Murray Independent Schools	M-04227242	84.048	1,170
West Kentucky Consortium Tech Prep 04-05	West Kentucky Technical College	M-04226558	84.048	5,963
Improve Career and Technical Education Pre-Service Teacher Education Programs	Kentucky Cabinet For Workforce Development	M-05014393	84.048	20,938
Professional Development Technical Assistance for Technical Education Teachers	Kentucky Cabinet For Workforce Development	M-05014393	84.048	14,147
Perkins Title I Vocational Education Program 04-05	Kentucky Cabinet For Workforce Development	M-05014393	84.048	71,386
Tech Prep Integration Project	Department for Workforce Investment	M-05121894	84.048	41,043
Perkins Carryforward Funds	Department for Workforce Investment	M-05014393	84.048	4,678
Telecommunications Training and Learning Center			84.11Z	73,321
Preschool Traineeship	Kentucky Department of Education	M-03244793	84.17A	1,527
First Steps 03-04	Cabinet for Health Services	M-03111253	84.181	827
Project to Reduce High - Risk Drinking Among College Students Under 21	Morehead State University		84.184	2,988
Funding Improvement of Education			84.21K	132,572
Funding Improvement of Education - Kentucky State University			84.21K	\$ 5,892

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Education: (Continued)				
Funding Improvement of Education - Northern Kentucky University			84.21K	\$ 3,831
Funding Improvement of Education - University of Kentucky			84.21K	24,032
Funding Improvement of Education - Western Kentucky University			84.21K	12,169
Funding Improvement of Education - Morehead University			84.21K	9,216
Funding Improvement of Education - Eastern Kentucky University			84.21K	(29,973)
Teaching American History Opportunities For Educators (TAHOE) Year 2	West Kentucky Educational Cooperative	S215X020268	84.21X	9,726
Teaching American History Opportunities For Educators (TAHOE II)	West Kentucky Educational Cooperative	U215X030040	84.21X	5,338
Teaching American History Opportunities For Educators (TAHOE II) Year 2	West Kentucky Educational Cooperative	U215X030040	84.21X	14,080
Teaching American History Opportunities For Educators (TAHOE) Year 3	West Kentucky Educational Cooperative	S215X020268	84.21X	49,985
McNair Post-Baccalaureate (Note B)			84.21A	80,757
McNair Post-Baccalaureate 04-05 (Note B)			84.21A	113,713
KIIS Professional Development Opportunity in Mexico-Jefferson County Board of Education	Jefferson County Board of Education		84.293	17,500
Web Page Development for WKEC	West Kentucky Educational Cooperative	MOA No. OSP 2004-163	84.334	24,899
Gear Up Year III	Kentucky Council on Postsecondary Education		84.33S	(2)
Gear Up Year IV	Kentucky Council on Postsecondary Education		84.33S	121,783
Gear Up Year V	Kentucky Council on Postsecondary Education	M-04576969	84.33S	204,119
Childcare Access 01-02			84.33A	576
Childcare Access 02-03			84.33A	\$ 3,099

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Education: (Continued)				
Data Transfer Project	Western Kentucky University Research Foundation	WKURF 543604-04-09	84.33B	\$ 5,252
Teacher Quality Enhancement Year 1	Western Kentucky University Research Foundation	WKURF 543604-04-08	84.33B	8,499
Teacher Quality Enhancement Year 2	Western Kentucky University Research Foundation	WKURF 543604-05-21	84.33B	54,023
Preparing Teachers for Technology 02-03			84.34A	(602)
Reading First Coach 04-05	Kentucky Department of Education	M-04114072	84.357	113,179
Reading First Coach	Kentucky Department of Education	M-03204548	84.35A	3,703
Develop Qualified Middle School Math and Science Teachers: Alternative Certifications	Kentucky Department of Education	M-04047868	84.36A	104,694
West Kentucky Partners in Math and Science: Tiered Mentoring Program	Kentucky Department of Education	M-04048004	84.36A	176,240
Develop Qualified Middle School Math and Science Teachers: Alternative Certifications: Year 2	Kentucky Department of Education	M-04138933	84.36A	210
Modeling Watershed Year 2	Kentucky Council on Postsecondary Education		84.36B	50,306
Modeling Watershed Year 2: Western Kentucky University	Kentucky Council on Postsecondary Education		84.36B	31,746
Modeling Watershed Year 2: University of Kentucky	Kentucky Council on Postsecondary Education		84.36B	58,908
Modeling Watershed Year 2: Eastern Kentucky University	Kentucky Council on Postsecondary Education		84.36B	7,247
Modeling Watershed	Kentucky Council on Postsecondary Education		84.36B	27,802
Modeling Watershed: Northern Kentucky University	Kentucky Council on Postsecondary Education		84.36B	(169)
Modeling Watershed: Eastern Kentucky University	Kentucky Council on Postsecondary Education		84.36B	5,090
Modeling Watershed Year 3	Kentucky Council on Postsecondary Education	M-05032918	84.36B	20,839
Modeling Watershed Year 3: Northern Kentucky University	Kentucky Council on Postsecondary Education	M-05032918	84.36B	\$ 14,544



**MURRAY STATE UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2005**

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Education: (Continued)				
National Writing Project 03-04	University of California	92-KY05	84.92A	\$ 6,413
National Writing Project 04-05	University of California	92-KY05	84.92A	<u>38,967</u>
				<u>3,238,217</u>
Department of Health and Human Services:				
Area Health Education Center: Federal 03-04	University of Louisville	5U77HP03023-10-00	93.107	32,638
Area Health Education Center: Federal 04-05	University of Louisville	5U77HP03023-11-00	93.107	43,294
HETC Kentucky Population	University of Louisville Research Foundation	5D39HP00007-14-0	93.189	11,392
HETC Kentucky Population 04-05	University of Louisville Research Foundation	5D39HP00007-15-0	93.189	30,942
Kentucky Interdisciplinary Community Screening	University of Louisville Research Foundation	02-0762-5	93.192	9,491
OSHA Program Improvement 03-04			93.263	624
OSHA: Combined Undergraduate and Graduate Training Program 04-05			93.263	64,907
Upgrading a Diagnostic: A Primal Line of Defense Against Bioterrorist Act Year 2	Kentucky Cabinet for Health Services	M-04091894	93.283	611,000
Training Resource Center: Educational Advocacy 03-04	Eastern Kentucky University	EKU-04-175	93.556	2,090
Training Resource Center: Educational Advocacy 04-05	Eastern Kentucky University Kentucky Cabinet for Health and Family Services	EKU 05-163	93.556	45,331
Kentucky Transitional Assistance Program 04-05		M-04208272	93.558	91,777
Ruby Simpson Child Development Center 04-05	Murray Headstart	M-1001	93.600	4,615
Recruitment Response Team	Adoption Exchange Association/Adopt US Kids		93.652	34,497
Recruitment Response Team/Adopt US Kids	Adoption Exchange Association/Adopt US Kids		93.652	\$ 107

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
Department of Health and Human Services: (Continued)				
Training Resource Center: Support Network 03-04 (Note C)	Eastern Kentucky University	EKU 04-175	93.658	\$ (5,257)
Masters in Social Work 04-05 (Note C)	Eastern Kentucky University	EKU 05-163	93.658	78,150
Public Child Welfare Certification Program 04-05 (Note C)	Eastern Kentucky University	EKU 05-163	93.658	5,833
Training Resource Center: Title IV-E 04-05 (Note C)	Eastern Kentucky University	EKU 05-163	93.658	17,732
Training Resource Center: Foster Parent Training 04-05 (Note C)	Eastern Kentucky University	EKU 05-163	93.658	67,041
Training Resource Center: Support Network 04-05 (Note C)	Eastern Kentucky University	EKU 05-163	93.658	109,275
Training Resource Center Tuition 04-05 (Note C)	Eastern Kentucky University	EKU 05-163	93.658	66,400
Public Child Welfare Certification Program Tuition 04-05 (Note C)	Eastern Kentucky University	EKU 05-163	93.658	38,276
Training Resource Center: Non Title IV-E 04-05	Eastern Kentucky University	EKU 05-163	93.667	380
Kentucky Youth Connects 04-05	University of Kentucky Research Foundation	UKRF 4-6813-05-081	93.674	8,808
West Kentucky Dental Health Project Year 1			93.912	138,134
West Kentucky Dental Health Project Year 2			93.912	16,402
				<u>1,523,879</u>
National Aeronautics and Space Administration:				
Teacher Workshop: Satellite Remote Sensing and Geographic Information System	Western Kentucky University Research Foundation	WKURF 516107-04-17		1,738
West Kentucky Regional Moonbuggy Competition	Western Kentucky University Research Foundation	WKURF 516108-05-16		7,903
				<u>\$ 9,641</u>

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005

Grantor/Program Title	Pass Through Grant Agency	Pass Through Grant Number	Federal CFDA Number	Federal Expenditures
Tennessee Valley Authority:				
Regional Center for Emerging Technology Building - TVA		00015940		\$ 96,251
United State Agency for International Development:				
English Language Teacher Cohort Initiative	Association Liaison Office		HNEA009070005900	41,246
<b>Total Other</b>				<b>\$ 6,870,669</b>
<b>Total Federal Expenditures</b>				<b>\$ 43,962,235</b>

Note A: Workforce Investment Act (WIA) cluster grant  
Note B: TRIO cluster grant  
Note C: Training Resource Center (TRC) grant

**Murray State University**  
A Component Unit of the State of Kentucky  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2005

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

***Basis of Presentation***

1. This schedule includes the federal awards activity of the University and is presented in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, the amounts presented in this schedule may differ from the presentation of those amounts or their use within the basic financial statements.
2. Of the federal expenditures presented in this schedule, the University provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
<b>National Science Foundation</b>			
Collaborative Research on Mechanisms Underlying Salamander Population Fluctuations	47.074	Rocky Mountain Biological Laboratory	\$ 42,982
<b>U.S. Department of Education</b>			
Funding Improvement of Education	84.215	Kentucky State University	15,565
Funding Improvement of Education	84.215	Northern Kentucky University	3,831
Funding Improvement of Education	84.215	University of Kentucky	24,032
Funding Improvement of Education	84.215	Western Kentucky University	12,169
Funding Improvement of Education	84.215	Morehead State University	9,216
Funding Improvement of Education	84.215	Eastern Kentucky University	29,973
Modeling Watershed – Improving Educator Quality Grant	84.367	Northern Kentucky University	(169)
Modeling Watershed – Improving Educator Quality Grant	84.367	Eastern Kentucky University	5,090
Modeling Watershed – Improving Educator Quality Grant Year 2	84.367	Western Kentucky University	31,746
Modeling Watershed – Improving Educator Quality Grant Year 2	84.367	University of Kentucky	58,908
Modeling Watershed – Improving Educator Quality Grant Year 2	84.367	Eastern Kentucky University	7,247
Modeling Watershed – Improving Educator Quality Grant Year 3	84.367	Northern Kentucky University	<u>14,544</u>
Total			<u>\$255,134</u>

**Murray State University**  
A Component Unit of the State of Kentucky  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2005

**Note 2. Indirect Costs**

Predetermined fixed indirect cost rates have been approved as follows:

Period covered	07/01/01-06/30/05
Based on financial information for fiscal year	1992
Predetermined rate – on campus	47%
Predetermined rate – off campus	23%

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



**Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of the Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Board of Regents  
Murray State University  
Murray, Kentucky

We have audited the financial statements of Murray State University (University) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

***Compliance and Other Matters***

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

Board of Regents  
Murray State University  
Page 2

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

BKD, LLP

September 9, 2005



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

Board of Regents  
Murray State University  
Murray, Kentucky

**Compliance**

We have audited the compliance of Murray State University (University) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the compliance of the University based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 05-01.



***Internal Control Over Compliance***

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

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

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

BKD, LLP

September 9, 2005

Murray State University  
A Component Unit of the State of Kentucky  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005

**Summary of Auditor's Results**

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

Murray State University  
A Component Unit of the State of Kentucky  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Aid	84.007; 84.032; 84.033; 84.038; 84.063; 93.124; 93.358; 93.364
Research and Development	10.028; 10.200; 10.217; 10.025; 11.609; 12.114; 12.300; 15.632; 15.634; 15.805; 15.812; 16.560; 27.001; 47.049; 47.050; 47.074; 47.076; 62.001; 66.419; 66.460; 66.500; 81.092; 93.389; 93.859; WKU 516108-05-21; WKURF 516107-04-06; WKURF 51640-05-13

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$1,318,867.

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

**Findings Required to be Reported by Government Auditing Standards**

Reference Number	Summary of Finding	Status
------------------	--------------------	--------

No matters are reportable.

Murray State University  
 A Component Unit of the State of Kentucky  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2005

**Findings Required to be Reported by OMB Circular A-133**

Reference Number	Finding	Questioned Costs
05-01	<p>2005-1 CFDA NO. 84.063, Federal Pell Grant Program, U.S. Department of Education, Program Year 2005</p> <p>Criteria or specific requirement – Special tests and provisions.</p> <p>Condition – Title IV Returns were not returned within 30 days after student withdrawal from the University.</p> <p>Context – From a sample of 30 students who withdrew from the University, eight did not have Title IV Returns returned within the 30 day requirement.</p> <p>Effect – The granting agency did not receive Title IV Returns on a timely basis.</p> <p>Cause – Student Loan Specialist did not comply with Title IV Returns requirements due to increased work load and additional responsibilities.</p> <p>Recommendation – The University has already taken corrective action by reassigning duties to other personnel and educating new personnel as to student financial aid guidelines and requirements. Management should continue to monitor the Title IV Returns process for more closely.</p> <p>Views of responsible officials and planned corrective actions – Management concurs with the finding and recommendation. Management has performed the suggested recommendations and has made the appropriate changes.</p>	None

Murray State University  
A Component Unit of the State of Kentucky  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2004

Reference Number	Summary of Finding	Status
No matters are reportable.		

**Murray State University  
WKMS-FM Radio**

Accountants' Report and Financial Statements

June 30, 2005 and 2004



**Murray State University  
WKMS-FM Radio**

**Contents**

<b>Independent Accountants' Report on Financial Statements .....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>2</b>
<b>Financial Statements</b>	
Balance Sheets .....	7
Statements of Revenues, Expenses and Changes in Net Assets .....	8
Statements of Cash Flows .....	10
Notes to Financial Statements .....	12



## Independent Accountants' Report

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

We have audited the accompanying balance sheets of WKMS-FM Radio (Station), a public telecommunications entity operated by Murray State University, as of June 30, 2005 and 2004, and the related statements of revenue, expenses and changes in net assets and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 the Station as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 are 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 18, 2005

220 W. Main Street, Suite 1700 P.O. Box 1178 Louisville, KY 40201-1178 502 581-0435 Fax 502 581-0723

bkd.com

Beyond Your Numbers

An independent member of  
Moore Rowland International 



---

**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 years ended June 30, 2005 and 2004. 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.

**Using the Financial Statements**

The financial statements consist of Balance Sheets (Statements of Net Assets), Statements of Revenues, Expenses and Changes in Net Assets (Income Statements), Statements of Cash Flows and Notes to the Financial Statements. These financial statements and accompanying Notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements.

**Balance Sheets**

The Balance Sheets present a financial picture of the Station's financial condition at the end of the 2005 and 2004 fiscal years by reporting assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets less liabilities).

**Assets**

Total assets at the end of the fiscal year 2005 were \$694,523, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$543,907 or 78% of total assets. For 2005, total assets increased by \$193,871, primarily due to increased cash from Corporation for Public Broadcasting (CPB) grants.

Total assets increased by \$71,363 for the year ended June 30, 2004, also due to increased cash from nonoperating grants and fundraising activities.

**Liabilities**

Total liabilities at the end of the fiscal year 2005 were \$144,891. Amounts payable to vendors and for payroll related obligations totaled \$135,175 or 93% of total liabilities. For 2005, total liabilities increased by \$108,250, due to an increase in payables of \$64,000 and \$43,000 owed to the University for cash flow purposes.

Liabilities for the year ended June 30, 2004 decreased by \$7,923, due to decreases in payables to vendors and payroll related obligations.

**Murray State University**  
**WKMS-FM Radio**  
**Management's Discussion and Analysis**

**Net Assets**

Net assets were \$549,632 and were divided into three major categories, defined as follows:

- Invested in capital assets, net of related debt and depreciation - 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. 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 Sheets**

	2005	2004	2003
<b>Assets:</b>			
Current assets	\$212,757	\$146,688	\$165,187
Noncurrent assets	416,679	352,762	260,962
Capital assets	65,087	1,202	3,140
<b>Total assets</b>	<b>\$694,523</b>	<b>\$500,652</b>	<b>\$429,289</b>
<b>Current liabilities</b>	<b>\$144,891</b>	<b>\$ 36,641</b>	<b>\$ 44,564</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt and depreciation	65,087	1,202	3,140
Restricted for:			
Expendable:			
Instruction and other	330,954	349,969	266,691
Capital	23,036	-	-
Unrestricted	130,555	112,840	114,894
<b>Total net assets</b>	<b>549,632</b>	<b>464,011</b>	<b>384,725</b>
<b>Total liabilities and net assets</b>	<b>\$694,523</b>	<b>\$500,652</b>	<b>\$429,289</b>

**Murray State University  
WKMS-FM Radio  
Management's Discussion and Analysis**

**Statements of Revenues, Expenses, and Changes in Net Assets**

The Statements of Revenues, Expenses, and Changes in Net Assets, which are generally referred to as the activities statements, present the total revenues (operating and nonoperating) received and earned and expenses (operating and nonoperating) paid and owed and income or loss from operations for the fiscal years ended June 30, 2005 and 2004.

**Revenues**

Total operating revenues, which exclude University appropriations, for the fiscal year 2005 were \$109,301. The primary source of operating revenues was from business and industry underwriting of \$66,122.

Nonoperating revenues for the fiscal year 2005 which included grants and contracts, totaled \$908,402. The primary source of grant revenues was community service grants from the Corporation for Public Broadcasting. 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. Total nonoperating revenues increased by \$88,239 during the year, which was primarily due to increased funds from CPB for the digital equipment project.

The Station received \$302,829 of University appropriations and \$175,292 of administrative support for the fiscal year 2005, which are classified as nonoperating revenues. These funds were used to support Station operating activities.

**Expenses**

Total operating expenses for the fiscal year 2005 were \$932,082. Total program services expenses and supporting services expenses were \$512,071 and \$407,961, respectively. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled \$12,050 or 1% of total operating expenses.

**Condensed Statements of Revenues, Expenses, and Changes in Net Assets**

	2005	2004	2003
<b>Operating revenues:</b>			
Business and industry	\$ 66,122	\$ 64,740	\$ 52,911
In-kind contributions	29,393	32,605	34,871
Other	13,786	11,534	-
Total operating revenues	<u>109,301</u>	<u>108,879</u>	<u>87,782</u>
<b>Operating expenses:</b>			
Program services	512,071	469,738	511,603
Supporting services	407,961	378,080	347,119
Depreciation	12,050	1,938	6,450
Total operating expenses	<u>932,082</u>	<u>849,756</u>	<u>865,172</u>
Operating loss	<u>(822,781)</u>	<u>(740,877)</u>	<u>(777,390)</u>

**Murray State University  
WKMS-FM Radio  
Management's Discussion and Analysis**

**Condensed Statements of Revenues, Expenses, and Changes in Net Assets (Continued)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Nonoperating revenues (expenses):			
General appropriations from Murray State University	\$ 302,829	\$ 298,400	\$ 292,402
Donated facilities and administrative support from Murray State University	175,292	162,702	162,735
Community service grants from Corporation for Public Broadcasting	254,329	174,490	154,606
Other nonoperating revenues (expenses)	<u>175,952</u>	<u>184,571</u>	<u>195,962</u>
Total nonoperating revenues (expenses)	<u>908,402</u>	<u>820,163</u>	<u>805,705</u>
Increase in net assets	85,621	79,286	28,315
Net assets - beginning of year	<u>464,011</u>	<u>384,725</u>	<u>356,410</u>
Net assets - end of year	<u>\$ 549,632</u>	<u>\$ 464,011</u>	<u>\$ 384,725</u>

**Statements of Cash Flows**

The Statements of Cash Flows provide a summary of the sources and uses of cash by defined categories. The primary purposes of the Statements of Cash Flows are to provide information about the Station's cash receipts and payments during the years 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 \$64,496. The most significant uses of cash for operating activities were payments for salaries, wages, and benefits of \$436,528 and to vendors for \$214,428.

The cash flows from noncapital financing activities include \$302,829 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.

---

**Murray State University  
WKMS-FM Radio  
Management's Discussion and Analysis**

**Capital Assets and Debt Administration**

For the year ended June 30, 2005, the Station initiated a project converting analog equipment to digital. As a part of this project, approximately \$75,000 in new equipment was acquired. The Station had no significant capital additions to facilities and did not acquire any debt during the fiscal year ended June 30, 2005.

**Economic Factors Affecting Future Periods**

- General state appropriations from the Commonwealth of Kentucky to the University are not expected to increase over the next period. Although preliminary estimates indicate state revenue shortfalls, recent forecasts indicate that some economic recovery is occurring.
- Changing economic conditions in the region will continue to have an impact upon the underwriting and fundraising efforts of the Station.

**Contacting the Station's Financial Management**

This financial report is designed to provide a general overview of the Station's finances and to show the Station's accountability for the money it receives. Additional details can be requested by mail at the following address:

WKMS Radio Station  
Kate Lochte, Station Manager  
Murray State University  
P.O. Box 9  
Murray, Kentucky 42071

# Murray State University

## WKMS – FM Radio

### Balance Sheets

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 128,813	\$ 108,533
Accounts receivable, net of allowance of \$9,215 and \$8,312 for 2005 and 2004	70,241	25,622
Prepaid expenses	13,703	12,533
Total current assets	<u>212,757</u>	<u>146,688</u>
Noncurrent assets:		
Restricted cash and cash equivalents	415,094	282,160
Restricted investments	1,585	70,602
Capital assets	369,184	298,387
Accumulated depreciation	<u>(304,097)</u>	<u>(297,185)</u>
Total noncurrent assets	<u>481,766</u>	<u>353,964</u>
 Total assets	 <u>\$ 694,523</u>	 <u>\$ 500,652</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 135,175	\$ 25,857
Deferred revenue	<u>9,716</u>	<u>10,784</u>
Total liabilities	<u>144,891</u>	<u>36,641</u>
 <b>NET ASSETS</b>		
Invested in capital assets, net of related debt	65,087	1,202
Restricted for:		
Expendable:		
Instruction and other	330,954	349,969
Capital	23,036	-
Unrestricted	<u>130,555</u>	<u>112,840</u>
Total net assets	<u>549,632</u>	<u>464,011</u>
 Total liabilities and net assets	 <u>\$ 694,523</u>	 <u>\$ 500,652</u>

See Notes to Financial Statements



## Murray State University

### WKMS – FM Radio

#### Statements of Revenues, Expenses and Changes in Net Assets Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>		
Operating revenues:		
Business and industry	\$ 66,122	\$ 64,740
In-kind contributions	29,393	32,605
Tower rental income	12,350	10,450
Other	1,436	1,084
Total operating revenues	<u>109,301</u>	<u>108,879</u>
<b>EXPENSES</b>		
Operating expenses:		
Program services:		
Programming and production	322,120	329,809
Broadcasting	170,683	88,857
Program information	19,268	51,072
Total program services	<u>512,071</u>	<u>469,738</u>
Supporting services:		
Management and general	319,720	315,078
Fund-raising	47,893	34,662
Underwriting and grant support	40,348	28,340
Total supporting services	<u>407,961</u>	<u>378,080</u>
Depreciation	<u>12,050</u>	<u>1,938</u>
Total operating expenses	<u>932,082</u>	<u>849,756</u>
Operating loss	<u>\$ (822,781)</u>	<u>\$ (740,877)</u>

**Murray State University**  
**WKMS – FM Radio**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<b>NONOPERATING REVENUES (EXPENSES)</b>		
General appropriation from Murray State University	\$ 302,829	\$ 298,400
Donated facilities and administrative support from Murray State University	175,292	162,702
Community service grants from Corporation for Public Broadcasting	254,329	174,490
Subscriptions and memberships	176,507	177,370
State grants and contracts	-	1,950
Gifts	1,344	633
Investment income (loss)	(1,899)	3,542
Increase in fair value of investments	-	1,076
Net nonoperating revenues	908,402	820,163
Increase in net assets	85,621	79,286
<b>NET ASSETS</b>		
Net assets, Beginning of Year	464,011	384,725
Net assets, End of Year	\$ 549,632	\$ 464,011

*See Notes to Financial Statements*




**Murray State University**  
**WKMS – FM Radio**  
**Statements of Cash Flows**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<b>Cash Flows from Operating Activities</b>		
Business and industry	\$ 64,496	\$ 62,010
Payments for salaries, wages, and benefits	(436,528)	(441,661)
Payments to suppliers	(214,428)	(211,767)
Tower rental income receipts	12,350	10,450
Other operating revenues	1,436	1,084
Net cash used in operations	(572,674)	(579,884)
 <b>Cash Flows from Capital Financing Activities</b>		
Purchases of capital assets	(75,935)	-
 <b>Cash Flows from Noncapital Financing Activities</b>		
General appropriation from Murray State University	302,829	298,400
Nonoperating grants and contracts	254,335	176,440
Subscriptions/memberships	176,197	177,346
Gifts	1,344	633
Net cash provided by noncapital financing	734,705	652,819
 <b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	69,017	-
Investment income (loss)	(1,899)	3,542
Net cash provided by investing activities	67,118	3,542
 Net increase in cash and cash equivalents	153,214	76,477
 Cash and Cash Equivalents, Beginning of Year	390,693	314,216
 Cash and Cash Equivalents, End of Year	\$ 543,907	\$ 390,693

**Murray State University**  
**WKMS – FM Radio**  
**Statements of Cash Flows**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<i>Reconciliation of operating loss to net cash used by operating activities</i>		
Operating (loss)	\$ (822,781)	\$ (740,877)
Donated facilities and administration	175,292	162,702
Depreciation	12,050	1,938
Changes in assets and liabilities:		
Accounts receivable, net	(44,315)	(2,806)
Prepaid expenses	(1,170)	6,936
Accounts payable	108,031	(13,006)
Accrued compensation	1,287	5,156
Deferred revenue	(1,068)	73
	<u>\$ (572,674)</u>	<u>\$ (579,884)</u>
<i>Supplemental cash flows information</i>		
Donated facilities and administrative support from Murray State University	<u>\$ 175,292</u>	<u>\$ 162,702</u>
In-kind contributions	<u>\$ 29,393</u>	<u>\$ 32,605</u>

See Notes to Financial Statements

  
**Murray State University**  
**WKMS - FM Radio**  
**Notes to Financial Statements**  
**June 30, 2005 and 2004**

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

**Nature of Organization**

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

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

**Basis of Accounting and Financial Statement Presentation**

The Station prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. 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, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, 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 with or contradict GASB pronouncements.

**Cash and Cash Equivalents**

The Station considers all highly liquid investments that are immediately available to the Station to be cash equivalents. Funds held by the Commonwealth of Kentucky are considered cash equivalents.

**Restricted Cash, Cash Equivalents, and Investments**

Cash and investments that are held by both the Station and the Foundation 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. Restricted investments held by the Foundation are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

# Murray State University

## WKMS - FM Radio Notes to Financial Statements June 30, 2005 and 2004

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

#### Accounts Receivable

Accounts receivable consist of business and industry and subscription and membership activities. Accounts receivable are recorded net of 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. 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 Station:

<u>Asset</u>	<u>Estimated Life</u>
Buildings	40 years
Equipment	5-15 years

#### 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.

#### Net Assets

The Station's net assets are classified as follows:

*Invested in capital assets, net of related debt and depreciation:* This represents the Station'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 Station is legally or contractually obligated to spend in accordance with time or purpose restrictions imposed by external third parties.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from underwriting sales and other sources. These resources are used for transactions relating to general operations of the Station, and may be used at the discretion of the governing board to meet current expenses or for any purpose.

---

**Murray State University**  
**WKMS - FM Radio**  
**Notes to Financial Statements**  
**June 30, 2005 and 2004**

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

**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 (1) business and industry underwriting, (2) in-kind contribution revenues, and (3) tower equipment rentals and other.

**Nonoperating revenues:** Nonoperating revenues include activities that have the characteristics of non-exchange transactions. In a nonexchange transaction, the Station receives value without directly giving equal value back, such as a gift or grant for which there is no return requirement. Additionally, certain significant revenues relied upon for operations, such as state appropriations, donated facilities and administrative support from the University and investment income are recorded as nonoperating revenues, in accordance with GASB No. 35.

**Pledges and Contributions**

The Station engages in periodic fundraising campaigns evidenced by on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Financial contributions are frequently made by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. An allowance for uncollectible contributions receivable is provided based upon the Station's judgment including such factors as prior collection history and type of contribution. Contributions and collected pledges are components of nonoperating revenues.

**Indirect Administrative Support**

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 years ended June 30, 2005 and 2004 was \$204,685 and \$195,307, respectively.

**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.

# Murray State University

WKMS - FM Radio

Notes to Financial Statements

June 30, 2005 and 2004

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

### 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. Accounts Receivable

Accounts receivable consisted of:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Business and industry	\$ 15,800	\$ 16,154
Subscription and membership pledges	18,994	17,131
CPB grants	43,754	-
Other	908	649
Allowance for doubtful accounts	<u>(9,215)</u>	<u>(8,312)</u>
Investment pool	<u>\$ 70,241</u>	<u>\$ 25,622</u>

## Note 3. Deposits and Investments

### Deposits

For administrative purposes, cash balances of the Station are included in bank accounts maintained by the University and the Foundation. Details of accounting transactions affecting cash are maintained by each entity. At June 30, 2005 and June 30, 2004, the carrying amounts of the Station's deposits were \$543,907 and \$390,693 respectively.

The Federal Deposit Insurance Corporation (FDIC) insures each local bank balance deposit for \$100,000. Deposits in excess of \$100,000 are secured by pledging Treasury or U.S. Government Agency securities having a quoted value equal to the total deposits less the FDIC insured amount as per Kentucky state statute KRS 41.240.

# Murray State University

WKMS - FM Radio

Notes to Financial Statements

June 30, 2005 and 2004

## Note 3. Deposits and Investments (Continued)

The University also maintains cash deposits with the Commonwealth of Kentucky, as overseen by the State Investment Commission (the Commission). The Commission is charged with the oversight of the Commonwealth's investment programs pursuant to KRS 42.500. The Commonwealth's investments are categorized into four distinct classifications or "pools". The Short-Term Pool consists primarily of General Fund cash balances and provides liquidity for the remaining pools. The Intermediate-Term Pool represents Agency Fund investments, state held component unit and fiduciary fund accounts held for the benefit of others by the state. The Long-Term Pool invests the Budget Reserve Trust Fund account and any other funds deemed appropriate for the pool where liquidity is not a serious concern. The remaining fund is the Bond Proceeds Pool where capital construction bond proceeds are invested until expended for their intended purpose. Shares of the pool represent a divisible interest in the underlying securities and are not federally insured or guaranteed by the U.S. Government, FDIC, or any federal agency. The pools have not been approved by the Securities and Exchange Commission. The University's shares within the pools may indirectly expose it to risks associated with fixed income investments; however, specific information about any such transactions is not available to the University.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk.

Deposits as presented in the balance sheet captions include:

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents, current	\$ 128,813	\$ 108,533
Restricted cash and cash equivalents	<u>415,094</u>	<u>282,160</u>
Total deposits	<u>\$ 543,907</u>	<u>\$ 390,693</u>

# Murray State University

## WKMS - FM Radio Notes to Financial Statements June 30, 2005 and 2004

### Note 3. Deposits and Investments (Continued)

#### Investments

Investments consisted of:

	<u>June 30, 2005</u> Fair Value	<u>June 30, 2004</u> Fair Value
Restricted assets held by Murray State University Foundation	\$ 1,585	\$ 70,602
Total investments	<u>\$ 1,585</u>	<u>\$ 70,602</u>

Station investments held by the Murray State University Foundation, Inc. are comprised of private donations received directly by the Station and consist of expendable restricted funds. Assets held by the 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:

	<u>2005</u>	<u>2004</u>
Percentage of pool invested in:		
Mutual funds in equity securities	61%	58%
Mutual funds in fixed income securities	34	37
Other	<u>5</u>	<u>5</u>
Total	<u>100%</u>	<u>100%</u>



## Murray State University

### WKMS - FM Radio Notes to Financial Statements June 30, 2005 and 2004

#### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2005, was:

	Balance June 30, 2004	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2005
Equipment	\$ 298,387	\$ 75,935	\$ -	\$ (5,138)	\$ 369,184
Total capital assets before depreciation	<u>298,387</u>	<u>75,935</u>	<u>-</u>	<u>(5,138)</u>	<u>369,184</u>
Less accumulated depreciation	297,185	12,050	-	(5,138)	304,097
Capital assets, net	<u>\$ 1,202</u>	<u>\$ 63,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,087</u>

Capital assets activity for the year ended June 30, 2004, was:

	Balance June 30, 2003	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2004
Equipment	\$ 298,387	\$ -	\$ -	\$ -	\$ 298,387
Total capital assets before depreciation	<u>298,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,387</u>
Less accumulated depreciation	295,247	1,938	-	-	297,185
Capital assets, net	<u>\$ 3,140</u>	<u>\$ (1,938)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,202</u>

# Murray State University

## WKMS - FM Radio

### Notes to Financial Statements

June 30, 2005 and 2004

#### Note 5. Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on non-federal financial support (NFFS). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria of each.

A "contribution" is cash, property, or services given to a public broadcasting entity for general operating purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational public broadcast television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station were \$747,487 and \$739,888 for the years ended June 30, 2005 and June 30, 2004, respectively.

#### Note 6. Community Service Grants (CSGs)

The Station receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually. The CSG's received and expended during the recent three fiscal years were as follows:

Funding Period	Grant Awards	Expended			Uncommitted Balance
		6/30/2005	6/30/2004	6/30/2003	
2002-04	\$ 155,363	\$ 12,509	\$ 82,986	\$ 59,868	\$ -
2003-05	\$ 158,035	\$ 95,453	\$ 62,582	\$ -	\$ -
2004-06	\$ 138,893	\$ 37,917	\$ -	\$ -	\$ 100,976

**Murray State University**  
**WKMS - FM Radio**  
**Notes to Financial Statements**  
**June 30, 2005 and 2004**

**Note 7. Natural Expense Classifications**

The Station's operating expenses by natural classification for the year ended June 30, 2005 and June 30, 2004 were as follows:

	Program Services	Management & General	Fundraising & Membership	Total	
				6/30/2005	6/30/2004
Compensation and benefits	\$ 246,045	\$ 111,077	\$ 80,696	\$ 437,818	\$ 446,817
Operating expenses	260,847	208,643	7,545	477,035	392,277
Noncapitalized equipment	5,179	-	-	5,179	8,724
Subtotal - Functional expenses	512,071	319,720	88,241	920,032	847,818
Depreciation	12,050	-	-	12,050	1,938
Total expenses	\$ 524,121	\$ 319,720	\$ 88,241	\$ 932,082	\$ 849,756

**Note 8: Lease Agreement**

The Station leases its subcarrier channel and certain transmission equipment to an unrelated party under an operating lease agreement having a two-year term ending June 30, 2006, with two two-year renewal options. The minimum future rental revenues as of June 30, 2005 are \$11,400, which is to be received by June 30, 2006.



**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 (NFFS), that WKMS-FM Radio (Station), a public broadcasting entity operated by Murray State University, complied with CPB's Fiscal Year 2005 Financial Reporting Guidelines governing the amounts reported as NFFS during the year ended June 30, 2005. 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, 2005.

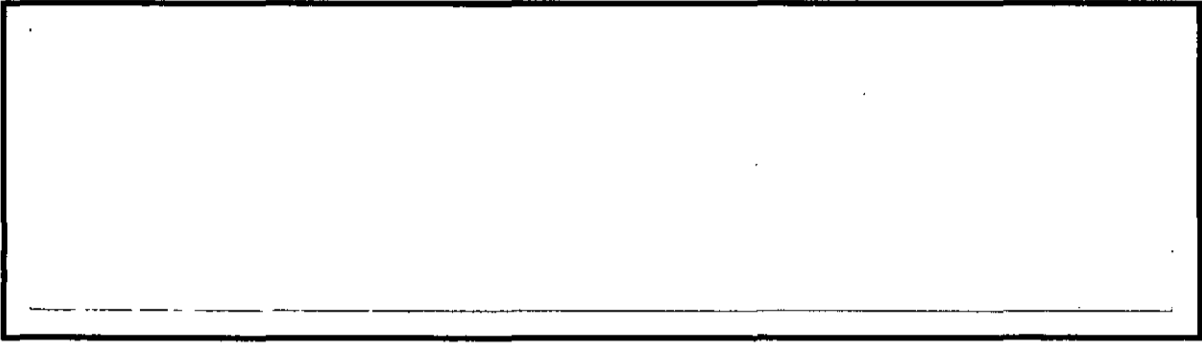
This report is intended solely for the information and use of the board of regents and management of Murray State University and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

October 18, 2005

**Murray State University**  
**WKMS-FM Radio**  
**Corporation for Public Broadcasting**  
**Schedule of Non-Federal Financial Support**  
**for the Year Ended June 30, 2005**

	<u>2005</u>
Schedule A	\$ 568,416
Schedule B	157,223
Schedule C	21,848
Schedule D	<u>          </u>
Total Non-Federal Financial Support	<u>\$ 747,487</u>



This report contains a minor revision on page 6, Item 42 to eliminate the names of students

**Murray State University**

NCAA Agreed-upon Procedures

June 30, 2005



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

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

We have performed the procedures enumerated below, which were agreed to by the management of Murray State University (University), solely to assist you with respect to evaluating whether the accompanying statement of revenues and expenses of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended June 30, 2005. The management of the University is responsible for its aforementioned financial statement elements, accounts and items and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

### **Statement of Revenues and Expenses – Agreed-upon Procedures**

1. We obtained the statement of revenues and expenses (Statement) of the intercollegiate athletics department for the year ended June 30, 2005, as prepared by management and included in Exhibit I. We inquired of University management, who represented that the Murray State University Foundation, Inc. (Foundation) and the Murray State University Athletic Foundation, Inc. (Racer Foundation) are the only independent foundations that maintain grant-in-aid or scholarship funds, gifts and endowments to be utilized in part by the University's Intercollegiate Athletics Program. We recalculated the addition of the amounts on the Statement, compared the amounts on the Statement to management's worksheets and compared the amounts on managements' worksheets to the general ledgers for the University, the Foundation, the Racer Foundation and noted they were in agreement.
2. For each major expense category (in accordance with NCAA guidelines) within the University's Department of Athletics, we compared actual expenses to budget for the year ended June 30, 2005. We obtained explanations from the University's management for variances greater than 2% of total expenses.



3. For each major category within the University's Department of Athletics, we compared the 2004 – 2005 actual revenues and expenses to prior year revenues and expenses. We obtained explanations from the University's management for those changes greater than 1% of total revenues or 1% of total expenses.

**Internal Control Structure Policies and Procedures – Agreed-upon Procedures**

4. We obtained from the University's management a description of aspects of the University's internal control structure unique to the Intercollegiate Athletics Department, such as ticket sales and receipts and athletic department expenses. Additionally, we obtained from the University's management, a description of budgetary controls over expenses relating to intercollegiate athletics.
5. For the samples selected in procedures 44. and 73., we compared such cash disbursements to 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 read purchase orders for indication of approval, compared vendor invoices to canceled checks to note agreement of vendor names and amounts, compared check signers with a list of authorized signers, noted if invoices were cancelled, compared the nature of the expense with the account codes, inquired if bid or price contracts were properly let and awarded, if applicable, and noted whether authorization numbers were written on each purchase order.
6. We inquired of the University's management, who represented there was no debt outstanding at June 30, 2005, related to intercollegiate athletics.

**Affiliated and Outside Organizations – Agreed-upon Procedures**

7. We obtained from the University's management a description of the University's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the University, the Foundation or the Racer Foundation.
8. We inquired of University management who represented that there were no booster organizations that contribute directly to the University, the Foundation and the Racer Foundation.
9. We obtained the Foundation's and the Racer Foundation's audited financial statements and management letters as of and for the year ended June 30, 2005. We read the reports for recommended improvements for internal control and noted no significant deficiencies in the Foundation's or the Racer Foundation's internal control.

Dr. F. King Alexander  
Murray State University  
Page 3

**Program Revenues – Agreed-upon Procedures**

10. We compared and agreed each operating revenue category reported in the Statement for the year ended June 30, 2005, to supporting schedules provided by the University.
11. We compared and agreed a sample of operating revenue receipts obtained from the operating revenue supporting schedules to supporting documentation.

**Ticket Sales**

12. We compared the number of tickets sold, complimentary tickets provided and unsold tickets for the year ended June 30, 2005, to supporting ticket inventory documentation without exception. Tickets sold and complimentary tickets were multiplied by the average ticket price and agreed to the related revenue as reported by the University in the Statement.

**Student Fees**

13. We obtained and documented an understanding of the University's methodology for allocating student fees to intercollegiate athletics programs.
14. We compared the University's calculation of student fee revenue to the Statement for the year ended June 30, 2005.

**Away Games Sales and Guarantees**

15. We selected a sample of one football game (University of Connecticut) and one men's basketball game (University of Alabama at Birmingham) away game settlement report for the year ended June 30, 2005. We agreed each selection to the University's recording in the general ledger.
16. We selected one contractual agreement (University of South Alabama) pertaining to revenue derived from guaranteed contests during the year ended June 30, 2005, and agreed the selection to the University's recording in the general ledger.

**Contributions**

17. We requested a list of contributions (cash, goods or services) received by the University, the Foundation and Racer Foundation for the University's intercollegiate athletic program and noted that there were no individual contributions received that constituted more than 10% of all such contributions received.

***Third-party Support***

18. We obtained the summary of amounts provided by third parties for coaching and support staff – other compensation (Summary) as of June 30, 2005, from the University's management.
19. We compared the amounts on the Summary to the University's Statement and compared the amount to expenses reported as coaching and support staff – other compensation (lines 20 and 22 of NCAA on-line report), and noted they were in agreement.
20. We recalculated totals on the Summary.
21. We inquired of the University's management, who represented that none of the third parties who provided compensation amounts for coaching and support staff were independently audited.

***Direct Institutional Support***

22. We compared the direct institutional support recorded by the University during the year ended June 30, 2005, with corroborative supporting documentation.
23. We recalculated the totals of the detail of direct institutional support and compared the recalculated total to the Statement.

***Indirect Facilities and Administrative Support***

24. We compared the indirect facilities and administrative support recorded by the University during the reporting period with corroborative supporting documentation.
25. We recalculated the totals of the detail of indirect facilities and administrative support and compared the recalculated total to the Statement.

***NCAA/Conference Distributions Including All Tournament Revenues***

26. We inquired of the University's management, who represented there were no NCAA tournament revenues for the year ended June 30, 2005.
27. We compared the detail of the NCAA/Conference distribution revenues for the year ended June 30, 2005, to the University's general ledger, without exception.
28. We recalculated the totals of the detail of the NCAA/conference distribution revenues and compared the recalculated total to the Statement.

***Broadcast, Television, Radio and Internet Rights***

29. We inquired of the University's management, who represented that the University does not participate in any revenue agreements related to broadcast, television, radio or internet rights.

***Royalties, Advertisements and Sponsorships***

30. We obtained three agreements greater than \$10,000 (Cingular, Integrated Computers and Marion Pepsi-Cola) related to the University's participation in revenues from royalties, advertisements and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions.
31. For the three selected agreements in #30 above, we compared the royalties, advertisements and sponsorships revenues to the University's general ledger.
32. We recalculated the totals of the detail of royalties, advertisements and sponsorships and compared the recalculated total to the Statement.

***Sports-camp Revenues***

33. We obtained two sports-camp contracts (Men's Tennis Camp and Soccer Camp) between the University and persons conducting institutional sports-camps or clinics during the year ended June 30, 2005, to obtain an understanding of the University's methodology for recording revenues from sports-camps.
34. We obtained schedules of camp participants for each of the two sports camps listed in #33 above for the year ended June 30, 2005.
35. For a sample of individual camp participant cash receipts from the schedule of sports-camp participants, we compared each selection to the University's general ledger.
36. We recalculated the totals of the detail of sports-camp revenues and compared the recalculated total to the Statement.

***Endowment and Investment Income***

37. We obtained three endowment agreements (Sheridan Golf Endowment, Gage Track Scholarship and Weaver Athlete Scholarship) to gain an understanding of the relevant terms and conditions.
38. We compared the classification and use of endowment and investment income reported in the Statement during the year ended June 30, 2005, to the uses of income defined within the related endowment agreement.

39. We recalculated the totals of the detail of endowment and investment income and compared the recalculated total to the Statement.

**Program Expenses – Agreed-upon Procedures**

40. We compared and agreed each operating expense category reported in the Statement for the year ended June 30, 2005, to supporting schedules provided by the University.
41. We compared and agreed a sample (as defined in each category below) of operating expenses obtained from the operating expense supporting schedules to supporting documentation.

**Athletic Student Aid**

42. We selected a sample of 10 students from various sports from the listing of institutional student aid recipients during year ended June 30, 2005. We obtained the individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student's account.
43. We recalculated the totals of the detail of athletic student aid and compared it to the total per the Statement.

**Away Game Expenses and Guarantees**

44. We inquired of the University's management, who represented there were no away game expenses, other than team travel (see step #61) and contractual expenses (see step #45).
45. We obtained one contractual agreement (University of Texas – San Antonio) pertaining to expenses recorded by the University from guaranteed contests during the year ended June 30, 2005. We compared the related amounts expensed by the University during the year ended June 30, 2005, to the University's general ledger.
46. We recalculated the totals of the detail of guarantee expense and compared the recalculated totals to the Statement.

**Coaching Salaries, Benefits and Bonuses Paid by the Institution and Related Entities**

47. We obtained a listing of all coaches employed by the University and related entities during the year ended June 30, 2005.

Dr. F. King Alexander  
Murray State University  
Page 7

48. We obtained the employment contracts for all head coaches for all sports and compared the financial terms and conditions of each selection to the related coaching salaries, benefits and bonuses recorded by the University and related entities in the Statement during the year ended June 30, 2005.
49. We obtained W-2s and 1099s for each head coach for the year ended December 31, 2004. For each selection, we agreed the related coaching salaries, benefits and bonuses for the 12-month fiscal year ended June 30, 2005, to the detail supporting the Statement. Due to the difference reporting periods, we did not reconcile the W-2s and 1099s to the fiscal year data.
50. We recalculated the totals of the detail of coaching salaries and benefits and compared the recalculated totals to the Statement.

***Coaching Other Compensation and Benefits Paid by a Third Party***

51. We inquired of the University's management, who represented that there were no coaches employed by third parties during the year ended June 30, 2005. The University's management represented that certain other compensation and benefits (primarily coaches shows and radio shows) were paid by a third party (Racer Foundation) and recorded by the University in the Statement during the year ended June 30, 2005.
52. We obtained 1099s for the calendar year ended December 31, 2004. For those coaches receiving other compensation and benefits paid by a third party, we agreed the related payment amounts for the 12-month fiscal year ended June 30, 2005, to the detail supporting the Statement. Due to the different reporting periods, we did not reconcile the 1099s to the fiscal year data.
53. We recalculated the totals of coaching other compensation and benefits paid by a third party and compared the recalculated totals to the Statement.

***Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities***

54. We reviewed the employment contract for the Athletic Director and compared the financial terms and conditions of the contract to the related support staff/administrative salaries, benefits and bonuses recorded by the University and related entities in the Statement during the year ended June 30, 2005.

55. We obtained the W-2s and 1099s for the calendar year ended December 31, 2004, for the related support staff/administrative staff salaries, benefits and bonuses. For each selection, we agreed the related support staff/administrative salaries, benefits and bonuses for the 12-month fiscal year ended June 30, 2005, to the detail supporting the Statement. Due to the different reporting periods, we did not reconcile the W-2s and 1099s to the fiscal year data.
56. We recalculated the totals of the detail of support staff/administrative salaries, benefits and bonuses expense and compared the recalculated total to the Statement.

***Support Staff/Administrative Other Compensation and Benefits Paid by a Third Party***

57. We inquired of the University's management, who represented that there were no administrative/support staff employed by third parties during the year ended June 30, 2005.

***Severance Payment***

58. We obtained a listing of employee severance payments by the University during the year ended June 30, 2005, and agreed each severance payment to the related termination letter or employment contract.
59. We recalculated the totals of the detail of severance payments and compared the recalculated totals to the Statement.

***Recruiting***

60. We obtained an understanding of the University's recruiting policies, including expense policies.
61. We selected two recruiting expenses per sport for football (Ref. numbers TRV141, P00081), men's basketball (ref. numbers TRV153, TAO037), women's basketball (ref. numbers TA0034, TA0037) and one recruiting expense per sport for two other sports (ref. numbers TRV020, TA0011) and agreed to existing institutional and NCAA related policies.
62. We compared supporting schedules to the Statement.

***Team Travel***

63. We obtained an understanding of the University's team travel expense policies.

Dr. F. King Alexander  
Murray State University  
Page 9

64. We selected two away games and one home game per sport for football (Indiana State, Jacksonville State and Tennessee Martin), men's basketball (St. Mary's, Morehead State and Arkansas Tech) and women's basketball (Samford, Eastern Kentucky and Eastern Illinois) and agreed to existing institutional and NCAA policies.
65. We compared supporting schedules to the Statement.

***Indirect Facilities and Administrative Support***

66. We obtained an understanding of the University's methodology for allocating indirect facilities support expenses.
67. We summed the indirect facilities support and indirect institutional support totals reported by the University in the Statement.
68. We compared the indirect facilities and administrative support and indirect institutional support totals to those reported by the University in the Statement.
69. We compared the indirect facilities and administrative support reported by the University in the Statement to the corresponding revenue category (indirect facilities and administrative support) reported by the University in the Statement.
70. We recalculated the total of the detail of indirect facilities and administrative support and compared the recalculated totals to the Statement.

***Other Expense Categories***

71. For the following expense categories, we selected a sample of 1% of the dollar amount and compared the selected expenses to supporting documentation.
  - a. Equipment, uniforms and supplies.
  - b. Game expenses.
  - c. Fundraising, marketing and promotion.
  - d. Sports camps expenses.
  - e. Direct facilities, maintenance and rentals.
  - f. Other expenses.

**Capitalized Assets, Additions and Improvements of Facilities – Agreed-upon Procedures**

72. We obtained a schedule of total intercollegiate athletics capitalized assets, additions and improvements of facilities summarized by type and compared the total per the schedule to the total per the University's general ledger. The University's management represented there were no capitalized asset additions for the year ended June 30, 2005.



73. We obtained a description of the University's policies and procedures for acquiring, approving, depreciating and disposing of intercollegiate athletics-related assets and compared to information provided in the notes to the Statement.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying statement of revenues and expenses of the University. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

September 21, 2005

**MURRAY STATE UNIVERSITY ATHLETICS  
STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2005**

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total 2005
<b>Revenues</b>						
Ticket sales, net of discounts (Note 3)	\$ 166,112	\$ 422,338	\$ 2,254	\$ 14,178	\$ -	\$ 604,882
Student fees	-	-	-	-	942,249	942,249
Guarantees	135,000	102,500	16,000	7,100	-	260,600
Contributions	93,344	149,424	578	129,312	248,854	621,512
Compensation and Benefits paid by a Third Party	-	27,700	1,500	29,000	-	58,200
Direct Institutional Support	-	-	-	-	3,445,693	3,445,693
Indirect Facilities and Administrative Support	-	-	-	-	1,505,826	1,505,826
NCAA/Conference Distributions	-	1,725	-	-	388,289	390,014
Program Sales, Concessions, Novelty Sales, and Parking	12,165	36,551	-	(102)	(3,836)	44,778
Royalties, Advertisements, and Sponsorships	54,373	243,545	-	9,375	71,311	378,604
Sports Camps Revenues	-	-	-	-	102,634	102,634
Endowment and Investment Income	-	-	-	15,150	362,545	377,695
Other	40	3,208	-	21,950	208,521	233,719
<b>Subtotal - Operating Revenues</b>	<b>\$ 461,034</b>	<b>\$ 986,991</b>	<b>\$ 20,332</b>	<b>\$ 225,963</b>	<b>\$ 7,272,086</b>	<b>\$ 8,966,406</b>
<b>Expenses</b>						
Athletics Student Aid	\$ 988,210	\$ 211,629	\$ 181,088	\$ 919,684	\$ 36,562	\$ 2,337,173
Guarantees	28,500	38,114	3,615	3,192	-	73,421
Coaching Salaries and Benefits paid by the University and Related Entities	484,747	341,375	239,818	509,169	-	1,575,109
Coaching Other Compensation and Benefits Paid by a Third Party	-	27,700	1,500	29,000	-	58,200
Support Staff/Administrative Salaries and Benefits paid by the University and Related Entities	65,224	490	-	6,379	991,476	1,063,569
Severance Payments	-	-	-	-	25,000	25,000
Recruiting Travel	63,572	52,672	38,878	28,185	-	183,307
Team Travel	122,835	131,755	62,329	222,286	-	539,205
Equipment, Uniforms, and Supplies	56,307	56,810	18,799	109,609	46,437	287,962
Game Expenses	25,503	42,119	14,896	17,158	5,030	104,706
Fund Raising, Marketing, and Promotion	156,068	278,685	7,784	28,030	123,369	593,936
Sports Camps Expenses	-	-	-	-	57,113	57,113
Direct Facilities, Maintenance, and Rentals	26,166	25,778	35	32,841	82,213	167,033
Indirect Facilities and Administrative Support	-	-	-	-	1,505,826	1,505,826
Medical Expenses and Medical Insurance	-	-	-	-	108,843	108,843
Memberships and Dues	600	725	700	2,011	35,305	39,341
Other Operating Expenses	63,041	50,675	20,297	30,507	178,256	342,776
<b>Subtotal - Operating Expenses</b>	<b>\$ 2,080,773</b>	<b>\$ 1,258,527</b>	<b>\$ 589,739</b>	<b>\$ 1,938,051</b>	<b>\$ 3,195,430</b>	<b>\$ 9,062,520</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	<b>\$ (1,619,739)</b>	<b>\$ (271,536)</b>	<b>\$ (569,407)</b>	<b>\$ (1,712,088)</b>	<b>\$ 4,076,656</b>	<b>\$ (96,114)</b>

See notes to statement of revenues and expenses

**MURRAY STATE UNIVERSITY ATHLETICS  
STATEMENT OF REVENUES AND EXPENSES  
BY FUNDING SOURCE  
FOR THE YEAR ENDED JUNE 30, 2005**

	MURRAY STATE UNIVERSITY	MSU FOUNDATION	RACER FOUNDATION	Total 2005
<b>Revenues</b>				
Ticket sales, net of discounts (Note 3)	\$ 604,882	\$ -	\$ -	\$ 604,882
Student fees	942,249	-	-	942,249
Guarantees	260,600	-	-	260,600
Contributions	112	32,025	589,375	621,512
RACER Foundation payments	781,898	-	(781,898)	-
Compensation and Benefits paid by a Third Party	58,200	-	-	58,200
Direct Institutional Support	3,445,693	-	-	3,445,693
Indirect Facilities and Administrative Support	1,505,826	-	-	1,505,826
NCAA/Conference Distributions	390,014	-	-	390,014
Program Sales, Concessions, Novelty Sales, and Parking	(993)	-	45,771	44,778
Royalties, Advertisements, and Sponsorships	1,000	-	377,604	378,604
Sports Camps Revenues	102,634	-	-	102,634
Endowment and Investment Income	-	34,674	343,021	377,695
Other	201,609	1,941	30,169	233,719
<b>Subtotal - Operating Revenues</b>	<b>\$ 8,293,724</b>	<b>\$ 68,640</b>	<b>\$ 604,042</b>	<b>\$ 8,966,406</b>
<b>Expenses</b>				
Athletics Student Aid	\$ 2,334,173	\$ 3,000	\$ -	\$ 2,337,173
Guarantees	73,421	-	-	73,421
Coaching Salaries and Benefits paid by the University and Related Entities	1,463,109	-	112,000	1,575,109
Coaching Other Compensation and Benefits Paid by a Third Party	58,200	-	-	58,200
Support Staff/Administrative Salaries and Benefits paid by the University and Related Entities	1,058,519	-	5,050	1,063,569
Severance Payments	-	-	25,000	25,000
Recruiting Travel	183,016	185	106	183,307
Team Travel	539,205	-	-	539,205
Equipment, Uniforms, and Supplies	264,414	23,548	-	287,962
Game Expenses	104,706	-	-	104,706
Fund Raising, Marketing, and Promotion	267,601	-	326,335	593,936
Sports Camps Expenses	57,113	-	-	57,113
Direct Facilities, Maintenance, and Rentals	74,718	-	92,315	167,033
Indirect Facilities and Administrative Support	1,505,826	-	-	1,505,826
Medical Expenses and Medical Insurance	108,843	-	-	108,843
Memberships and Dues	39,341	-	-	39,341
Other Operating Expenses	202,655	1,548	138,573	342,776
<b>Subtotal - Operating Expenses</b>	<b>\$ 8,334,860</b>	<b>\$ 28,281</b>	<b>\$ 699,379</b>	<b>\$ 9,062,520</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	<b>\$ (41,136)</b>	<b>\$ 40,359</b>	<b>\$ (95,337)</b>	<b>\$ (96,114)</b>

See notes to statement of revenues and expenses

**MURRAY STATE UNIVERSITY ATHLETICS  
NOTES TO STATEMENT OF REVENUES AND EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2005**

1. **NCAA Reporting Requirements** - In August, 2004 the National Collegiate Athletic Association (NCAA) instituted changes to amend the financial reporting timeline, to specify agreed-upon procedures and related reporting requirements, and to update reporting definitions. The primary purpose of the agreed upon procedures report is to ensure that the President of the University is made aware of all financial activity (both internal and external) for athletics purposes and to assist the institution in exercising control over financial activity made by or on behalf of the intercollegiate athletics program. These changes are effective for this year ended June 30, 2005. Comparative data for the prior year ended June 30, 2004 is not available in this format.
  
2. **University Supplement and Mandatory Fees** - In accordance with the NCAA on-line data collection reporting guidelines, the University supplement and mandatory fees allocated for athletics are reported as revenues in the Statement of Revenues and Expenditures. The University supplement is the unrestricted state appropriated funding used to support Murray State University athletic programs. These amounts consist of the total unrestricted expenditures made on behalf of athletics, less all unrestricted athletic revenues and the student mandatory fees assigned to athletics.
  
3. **Ticket Sales** - Ticket revenue detail for the year ended June 30, 2005 is as follows:

<u>Sport</u>	<u>Ticket Sales</u>	<u>Complimentary Tickets</u>	<u>Total Ticket Revenues</u>	<u>Discounts</u>	<u>Ticket Sales, net</u>
Football	\$ 69,353	\$ 111,656	\$ 181,009	\$ (14,897)	\$ 166,112
Mens basketball	393,848	218,566	612,414	(190,076)	422,338
Womens basketball	2,300	-	2,300	(46)	2,254
Other sports	14,778	-	14,778	(600)	14,178
Total	<u>\$ 480,279</u>	<u>\$ 330,222</u>	<u>\$ 810,501</u>	<u>\$ (205,619)</u>	<u>\$ 604,882</u>

Complimentary tickets are used for University guests, student recruits, development activities, and sponsorship contracts. Discounts offer a reduced ticket price and are provided for various marketing events.


**MURRAY STATE UNIVERSITY ATHLETICS  
NOTES TO STATEMENT OF REVENUES AND EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2005**

4. **Contributions from the Murray State University Foundation** – Murray State University Foundation, Inc. receives gifts and contributions that are restricted for the related athletics programs. All athletics related revenues and expenditures from the Murray State University Foundation are included in the Statement of Revenues and Expenditures.
  
5. **Contributions from the Racer Foundation** – The Murray State University Athletic Foundation, Inc. (a.k.a. "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. All revenues and expenditures of the Racer Foundation are included in the Statement of Revenues and Expenditures.
  
6. **Capital Assets** – Assets acquired, depreciated, and disposed of for athletic purposes follow Murray State University capitalization policy. 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. Assets under capital leases are amortized over the estimated useful life of the asset, or the lease term, whichever is shorter. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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

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


**MURRAY STATE UNIVERSITY ATHLETICS**  
**SUPPLEMENTARY SCHEDULE - PRIOR YEAR PRESENTATION FORMAT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total 2005
<b>Revenues</b>						
Direct Institutional Support - University supplement	\$ -	\$ -	\$ -	\$ -	\$ 3,445,693	\$ 3,445,693
Student fees	-	-	-	-	942,249	942,249
Ticket sales, net of discounts (Note 3)	166,112	422,338	2,254	14,178	-	604,882
Program Sales, Concessions, Novelty Sales, and Parking	12,165	36,551	-	(102)	(3,836)	44,778
Guarantees	135,000	102,500	16,000	7,100	-	260,600
NCAA/Conference Distributions	-	1,725	-	-	388,289	390,014
Sports Camps Revenues	-	-	-	-	102,634	102,634
Other (Includes grants and contract revenue)	40	3,208	-	21,950	208,521	233,719
Contributions (Includes MSU Fdn and Racer Fdn)	93,344	149,424	578	129,312	248,854	621,512
Compensation and Benefits paid by a Third Party	-	27,700	1,500	29,000	-	58,200
Endowment and Investment Income	-	-	-	15,150	362,545	377,695
Indirect Facilities and Administrative Support	-	-	-	-	1,505,826	1,505,826
Royalties, Advertisements, and Sponsorships	54,373	243,545	-	9,375	71,311	378,604
<b>Subtotal - Operating Revenues</b>	<b>\$ 461,034</b>	<b>\$ 986,991</b>	<b>\$ 20,332</b>	<b>\$ 225,963</b>	<b>\$ 7,272,086</b>	<b>\$ 8,966,406</b>
<b>Expenses</b>						
<b>Salaries and benefits:</b>						
Coaching Salaries/Benefits paid by University	\$ 484,747	\$ 341,375	\$ 239,818	\$ 509,169	\$ -	\$ 1,575,109
Coaching Compensation Paid by Third Party	-	27,700	1,500	29,000	-	58,200
Support Staff Salaries/Benefits paid by University	65,224	490	-	6,379	991,476	1,063,569
Severance Payments	-	-	-	-	25,000	25,000
Total salaries and benefits	549,971	369,565	241,318	544,548	1,016,476	2,721,878
<b>Films, books and subscriptions:</b>						
Memberships and Dues	600	725	700	2,011	35,305	39,341
<b>Travel:</b>						
Recruiting Travel	63,572	52,672	38,878	28,185	-	183,307
Team Travel	122,835	131,755	62,329	222,286	-	539,205
Total travel	186,407	184,427	101,207	250,471	-	722,512
<b>Athletics Student Aid</b>	988,210	211,629	181,088	919,684	36,562	2,337,173
<b>Maintenance and Administration:</b>						
Direct Facilities, Maint, and Rentals (Includes car leases)	26,166	25,778	35	32,841	82,213	167,033
Sports Camps Expenses	-	-	-	-	57,113	57,113
Total maintenance and administration	26,166	25,778	35	32,841	139,326	224,146
<b>Equipment, Uniforms, and Supplies</b>	56,307	56,810	18,799	109,609	46,437	287,962
<b>Medical Expenses and Medical Insurance</b>	-	-	-	-	108,843	108,843
<b>Game Expenses</b>	25,503	42,119	14,896	17,158	5,030	104,706
<b>Guarantees</b>	28,500	38,114	3,615	3,192	-	73,421
<b>Other Operating Expenses (Includes Miscellaneous, Publicity, Insurance, Off Equip/Supplies)</b>	63,041	50,675	20,297	30,507	178,256	342,776
<b>Car leases (Included in Maintenance and Administration)</b>	-	-	-	-	-	-
<b>Concession Food Resale (Included net of concession revenue)</b>	-	-	-	-	-	-
Indirect Facilities and Administrative Support	-	-	-	-	1,505,826	1,505,826
Fund Raising, Marketing, and Promotion	156,068	278,685	7,784	28,030	123,369	593,936
<b>Subtotal - Operating Expenses</b>	<b>\$ 2,080,773</b>	<b>\$ 1,258,527</b>	<b>\$ 589,739</b>	<b>\$ 1,938,051</b>	<b>\$ 3,195,430</b>	<b>\$ 9,062,520</b>
Excess (Deficiency) of Revenues Over (Under) Expenses	\$ (1,619,739)	\$ (271,536)	\$ (569,407)	\$ (1,712,088)	\$ 4,076,656	\$ (96,114)



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. (Foundation) for the year ended June 30, 2005, 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. Previously, we made observations as a result of our 2004 audit engagement in a letter dated August 12, 2004.

#### **Segregation of Duties**

The objectives of internal control are to provide reasonable, but not absolute assurance that assets are safeguarded and financial statements are reliable. Segregation of incompatible duties is an effective way of strengthening internal controls. Segregation of duties entails the segregation of custody of assets from the related accounting for those assets. Certain segregation of duties issues exist in the Foundation's accounting cycles. While we have previously communicated these issues to the board and management, we believe it is important that you remain aware of the resulting risks and that management periodically evaluate the expected costs versus benefits of segregating incompatible duties.

\* \* \* \* \*

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 17, 2005


**Murray State University  
Athletic Foundation, Inc.**

Accountants' Report and Financial Statements  
June 30, 2005 and 2004





---



**Murray State University  
Athletic Foundation, Inc.**  
June 30, 2005 and 2004

**Contents**

**Independent Accountants' Report on Financial Statements..... 1**

**Financial Statements**

Statements of Financial Position..... 2  
Statements of Activities ..... 3  
Statements of Cash Flows..... 4  
Notes to Financial Statements..... 5



## Independent Accountants' Report

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

We have audited the accompanying statements of financial position of the Murray State University Athletic Foundation (Foundation) as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 the Foundation as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


August 17, 2005

*BKD, LLP*

220 W. Main Street, Suite 1700 P.O. Box 1178 Louisville, KY 40201-1178 502 581-0435 Fax 502 581-0723

bkd.com

**Beyond Your Numbers**

A member of  
Moore Rowland International 

**Murray State University  
Athletic Foundation, Inc.**  
Statements of Financial Position  
June 30, 2005 and 2004

**ASSETS**

	2005	2004
Cash	\$ 180,285	\$ 115,243
Investments	108,968	88,421
Contributions receivable, net of allowance; 2005 - \$1,800, 2004 - \$13,000	34,302	34,237
Other receivables	34,297	93,016
Real estate held for sale	603,595	1,231,525
Equipment, net of accumulated depreciation; 2005 - \$6,623, 2004 - \$3,521	5,750	8,851
Total assets	\$ 967,197	\$ 1,571,293

**LIABILITIES AND NET ASSETS (DEFICIT)**

<b>Liabilities</b>		
Line of credit	\$ —	\$ 325,000
Accounts payable to Murray State University	435,897	—
Accounts payable and accrued expenses	32,927	45,118
Note payable	607,672	1,215,137
Total liabilities	1,076,496	1,585,255
<b>Net Assets (Deficit)</b>		
Unrestricted	(192,072)	(125,879)
Temporarily restricted	82,773	111,917
Total net assets (deficit)	(109,299)	(13,962)
Total liabilities and net assets (deficit)	\$ 967,197	\$ 1,571,293

**Murray State University  
Athletic Foundation, Inc.**  
Statements of Activities  
Years Ended June 30, 2005 and 2004

	2005		
	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 70,775	\$ 435,503	\$ 506,278
Sponsorships and promotions	387,489	—	387,489
Fund raising events	72,677	52,003	124,680
Investment return	7,823	—	7,823
Gain on sale of real estate held for sale	335,198	—	335,198
Other	30,279	—	30,279
Net assets released from restrictions	<u>516,650</u>	<u>(516,650)</u>	<u>—</u>
Total revenues, gains and other support	<u>1,420,891</u>	<u>(29,144)</u>	<u>1,391,747</u>
<b>Expenses</b>			
Sponsorships and promotions	370,452	—	370,452
Contributions to Murray State University			
Athletic department	668,221	—	668,221
General operations	70,226	—	70,226
Contribution to Murray State University Foundation	—	—	—
General and administrative	236,589	—	236,589
Fund raising events	61,644	—	61,644
Membership activities	10,661	—	10,661
Interest	<u>69,291</u>	<u>—</u>	<u>69,291</u>
Total expenses	<u>1,487,084</u>	<u>—</u>	<u>1,487,084</u>
<b>Change in Net Assets (Deficit)</b>	(66,193)	(29,144)	(95,337)
<b>Net Assets (Deficit), Beginning of Year</b>	<u>(125,879)</u>	<u>111,917</u>	<u>(13,962)</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ (192,072)</u>	<u>\$ 82,773</u>	<u>\$ (109,299)</u>

See Notes to Financial Statements

**Murray State University  
Athletic Foundation, Inc.**  
Statements of Activities  
Years Ended June 30, 2005 and 2004

	2004		
	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 95,503	\$ 591,298	\$ 686,801
Sponsorships and promotions	492,908	140	493,048
Fund raising events	116,509	16,310	132,819
Investment return	12,360	—	12,360
Gain on sale of real estate held for sale	1,780,954	—	1,780,954
Other	56,273	475	56,748
Net assets released from restrictions	<u>632,956</u>	<u>(632,956)</u>	<u>—</u>
Total revenues, gains and other support	<u>3,187,463</u>	<u>(24,733)</u>	<u>3,162,730</u>
<b>Expenses</b>			
Sponsorships and promotions	324,773	—	324,773
Contributions to Murray State University			
Athletic department	1,004,727	—	1,004,727
General operations	95,120	—	95,120
Contribution to Murray State University			
Foundation	35,300	—	35,300
General and administrative	346,324	—	346,324
Fund raising events	61,283	—	61,283
Membership activities	23,157	—	23,157
Interest	<u>104,291</u>	<u>—</u>	<u>104,291</u>
Total expenses	<u>1,994,975</u>	<u>—</u>	<u>1,994,975</u>
<b>Change in Net Assets (Deficit)</b>	1,192,488	(24,733)	1,167,755
<b>Net Assets (Deficit), Beginning of Year</b>	<u>(1,318,367)</u>	<u>136,650</u>	<u>(1,181,717)</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ (125,879)</u>	<u>\$ 111,917</u>	<u>\$ (13,962)</u>

**Murray State University  
Athletic Foundation, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2005 and 2004**

	2005	2004
<b>Operating Activities</b>		
Change in net assets	\$ (95,337)	\$ 1,167,755
Items not requiring (providing) cash flows		
Contributions of investments	(12,784)	—
Gain on sale of real estate held for sale	(335,198)	(1,780,954)
Net realized and unrealized gains on investments	(4,311)	(8,046)
Depreciation	3,101	1,462
Changes in		
Contributions receivable	(65)	17,262
Other receivables	58,719	(35,210)
Accounts payable and accrued expenses	<u>423,706</u>	<u>20,600</u>
Net cash provided by (used in) operating activities	<u>37,831</u>	<u>(617,131)</u>
<b>Investing Activities</b>		
Purchase of investments	(3,452)	(3,684)
Purchase of real estate held-for-sale	—	(16,000)
Proceeds from sale of real estate held for sale	963,128	2,396,000
Deposit/application of deposit on real estate held for sale	—	(5,000)
Purchase of equipment	<u>—</u>	<u>(6,250)</u>
Net cash provided by investing activities	<u>959,676</u>	<u>2,365,066</u>
<b>Financing Activities</b>		
Net payments under line-of-credit agreement	(325,000)	(175,000)
Principal payments on note payable	<u>(607,465)</u>	<u>(1,479,280)</u>
Net cash used in financing activities	<u>(932,465)</u>	<u>(1,654,280)</u>
<b>Increase in Cash</b>	65,042	93,655
<b>Cash, Beginning of Year</b>	<u>115,243</u>	<u>21,588</u>
<b>Cash, End of Year</b>	<u>\$ 180,285</u>	<u>\$ 115,243</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 40,998	\$ 115,600

**Murray State University  
Athletic Foundation, Inc.**

**Notes to Financial Statements  
June 30, 2005 and 2004**

**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.

Effective July 1, 2005, sponsorships, promotions and fundraising efforts will be handled by the University and the Foundation's focus will be in the area of land management and sales.

***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. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized and unrealized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

***Equipment***

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

**Murray State University  
Athletic Foundation, Inc.**

**Notes to Financial Statements  
June 30, 2005 and 2004**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies  
(Continued)**

***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.

***Real Estate Held for Sale***

Real estate held for sale is stated at cost. The land held consists of 95 acres at June 30, 2005. The land is available for purchase in sections or as a whole.

***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.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.





**Murray State University  
Athletic Foundation, Inc.  
Notes to Financial Statements  
June 30, 2005 and 2004**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies  
(Continued)**

***In-kind Contributions***

In addition to receiving cash contributions, the Foundation receives in-kind contributions of securities and other property from various donors. The Foundation records the estimated fair value of certain in-kind donations as contribution revenue and as an asset or expense in its financial statements. For the years ended June 30, 2005 and 2004, \$58,581 and \$56,953, respectively, was received in 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 University's insurance plan. 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 annual costs to \$100,000.

Effective July 1, 2005, all Foundation employees will be transferred to the University.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in Note 6. Certain costs have been allocated among the Foundation's operations and management and general categories based on their natural expense classification.

**Note 2: Investments and Investment Return**

Investments at June 30 consisted of the following:

	<u>2005</u>	<u>2004</u>
Equity securities	\$ 98,479	\$ 81,384
Money market fund	<u>10,489</u>	<u>7,037</u>
	<u>\$ 108,968</u>	<u>\$ 88,421</u>

**Murray State University  
Athletic Foundation, Inc.**

**Notes to Financial Statements  
June 30, 2005 and 2004**

**Note 2: Investments and Investment Return (Continued)**

Total investment return is comprised of the following:

	2005	2004
Interest and dividend income	\$ 3,512	\$ 4,314
Net realized and unrealized gains on investments reported at fair value	<u>4,311</u>	<u>8,046</u>
	<u>\$ 7,823</u>	<u>\$ 12,360</u>

**Note 3: Contributions Receivable**

Contributions receivable at June 30 consisted of the following:

	2005	2004
Due within one year	\$ 32,234	\$ 37,920
Due in one to five years	<u>3,950</u>	<u>9,925</u>
	<u>36,184</u>	<u>47,845</u>
Less		
Allowance for uncollectible contributions	(1,800)	(13,000)
Unamortized discount	<u>(82)</u>	<u>(608)</u>
	<u>(1,882)</u>	<u>(13,608)</u>
	<u>\$ 34,302</u>	<u>\$ 34,237</u>

The discount rate was 5% for 2005 and 2004.

**Note 4: Line of Credit**

The Foundation had a \$350,000 bank line of credit which was paid in full and closed in May 2005 from the proceeds of land sales.

**Murray State University  
Athletic Foundation, Inc.  
Notes to Financial Statements  
June 30, 2005 and 2004**

**Note 5: Note Payable**

The Foundation's note payable is due on August 31, 2005, with interest payable annually at the one-year Treasury bill rate, plus 1.75% (6.375% at June 30, 2005) and is secured by real estate held for sale.

**Note 6: Functional Expenses**

The detail of the Foundation's functional expenses for the year ended June 30, 2005, was as follows:

	Operations	Compensation and Benefits	Contract Services	Real Estate Held for Sale	Depreciation	Total
Sponsorship and promotions	\$ 257,402	\$ —	\$ 113,050	\$ —	\$ —	\$ 370,452
Contributions to the University	734,447	—	4,000	—	—	738,447
General and administrative	74,092	121,685	—	37,711	3,101	236,589
Fund raising events	61,644	—	—	—	—	61,644
Membership activities	10,661	—	—	—	—	10,661
Interest expense	<u>10,463</u>	<u>—</u>	<u>—</u>	<u>58,828</u>	<u>—</u>	<u>69,291</u>
	<u>\$ 1,148,709</u>	<u>\$ 121,685</u>	<u>\$ 117,050</u>	<u>\$ 96,539</u>	<u>\$ 3,101</u>	<u>\$ 1,487,084</u>

The detail of the Foundation's functional expenses for the year ended June 30, 2004, was as follows:

	Operations	Compensation and Benefits	Contract Services	Real Estate Held for Sale	Depreciation	Total
Sponsorship and promotions	\$ 211,548	\$ —	\$ 113,225	\$ —	\$ —	\$ 324,773
Contributions to the University	1,080,462	—	19,385	—	—	1,099,847
Contributions to the Murray State University Foundation	35,300	—	—	—	—	35,300
General and administrative	36,981	189,125	—	118,756	1,462	346,324
Fund raising events	58,848	—	2,435	—	—	61,283
Membership activities	23,157	—	—	—	—	23,157
Interest expense	<u>9,005</u>	<u>—</u>	<u>—</u>	<u>95,286</u>	<u>—</u>	<u>104,291</u>
	<u>\$ 1,455,301</u>	<u>\$ 189,125</u>	<u>\$ 135,045</u>	<u>\$ 214,042</u>	<u>\$ 1,462</u>	<u>\$ 1,994,975</u>

**Murray State University  
Athletic Foundation, Inc.**

**Notes to Financial Statements**

**June 30, 2005 and 2004**

**Note 7: Related-party Transactions**

The University provides office space, computer and other administrative services to the Foundation. The estimated fair value of services of approximately \$13,500 in 2005 and \$6,000 in 2004, were provided to the Foundation by the University and is included in revenues and in general and administrative expenses in the accompanying financial statements.

During 2005 and 2004, respectively, the Foundation paid various University coaches and other employees approximately \$116,000 and \$129,000, respectively, for appearing on coaches' radio and television shows and for providing other promotional services to the Foundation.

Contributions receivable include \$18,484 of pledges by the Foundation board of director members. This represents 54% of the total contribution receivables.

The Foundation entered into a \$24,000 sponsorship agreement in 2005 with Integrated Computers, which is owned by the current board of directors' chair. Other receivables as of June 30, 2005, included \$10,000 relating to this agreement. This receivable is expected to be paid in-full in 2006.

The Foundation made contributions of various computers for administrative use, audio/video and training equipment placed in service in the University's basketball locker and training rooms located at the Regional Special Events Center. These assets were acquired by the Foundation through purchases, gifts-in-kind and as sponsorship trade-outs for the benefit of the University's athletic department. The fair value of these items at the time of contribution was \$70,226 and \$100,421 for 2005 and 2004, respectively.

In connection with the contribution of scoreboards and other improvements in 2001, 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, 2005 and 2004.

The general, marketing, and parking agreements with the University will be terminated effective July 1, 2005.

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



**Murray State University  
Athletic Foundation, Inc.**  
Notes to Financial Statements  
June 30, 2005 and 2004

**Note 8: Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2005 and 2004, were available for the following purposes:

	<u>2005</u>	<u>2004</u>
Academics	\$ 6,000	\$ 19,931
Football program	14,360	42,299
Soccer complex	16,575	—
Basketball Enhancement Fund	12,051	36,172
Reagan Field	32,025	—
Other	<u>1,762</u>	<u>13,515</u>
	<u>\$ 82,773</u>	<u>\$ 111,917</u>

**Note 9: 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 at 13.84% of covered payroll of eligible employees.

**RESOLUTION AND ORDER**

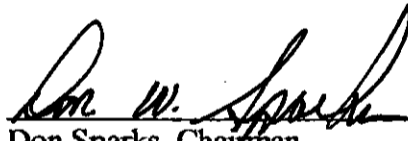
**WHEREAS**, there is a structure located at 1624 Olive, and

**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 2nd day of December, 2005.

  
Don Sparks, 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 December 2, 2005.

Witness my hand and seal, this 2nd day of December, 2005.

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

**RESOLUTION AND ORDER**

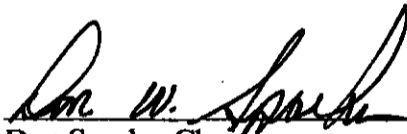
**WHEREAS**, there is a structure located at 1624 Olive, and

**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 2nd day of December, 2005.



Don Sparks, 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 December 2, 2005.

Witness my hand and seal, this 2nd day of December, 2005.



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