

Murray State University
Accountants' Report and Financial Statements
June 30, 2004 and 2003



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MEMORANDUM FOR THE BOARD OF DIRECTORS

RE: Proposed Acquisition of [Redacted]

On [Redacted], [Redacted] ("Company") advised that it has received a letter of intent from [Redacted] ("Lender") to provide a loan to the Company in the amount of \$[Redacted]. The Lender is a [Redacted] and is currently a [Redacted] of the Company. The Lender is a [Redacted] of the Company and is currently a [Redacted] of the Company.

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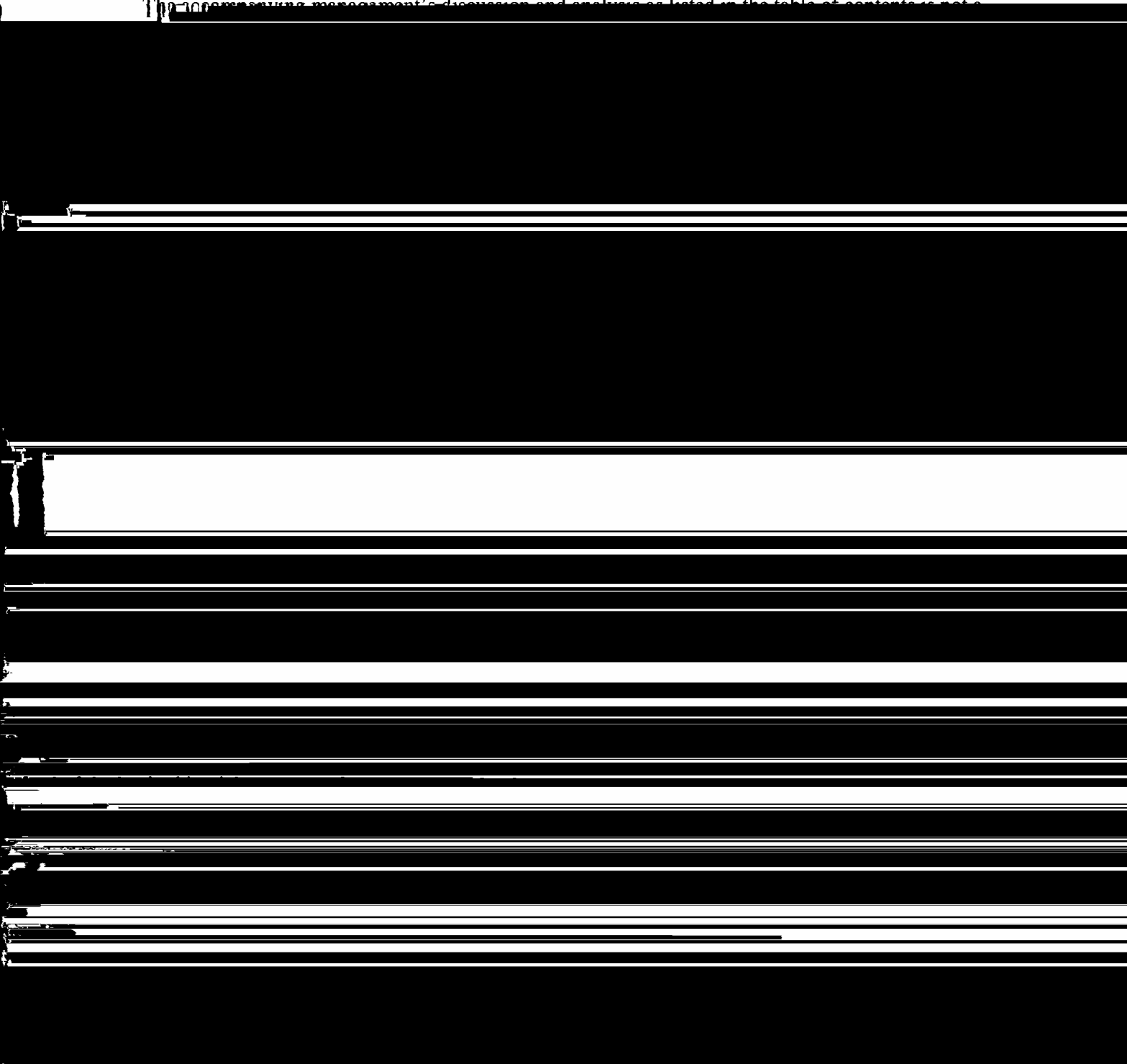
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President F. King Alexander and
Board of Regents
Page Two

The accompanying management's discussion and analysis as listed in the table of contents is not a



Murray State University

Management's Discussion and Analysis

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Murray State University (University) for the year ended June 30, 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 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 10,000 students. The University has not only posted record enrollment figures for the past nine years, it has increased its graduation rate to an impressive 56.3 percent. This graduation rate places the University in the top 30th percentile of public universities nationally.

The tuition and fees for the 2004-05 academic year have 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 and was one of only three of our 25 competitor schools with tuition and fees of less than \$2,000 per semester per student.

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 and World Report for its academic quality and affordability. The University has been recognized for many years as a great collegiate value by U.S. News and World Report's America's Best Colleges rankings report. This publication recently ranked the University as the South's best public master's university in the "Great Schools at a Great Price" category for the 2005 edition. In the 2005 edition of the publication, the University is ranked sixth overall in the South when compared to public master's universities and ranked 18th best public master's university in the nation. MSU remains the top ranked public university in the state, and the only Kentucky university ranked as a "Great School at a Great Price". 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

- Ø The University's financial position remained strong as of the end of the year, with assets of \$194.1 million and liabilities of \$50.4 million. Net assets, which represent the University's residual interest in assets after liabilities are deducted, were \$143.7 million or 74% of total assets. Net assets increased by \$14.8 million from 2003 to 2004.

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Management's Discussion and Analysis

- Ø 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, technology improvements and enhancements in library holdings.

- Ø The University changed the term of faculty academic year contracts to nine months from ten months. This change will allow faculty more time to obtain and work on externally funded grants and contracts, which provide additional financial resources for academic enhancement, faculty development and research.

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 pers

Murray State University Management's Discussion and Analysis

Total assets increased by \$7.8 million during 2003, which was primarily due to funding secured for future capital assets.

Liabilities

Total liabilities at the end of the fiscal year 2004 were \$50.4 million. Total long-term debt obligations amounted to \$32.9 million. These debt obligations increased by only \$.6 million during 2004. During 2004, total liabilities decreased by \$4.1 million due to the use of deferred revenues, recorded in 2003, for the Science Complex construction project. These deferred revenues were recognized as revenues in 2004 and used to pay for expenses related to construction.

Total liabilities at the end of the fiscal year 2003 were \$54.5 million. During 2003, total liabilities increased by \$6.2 million largely due to new debt to construct a student recreation/wellness center.

Condensed Balance Sheets

	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Assets			
Current assets	\$ 33,665,438	\$ 29,216,953	\$ 26,040,231
Noncurrent assets	42,892,454	46,974,282	41,562,542
Capital assets	<u>117,518,493</u>	<u>107,147,545</u>	<u>107,904,063</u>
Total assets	<u>\$ 194,076,385</u>	<u>\$ 183,338,780</u>	<u>\$ 175,506,836</u>

Murray State University

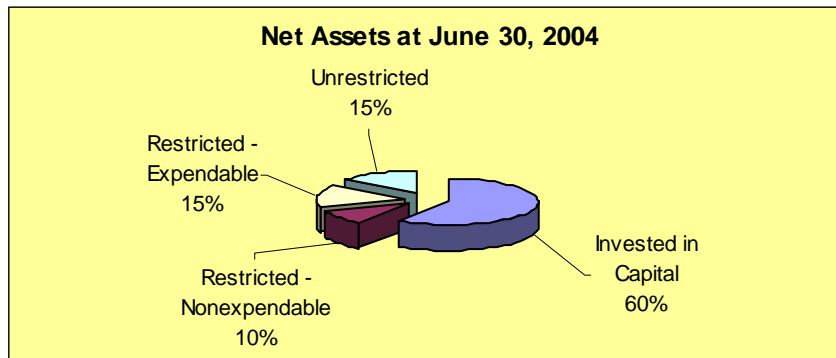
Management's Discussion and Analysis

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.
 - § 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:



Murray State University

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

Revenues

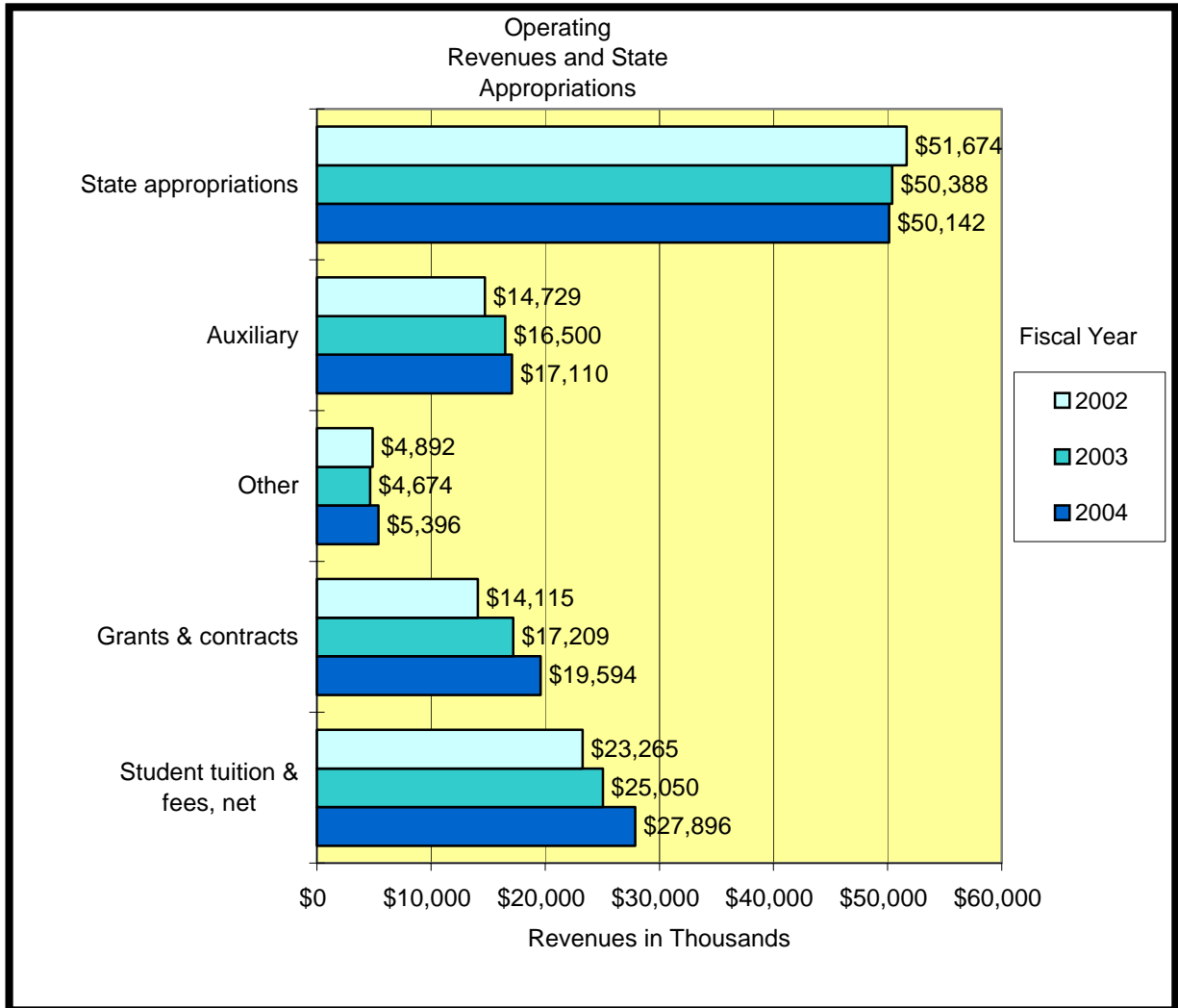
Total operating revenues, which exclude state appropriations, for the 2004 fiscal year were \$70 million, including student tuition and fees, net of related discounts and allowances, of \$27.9 million, operating grants and contracts revenues of \$19.6 million, and auxiliary services net revenue of \$17.1 million.

Operating revenues increased during the year by \$6.5 million. This increase is comprised of \$3.5 million from net student tuition, fees, room, and board, driven by increased student enrollment and on campus residency, and \$2.4 million from federal and state grants and contracts.

The University received \$50.1 million of state appropriations. For the 2004 fiscal year, the University experienced a \$1.3 million appropriations deduction in 2004, which was in addition to a \$1.3 appropriations deduction in 2003. State appropriations are required to be classified as nonoperating revenues; however, these funds were used to support University operating activities.

Murray State University Management's Discussion and Analysis

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



Expenses

Total operating expenses for the 2004 fiscal year were \$124.4 million. Of this amount, \$103.2 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 \$46.6 million or 45% of the total educational and general portion. Remaining operating expenses were for depreciation and auxiliary services, which amounted to \$6.6 million and \$14.6 million, respectively. Depreciation

Murray State University

Management's Discussion and Analysis

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, 2004, by \$3.3 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, fringe benefits, including the self-insured health insurance fund, utilities, property insurance, and other fixed costs.

The net loss from operations for the year ended June 30, 2004, was \$54.5 million. Nonoperating

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Management's Discussion and Analysis

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 \$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.

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Management's Discussion and Analysis

Condensed Statements of Cash Flows

2004

2003

2002

Murray State University

Management's Discussion and Analysis

The University issued new debt of \$3.4 million, which included \$2.5 million in Housing and Dining System Series P bonds for the renovation of Winslow Cafeteria and \$.9 million for the upgrade of the campus networking system. The University also paid off \$3.2 million of long term debt; therefore, minimal changes were made in the amount of debt outstanding as of June 30, 2004.

Debt as of June 30, 2004, is summarized below:

	Balance June 30, 2004
Housing and Dining System Revenue Bonds	\$ 11,222,000
Consolidated Educational Buildings Revenue Bonds	6,905,000
Bond discount	(239,581)
City of Murray	10,000,000
Other (Note 11 of Notes to Financial Statements)	4,970,540
 Total	 \$ 32,857,959

Infrastructure Assets

Infrastructure assets are defined by GASB No. 34 as long-lived assets that are normally stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These types of assets will typically be permanent non-building additions that service the entire campus. The University has adopted the modified approach of accounting for its infrastructure assets. This approach requires that an asset management system be established and maintained. Such a system would assess and disclose that all eligible infrastructure assets are being preserved approximately at (or above) a condition level established. To 23 0d5.5(abl.3(2)-th.4(inniversity)-7.21.40927 TTD0.0007 Tc0.0 B adonot id syed appr

Murray State University

Management's Discussion and Analysis

Economic Factors Affecting Future Periods

- Ø General state appropriations from the Commonwealth of Kentucky 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.
- Ø The University provides health insurance to employees through a self-funded program. As reflected in national trends, significant increases in the costs of health claims are expected.
- Ø The University is reviewing the feasibility of funding for the replacement of one or more residence halls. If needed, the Murray State Campus Improvement Corporation could offer industrial revenue bond funds for the construction of new residential college facilities on the University's campus.
- Ø The University has requested \$22.3 million in funding for the second phase of the science complex project. This project is the University's top priority in its capital projects request submitted to the Commonwealth for the 2004-06 capital budget.
- Ø During fall 2004, construction will begin on a major addition to the Equine Training Facility located on the West Farm campus. Funding of almost \$1 million will be utilized for this project, with the most significant portion from the Kentucky Council on Postsecondary Education's Equine Trust Fund. This addition is scheduled for completion in February 2005.

Murray State University
Balance Sheets
June 30, 2004 and 2003

Murray State University
Balance Sheets
June 30, 2004 and 2003

LIABILITIES AND NET ASSETS

	<u>2004</u>	<u>2003</u>
Current Liabilities		
Accounts payable	\$ 7,689,126	\$ 5,437,344
Self-insured health liability	1,152,763	1,140,643
Accrued payroll	3,367,640	3,289,924
Interest payable	241,347	251,684
Deposits	207,083	208,365
Deferred revenue	4,716,368	11,688,150
Current maturities of long-term liabilities	<u>3,197,475</u>	<u>2,945,888</u>
Total current liabilities	<u>20,571,802</u>	<u>24,961,998</u>
Noncurrent Liabilities		
Deposits	171,933	191,556
Revenue bonds, notes payable, and capital leases	<u>29,660,484</u>	<u>29,350,479</u>
Total noncurrent liabilities	<u>29,832,417</u>	<u>29,542,035</u>
Total liabilities	<u>50,404,219</u>	<u>54,504,033</u>
Net Assets		
Invested in capital assets, net of related debt	85,638,535	85,104,843
Restricted for		
Nonexpendable – permanent endowments	14,684,636	11,380,920
Expendable		
Scholarships, research, instruction and other	3,729,092	2,552,561
Loans	4,977,530	4,985,017
Capital assets	9,135,468	4,100,350
Debt service	4,021,365	3,587,330
Unrestricted	<u>21,485,540</u>	<u>17,123,726</u>
Total net assets	<u>143,672,166</u>	<u>128,834,747</u>
 Total liabilities and net assets	 <u>\$ 194,076,385</u>	 <u>\$ 183,338,780</u>

Murray State University Foundation, Inc.
Statements of Financial Position
June 30, 2004 and 2003

Murray State University Athletic Foundation, Inc.
 Statements of Financial Position
 June 30, 2004 and 2003

ASSETS

	2004	2003
Cash	\$ 115,243	\$ 21,588
Investments	88,421	76,691
Contributions receivable, net of allowance; 2004 - \$13,000, 2003 - \$20,000	34,237	51,499
Other receivables	93,016	57,806
Real estate held for sale	1,231,525	1,830,571
Equipment, net of accumulated depreciation; 2004 - \$3,521, 2003 - \$2,059	8,851	4,063
Total assets	\$ 1,571,293	\$ 2,042,218

LIABILITIES AND NET ASSETS

Liabilities

Lines of credit	\$ 325,000	\$ 500,000
Accounts payable and accrued expenses	45,118	24,518
Deposit on real estate held-for-sale	—	5,000
Note payable	1,215,137	2,694,417
Total liabilities	1,585,255	3,223,935

Net Assets

Unrestricted	(125,879)	(1,318,367)
Temporarily restricted	111,917	136,650
Total net assets	(13,962)	(1,181,717)
Total liabilities and net assets	\$ 1,571,293	\$ 2,042,218

Murray State University
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Operating revenues		
Student tuition and fees	\$ 43,227,944	\$ 37,609,354
Less discounts and allowances	<u>(15,331,582)</u>	<u>(12,559,422)</u>
Net tuition and fees	<u>27,896,362</u>	<u>25,049,932</u>
Federal grants and contracts	12,534,110	11,379,257
State grants and contracts	6,815,631	5,693,083
Local and private grants and contracts	<u>244,245</u>	<u>136,624</u>
Total grants and contracts	<u>19,593,986</u>	<u>17,208,964</u>
Sales and services of educational departments	3,551,156	3,240,732
Other operating revenues	<u>1,844,664</u>	<u>1,433,151</u>
Total sales, services, and other revenues	<u>5,395,820</u>	<u>4,673,883</u>
Auxiliary enterprises revenues (Revenues are pledged as security for the Housing and Dining Revenue System Bond Series A – P)	17,830,810	17,381,284
Less discounts and allowances	<u>(721,263)</u>	<u>(881,045)</u>
Net auxiliary revenue	<u>17,109,547</u>	<u>16,500,239</u>
Total operating revenues	<u>69,995,715</u>	<u>63,433,018</u>
Expenses		
Operating expenses		
Instruction	46,574,969	45,804,242
Research	3,495,188	2,196,693
Public service	5,446,975	5,104,918
Libraries	1,640,583	1,350,674
Academic support	5,216,651	5,065,370
Student services	10,833,270	10,004,465
Institutional support	10,100,759	9,979,144
Operational and maintenance of plant	13,229,253	14,117,697
Student financial aid	6,700,293	6,253,347
Depreciation	5,840,909	5,784,813
Auxiliary enterprises	14,592,820	14,769,901
Auxiliary depreciation	<u>779,527</u>	<u>674,609</u>
Total operating expenses	<u>124,451,197</u>	<u>121,105,873</u>
Operating Loss	<u>\$ (54,455,482)</u>	<u>\$ (57,672,855)</u>

Murray State University
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2004 and 2003

	2004	2003
Nonoperating Revenues (Expenses)		
State appropriations	\$ 51,472,900	\$ 51,669,400
Less: State appropriation reduction	(1,331,100)	(1,281,300)
State endowment match	3,259,000	—
Restricted student fees (Revenues are pledged as security for the City of Murray debt agreement)	637,850	562,684
Federal grants and contracts	1,328,844	1,361,508
State grants and contracts	2,307,248	1,462,278
Local and private grants and contracts	1,855,761	1,336,810
Gifts	360,470	219,173
Investment income	1,797,883	2,402,277

Murray State University Foundation, Inc.
 Statements of Activities
 Years Ended June 30, 2004 and 2003

	2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Contributions	\$ 82,999	\$ 923,198	\$ 3,875,339	\$ 4,881,536
Revenues from operations of golf course	476,488	—	—	476,488
Fees	316,367	—	—	316,367
Investment return	840,373	2,084,000	3,859	2,928,232
Other	168,520	294,003	63,115	525,638
Allocation of spending cap excess	—	—	—	—
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>
Expenses and Losses				
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>
Change in Net Assets	519,793	2,157,456	3,550,023	6,227,272
Net Assets, Beginning of Year	<u>5,289,463</u>	<u>6,817,969</u>	<u>17,509,501</u>	<u>29,616,933</u>
Net Assets, End of Year	<u>\$ 5,809,256</u>	<u>\$ 8,975,425</u>	<u>\$ 21,059,524</u>	<u>\$ 35,844,205</u>

Murray State University Foundation, Inc.
Statements of Activities
Years Ended June 30, 2004 and 2003

	2003			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				

Murray State University Athletic Foundation, Inc.
Statements of Activities
Years Ended June 30, 2004 and 2003

2004

Unrestricted

Murray State University Athletic Foundation, Inc.
 Statements of Activities
 Years Ended June 30, 2004 and 2003

	2003		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ 85,553	\$ 236,960	\$ 322,513
Sponsorships and promotions	528,514	5,220	533,734
Fund raising events	110,052	41,372	151,424
Investment return	5,021	—	5,021
Gain on sale of real estate held-for-sale	—	—	—
Other	29,246	—	29,246
Net assets released from restrictions	<u>332,998</u>	<u>(332,998)</u>	<u>—</u>
Total revenues, gains and other support	<u>1,091,384</u>	<u>(49,446)</u>	<u>1,041,938</u>
Expenses			
Sponsorships and promotions	314,632	—	314,632
Contributions to Murray State University			
Athletic department	570,789	—	570,789
General operations	32,607	—	32,607
Contribution to Murray State University Foundation	—	—	—
General and administrative	233,567	—	233,567
Fund raising events	76,066	—	76,066
Membership activities	21,162	—	21,162
Interest	<u>151,753</u>	<u>—</u>	<u>151,753</u>
Total expenses	<u>1,400,576</u>	<u>—</u>	<u>1,400,576</u>
Change in Net Assets	(309,192)	(49,446)	(358,638)
Net Assets, Beginning of Year	<u>(1,009,175)</u>	<u>186,096</u>	<u>(823,079)</u>
Net Assets, End of Year	<u>\$ (1,318,367)</u>	<u>\$ 136,650</u>	<u>\$ (1,181,717)</u>

Murray State University
Statements of Cash Flows
Years ended June 30, 2004 and 2003

	2004	2003
Cash Flows from Operating Activities		
Tuition and fees	\$ 27,695,754	\$ 26,153,761
Grants and contracts	18,752,655	18,323,465
Salaries, wages, and benefits	(72,890,855)	(69,483,846)
Payments to suppliers	(22,856,859)	(23,698,468)
Payments to students for financial aid	(6,700,293)	(6,253,347)
Computer loans issued to employees	(50,401)	(62,116)

Murray State University
Statements of Cash Flows
Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	\$ 5,875,010	\$ 3,257,144
Purchase of investments	(5,979,952)	(3,203,808)
Interest receipts on investments	<u>1,613,029</u>	<u>1,430,135</u>
Net cash provided by investing activities	<u>1,508,087</u>	<u>1,483,471</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,186,913)	7,306,878
Cash and Cash Equivalents, Beginning of Year	<u>47,528,299</u>	<u>40,221,421</u>
Cash and Cash Equivalents, End of Year	<u>\$ 43,341,386</u>	<u>\$ 47,528,299</u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (54,455,482)	\$ (57,672,855)
Depreciation	6,620,436	6,459,422
Bad debt	128,894	113,914
Changes in assets and liabilities		
Accounts receivable, net	(619,127)	(135,955)
Inventories	(147,277)	(266,437)
Prepaid expenses	(99,049)	(104,927)
Accounts payable	672,768	449,788
Self-insured health liability	12,120	4,765
Accrued payroll	77,716	195,835
Deposits	(19,633)	(157,496)
Deferred revenue	<u>200,104</u>	<u>2,294,793</u>
Net cash used in operating activities	<u>\$ (47,628,530)</u>	<u>\$ (48,819,153)</u>
 Supplemental Cash Flows Information		
Gifts of capital assets	\$ 156,178	\$ 444,905
Accounts payable incurred for capital assets	\$ 1,168,353	\$ —

Murray State University

Notes to Financial Statements

June 30, 2004 and 2003

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 10,000. 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
Notes to Financial Statements
June 30, 2004 and 2003

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.

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

Restricted Cash, Cash Equivalents, and Investments

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Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

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

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

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, (2) gifts and contributions, (3) sales and services of auxiliary enterprises and (4) discounts and allowances, (Federal, state and local government grants and contracts).

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 3: Inventories

Inventories consisted of:

	2004	2003
Inventories		
University bookstore – resale	\$ 1,466,376	\$ 1,398,288
Physical plant – supplies	407,151	334,238
Food services – resale and supplies	123,616	118,478
Central stores – supplies	<u>24,103</u>	<u>22,965</u>
Total inventories	<u>\$ 2,021,246</u>	<u>\$ 1,873,969</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, 2004 and 2003. 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, 2004, the allowance for uncollectible loans was \$206,802, and at June 30, 2003, the allowance for uncollectible loans was \$221,313.

Loans receivable consisted of:

	2004	2003
Current loans receivable		
University loan programs	\$ 64,547	\$ 44,131
Federal nursing program	70,699	67,213
Federal Perkins program	<u>635,765</u>	<u>605,351</u>
Total current loans receivable, net	<u>771,011</u>	<u>716,695</u>
Noncurrent loans receivable		
Federal nursing program	344,447	331,605
Federal Perkins program	<u>3,259,713</u>	<u>3,335,217</u>
Total noncurrent loans receivable, net	<u>3,604,160</u>	<u>3,666,822</u>
Total loans receivable, net	<u>\$ 4,375,171</u>	<u>\$ 4,383,517</u>

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 5: Investments

Investments consisted of:

	June 30, 2004		June 30, 2003	
	Fair Value	Cost Basis	Fair Value	Cost Basis
Money market funds	\$ 2,818,528	\$ 2,818,528	\$ 2,568,507	\$ 2,568,507
Repurchase agreements	<u>2,003,615</u>	<u>2,003,615</u>	<u>2,003,615</u>	<u>2,003,615</u>
Restricted for capital purposes	<u>4,822,143</u>	<u>4,822,143</u>	<u>4,572,122</u>	<u>4,572,122</u>

Restricted assets held by Murray

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Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

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, 2004:

<u>Funding Period</u>	<u>CPE Funding Available</u>	<u>CPE Funding Received</u>	<u>External Match Receipts</u>		<u>Total</u>	<u>External Match Pledges</u>
			<u>Held By University</u>	<u>Held By Foundation</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>	\$ 2,346,291	\$ 4,694,643	\$ 7,040,934	

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 7: Capital Assets

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
Notes to Financial Statements
June 30, 2004 and 2003

Note 8: Accounts Payable

Accounts payable consisted of:

	2004	2003
Current accounts payable		
Vendors	\$ 6,808,813	\$ 3,811,442
Payroll benefits and withholdings	872,362	1,625,435
Loans	7,951	467
Total accounts payable	\$ 7,689,126	\$ 5,437,344

Note 9: Employee Benefits

Kentucky Teachers Retirement System

All employees required to hold a degree and occupying full-time positions, defined as seven-

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 10: Deferred Revenue

Deferred revenue consisted of:

	2004	2003
Current deferred revenue		
Prepaid tuition and fees	\$ 1,360,294	\$ 1,222,029
International studies programs	358,981	393,954
Grants and contracts	1,498,712	1,403,025
Auxiliary enterprises	13,059	11,937
Capital state appropriations	<u>1,485,322</u>	<u>8,657,205</u>
Total current deferred revenue	<u>\$ 4,716,368</u>	<u>\$ 11,688,150</u>

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, 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>	1700d6efBT9n9-.6n		

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

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, 2003:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long Term Portion
Bonds payable	\$ 19,932,000	\$ —	\$ (2,285,000)	\$ 17,647,000	\$ 2,110,000	\$ 15,537,000
Less bond discounts	<u>(259,764)</u>	<u>—</u>	<u>27,217</u>	<u>(232,547)</u>	<u>(27,216)</u>	<u>(205,331)</u>
Bonds payable, net of discounts	19,672,236	—	(2,257,783)	17,414,453	2,082,784	15,331,669
City of Murray payable	—	10,000,000	—	10,000,000	—	10,000,000
Capital leases	2,024,589	—	(158,457)	1,866,132	162,938	1,703,194
Master lease notes payable	1,524,347	1,592,186	(511,474)	2,605,059	605,545	1,999,514
Notes payable	27,284	294,400	(15,916)	305,768	71,368	234,400
MSU Foundation notes payable	<u>132,134</u>	<u>4,500</u>	<u>(31,679)</u>	<u>104,955</u>	<u>23,253</u>	<u>81,702</u>
Total bonds, notes and capital leases	<u>\$ 23,380,590</u>	<u>\$ 11,891,086</u>	<u>\$ (2,975,309)</u>	<u>\$ 32,296,367</u>	<u>\$ 2,945,888</u>	<u>\$ 29,350,479</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
2005	\$ 2,342,000	\$ 738,833	\$ 3,080,833	\$ 1,323,502	\$ 4,404,335
2006	2,345,000	908,410	3,253,410	1,195,844	4,449,254
2007	2,460,000	787,022	3,247,022	1,056,870	4,303,892
2008	985,000	626,591	1,611,591	913,743	2,525,334
2009	1,030,000	429,554	1,459,554	857,875	2,317,429
2010-2014	3,905,000	1,156,937	5,061,937	3,629,712	8,691,649
2015-2019	3,435,000	1,445,000	4,880,000	2,643,699	7,523,699
2020-2024	1,625,000	2,045,000	3,670,000	1,650,313	5,320,313
2025-2029	—	2,580,000	2,580,000	1,000,251	3,580,251
2030-2033	<u>—</u>	<u>2,550,000</u>	<u>2,550,000</u>	<u>286,464</u>	<u>2,836,464</u>
Total	<u>\$ 18,127,000</u>	<u>\$ 13,267,347</u>	<u>\$ 31,394,347</u>	<u>\$ 14,558,274</u>	<u>\$ 45,952,621</u>

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

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

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

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

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

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:

	2004	2003
Capital lease assets, at cost		

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 13: Unrestricted Net Assets

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

	2004	2003
Unrestricted net assets		
Allocated for		
Prior year carryovers		
Renovation and maintenance	\$ 1,099,668	\$ 638,989
Departmental operations	8,917,670	7,550,494
Encumbrances	475,297	420,200
Working capital	1,818,710	2,569,451
Revenue contingency	2,573,645	2,583,470
General contingency	5,700,550	2,461,122
Self insurance	<u>900,000</u>	<u>900,000</u>
Total unrestricted net assets	<u>\$ 21,485,540</u>	<u>\$ 17,123,726</u>

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 do.14349 of

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 14: Component Units (Continued)

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, 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. During the year ended June 30, 2003, the Racer Foundation distributed \$422,887 to the University, made payments of \$147,902 on behalf of the University, and transferred assets to the University of \$32,607. The total benefits for University athletics for the years ended June 30, 2004 and 2003, was \$1,099,847 and \$603,396, respectively. Accounts receivable from the Racer Foundation and accounts payable to the Racer Foundation as of June 30, 2004 and June 30, 2003, respectively, were not significant. Complete financial statements for the Racer Foundation can be obtained from the MSU Athletic Foundation Office, Stewart Stadium, Murray, Kentucky, 42071.

Note 15: Risk Management

The University is exposed to various risks of loss related to torts; theft of, dama[expo,19.2842 0 TD0.2fh

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 16: Contingencies and Commitments (Continued)

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 \$6,300,000 and \$10,013,000 as of June 30, 2004 and 2003, 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.

Note 17: Natural Expense Classifications with Functional Classifications

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						Total
	Natural Classification						
	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

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 17: Natural Expense Classifications with Functional Classifications
(Continued)

The University's operating expenses by functional classification for the year ended June 30, 2003 were as follows:

Fund Classification	Year Ended June 30, 2003							Total
	Natural Classification							
	Compensation and Benefits	Operations	Utilities	Non-capitalized Equipment	Scholarships	Depreciation		
Instruction	\$ 39,249,185	\$ 5,678,761	\$ —	\$ 854,932	\$ 21,364	\$ —	\$45,804,242	
Research	1,261,431	791,454	—	143,808	—	—	2,196,693	
Public service	3,932,924	1,025,848	—	146,146	—	—	5,104,918	

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 18: Segment Information (Continued)

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

Condensed Balance Sheets

	2004	2003
Assets		
Current assets	\$ 3,053,483	\$ 3,014,364
Noncurrent assets	3,001,872	2,730,503
Capital assets, net of accumulated depreciation	9,694,798	8,572,547
Total assets	\$ 15,750,153	14,317,414
Liabilities		
Current liabilities	6,310,491	6,131,577
Noncurrent liabilities	11,368,334	9,456,050
Total liabilities	17,678,825	15,587,627
Net assets		
Invested in capital assets, net of related debt	(1,273,543)	(561,251)
Restricted		
Expendable capital	936,767	938,967
Expendable debt service	1,666,978	1,469,283
Unrestricted	(3,258,874)	(3,117,212)
Total net assets	(1,928,672)	(1,270,213)
Total liabilities and net assets	\$ 15,750,153	\$ 14,317,414

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 18: Segment Information (Continued)

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

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 18: Segment Information (Continued)

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, 2004 and June 30, 2003, of the University's Wellness Center segment are as follows:

Condensed Balance Sheet

	2004	2003
Assets		
Current assets	\$ 593,634	\$ 276,524
Noncurrent assets	4,172,992	9,608,372
Capital assets, net of accumulated depreciation	7,188,513	836,949
Total assets	11,955,139	10,721,845
Liabilities		
Current liabilities	626,437	200,681
Noncurrent liabilities	10,000,000	10,000,000
Total liabilities	10,626,437	10,200,681
Net assets		
Restricted		
Expendable capital	1,221,599	558,565
Expendable debt service	(37,210)	(37,401)
Expendable maintenance reserve	144,313	—
Total net assets	1,328,702	521,164
Total liabilities and net assets	\$ 11,955,139	\$ 10,721,845

Murray State University
Notes to Financial Statements
June 30, 2004 and 2003

Note 18: Segment Information (Continued)

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

	2004	2003
Nonoperating revenues		
Restricted student fees	\$ 637,850	\$ 562,684
Investment income	38,725	186,716
Transfer of reserve payment - current fund	143,735	—
Cost of issuance amortization	(12,003)	—
Interest on capital asset-related debt	(769)	(228,236)
Nonoperating revenues	807,538	521,164
Change in net assets	807,538	521,164
Net assets, beginning of year	521,164	—
Net assets, end of year	\$ 1,328,702	\$ 521,164

Condensed Statement of Cash Flows

	2004	2003
Cash flows from		
Capital and related financing activities	\$ (5,289,014)	\$ 9,338,481
Investing activities	285,357	70,071
Net increase (decrease) in cash	(5,003,657)	9,408,552
Cash, beginning of year	9,408,552	—
Cash, end of year	\$ 4,404,895	\$ 9,408,552