

BALANCE SHEET

ASSETS

LIABILITIES AND FUND BALANCE

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MURRAY STATE UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2001

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
REVENUES AND OTHER ADDITIONS:								
Current funds revenues	\$ 101,330,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and contracts	-	19,151,830	-	-	-	-	-	-
Private gifts	-	-	-	3,716,036	479,000	-	15,561	-
Endowment income	-	480,726	-	233,347	-	-	-	-
Expenditures for plant facilities (including \$5,024,726 charged to current fund expenditures)	-	-	-	-	-	-	-	22,021,332
Donated plant facilities	-	-	-	-	-	-	-	746,817
Additions to plant from completed projects	-	-	-	-	-	-	-	6,303,667
Retirement of indebtedness	-	-	-	-	-	-	-	2,586,092
Interest income - restricted	-	-	115,852	-	162,314	110,273	235,603	-
Increase in fair value of investments	-	-	-	346,315	-	4,326	3,533	-
Federal contributions	-	-	24,446	-	-	-	-	-
State grants and appropriations	-	-	-	2,935,751	19,539,186	-	-	-
Reduction in lease obligations	-	-	-	-	-	-	-	111,375
Adjustment for allowance for bad debts	-	-	3,318	-	-	-	-	-
Bond proceeds	-	-	-	-	1,610,000	-	-	-
Note payable proceeds	-	-	-	-	800,000	-	-	-
Other additions	-	-	99,349	-	10,808	-	-	-
Total revenues and other additions	\$ 101,330,203	\$ 19,632,556	\$ 242,965	\$ 7,231,449	\$ 22,601,308	\$ 114,599	\$ 254,697	\$ 31,769,283
EXPENDITURES AND OTHER DEDUCTIONS:								
Educational and general expenditures	\$ 81,884,754	\$ 18,512,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprises expenditures	14,267,926	-	-	-	-	-	-	-
Refunded to grantors	-	42,181	-	-	-	-	-	-
Loan cancellations and write-offs	-	-	112,454	-	-	-	-	-
Administration and collection costs	-	-	58,700	-	-	-	-	-
Expended for plant facilities (including non- capitalized expenditures of \$2,415,239)	-	-	-	-	18,449,690	-	-	-
Retirement of indebtedness	-	-	-	-	-	-	2,586,092	-
Interest on indebtedness	-	-	-	-	(5,213)	-	1,161,214	-
Increase in lease obligations	-	-	-	-	-	-	-	117,278
Deletions and disposals	-	-	-	-	-	-	-	2,014,197
Completed capital projects	-	-	-	-	-	-	-	8,537,822
New bond/note indebtedness	-	-	-	-	1,610,000	-	-	919,596
Bond discount amortization	-	-	-	-	-	-	-	36,752

See notes to financial statements.

MURRAY STATE UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2001

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
EXPENDITURES AND OTHER DEDUCTIONS (cont'd):								
Other deductions	-	6,494	4,520	99,612	-	2,289	291,408	-
Total expenditures and other deductions	\$ 96,152,680	\$ 18,560,864	\$ 175,674	\$ 99,612	\$ 20,054,477	\$ 2,289	\$ 4,038,714	\$ 11,625,645
TRANSFERS AMONG FUNDS:								
Mandatory:								
Bond principal and interest	\$ (2,177,703)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,177,703	\$ -
Loan match	(5,159)	-	5,159	-	-	-	-	-
Total mandatory transfers	\$ (2,182,862)	\$ -	\$ 5,159	\$ -	\$ -	\$ -	\$ 2,177,703	\$ -
Non-mandatory:								
Transfer from unrestricted fund to renewal and replacement fund	\$ (1,040,100)	\$ -	\$ -	\$ -	\$ -	\$ 1,040,100	\$ -	\$ -
Transfer from unrestricted fund to unexpended plant fund	(766,704)	-	-	-	766,704	-	-	-
Transfer from renewal and replacement fund to restricted fund	-	790,287	-	-	-	(790,287)	-	-
Transfer from restricted fund to endowment fund	-	(296,123)	-	296,123	-	-	-	-
Transfer to unexpended plant fund from renewal and replacement fund	-	-	-	-	942,383	(942,383)	-	-
Transfer from unexpended plant fund to retirement of indebtedness fund	-	-	-	-	(61,411)	-	61,411	-
Transfer from renewal and replacement fund to retirement of indebtedness fund	-	-	-	-	-	(96,750)	96,750	-
Transfer from unrestricted fund to retirement of indebtedness fund	(443,056)	-	-	-	-	-	-	-

MURRAY STATE UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
For the Year Ended June 30, 2001
With Comparative Figures for the Year Ended June 30, 2000

	Unrestricted	2001 Restricted	Total	2000
REVENUES:				
Educational and general:				
Tuition and fees	\$ 30,351,183	\$ -	\$ 30,351,183	\$ 27,756,595
State appropriations	46,861,700	-	46,861,700	45,024,100
Grants and contracts	-	19,110,501	19,110,501	17,075,744
Endowment income	-	480,726	480,726	557,823
Indirect and administrative cost recoveries	475,628	-	475,628	334,505
Sales and services of educational activities	2,884,394	-	2,884,394	2,805,170
Other sources	5,033,812	-	5,033,812	3,822,606
Total educational and general	\$ 85,606,717	\$ 19,591,227	\$ 105,197,944	\$ 97,376,543
Auxiliary enterprises	\$ 15,723,486	\$ 41,329	\$ 15,764,815	\$ 14,224,595
Total revenues	\$ 101,330,203	\$ 19,632,556	\$ 120,962,759	\$ 111,601,138

MURRAY STATE UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
For the Year Ended June 30, 2001
With Comparative Figures for the Year Ended June 30, 2000

	2001			2000
	Unrestricted	Restricted	Total	
EXPENDITURES AND MANDATORY TRANSFERS (cont'd):				
Auxiliary enterprises:				
Expenditures	\$ 14,267,926	\$ 41,329	\$ 14,309,255	\$ 12,725,655
Mandatory transfers for bond principal and interest	1,013,703	-	1,013,703	943,827
Total auxiliary enterprises	\$ 15,281,629	\$ 41,329	\$ 15,322,958	\$ 13,669,482
Total expenditures and mandatory transfers	\$ 98,335,542	\$ 18,512,189	\$ 116,847,731	\$ 108,228,874
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):				
Refunded to grantors	\$ -	\$ (42,181)	\$ (42,181)	\$ (95,270)
Non-mandatory transfers and other changes:				
Transfer to renewal and replacement fund	(1,040,100)	-	(1,040,100)	(141,360)
Transfer from renewal and replacement fund	-	790,287	790,287	-
Transfer to unexpended plant funds	(766,704)	-	(766,704)	(475,031)
Transfer to endowment fund from restricted fund	-	(296,123)	(296,123)	(378,617)
Transfer to retirement of indebtedness fund	(443,056)	-	(443,056)	(354,064)
Other additions (deductions)	-	(6,494)	(6,494)	-

MURRAY STATE UNIVERSITY

Year Ended June 30, 2001

Note 1.

Murray State University (the University) is a state supported institution of higher education located in Murray, Kentucky and is accredited by the Southern Association of Colleges and Schools. The University awards graduate and undergraduate degrees and serves a student population in excess of 9,100. The University is a component unit of the Commonwealth of Kentucky.

The financial statements of the University have been prepared in accordance with the AICPA Industry Audit Guide "Audits of Colleges and Universities". The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization, interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

To ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various activities are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined and reported as five balanced fund groups: current funds, loan funds, endowment funds, plant funds, and agency funds. Accordingly, all financial transactions have been recorded and reported by fund group. Within each group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the University's Board of Regents. Externally restricted funds may be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the University retains control to use in achieving its institutional purposes.

Current funds are used primarily to account for the transactions affecting the general operation of the University. These resources are expendable for performing the primary and support objectives of the University. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds received from non-exchange transactions are reported as revenues and expenditures in the period received provided all recognition criteria are met. Restricted current funds received from exchange transactions are reported as revenues and expenditures when expended for current period operating purposes.

The loan funds group is used to account for loan programs available to students and financed primarily by the Federal government.

Endowment funds are those for which donors, the Commonwealth, or other external agencies have stipulated, under the terms of the instrument creating the fund, that the principal is not expendable. That is, it is to be maintained inviolate and in perpetuity, and is to be invested for the purpose of producing current and future income which may be expended or added to principal.

MURRAY STATE UNIVERSITY

Year Ended June 30, 2001

Note 1.

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Plant fund groups are used to account for the transactions relating to investment in University property. Plant fund subgroups include (1) unexpended plant, (2) renewals and replacements, (3) retirement of indebtedness, and (4) investment in plant. The unexpended plant subgroup consists of funds to be used for the acquisition and/or construction of physical properties for institutional purposes but unexpended at the reporting date. The renewals and replacements subgroup consists of funds to be expended for renewals and replacements of plant fund assets, including some renewals and replacements of a type not ordinarily capitalized in the investment in plant subgroup. The retirement of indebtedness subgroup consists of funds set aside for debt service reserves and charges, and for retirement of indebtedness on institutional properties. The investment in plant subgroup consists of funds expended for and thus invested in institutional properties and the bond indebtedness incurred to finance plant acquisitions and construction. Physical plant and equipment are stated at cost at the date of acquisition or at fair market value at the date of donation for gifts.

Agency funds are used to account for assets held by the University as custodian or fiscal agent for others and used for certain organized activities.

All gains and losses arising from the sale, collection or other disposition of investments and other noncash assets are accounted for in the funds which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment funds, which income is accounted for in the fund to which it is restricted.

The University's policy is to treat cash in local checking accounts and cash held by the Commonwealth for the University as cash and cash equivalents.

Equity securities with readily determinable fair values and debt securities are reported at fair value.

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

Assets held by the Murray State University Foundation (the "Foundation") represent resources neither in the possession nor the control of the University, but are held and administered by the Foundation. The Foundation is governed by an independent board. The University recognizes gifts and donations made to the Foundation for the exclusive use and benefit of the University as assets and revenues of the University. The University recognizes the assets held by the Foundation at the estimated fair value of the assets or the present value of the future cash flows when the University is notified of the existence of the gift or the endowment.

MURRAY STATE UNIVERSITY

Year Ended June 30, 2001

Note 1.

Revenues of summer school academic terms are reported in the fiscal year in which the programs are predominantly conducted. Therefore, deferred tuition revenue is recorded for terms which have not begun at fiscal year end. Revenues of exchange or exchange-like transactions (for example, grants and private contracts) are reported in the fiscal year in which the terms of the grant or contract award is met. Therefore, deferred revenue is recorded pending completion of the award terms.

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.

In November 1999, the GASB issued Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities." This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" as amended by GASB No. 37, "Basic Financial Statements and Managements' Discussion and Analysis – for State and Local Governments: Omnibus" and GASB No 38, "Certain Financial Statement Note Disclosures". GASB No. 35 has the effect of changing the financial reporting requirements for basic financial statements for public colleges and universities under accounting principles generally accepted in the United States of America. This statement is effective for financial statements for fiscal years beginning after June 15, 2001. It is expected that the adoption of Statement No. 35 will have a material effect on the University's financial statements. Among other things, net assets (currently referred to as fund balances) will be reduced due to the requirement of this Statement to recognize depreciation on all capital assets. Additionally, the content and presentation of the basic financial statements will be significantly revised under this Statement, including the addition of management's discussion and analysis as required supplementary information.

Certain reclassifications have been made to the 2000 amounts to conform to the 2001 presentation.

Note 2.

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

MURRAY STATE UNIVERSITY

Year Ended June 30, 2001

Note 2.

Below is a summary of investments:

	June 30, 2001		June 30, 2000	
	Cost	Fair Value	Cost	Fair Value
U. S. government securities	\$ 4,496,940	\$ 4,498,624	\$ 4,515,336	\$ 4,506,014
Certificates of deposit	-	-	802,362	802,362
Total	\$ 4,496,940	\$ 4,498,624	\$ 5,317,698	\$ 5,308,376

MURRAY STATE UNIVERSITY

Year Ended June 30, 2001

Note 5.

Assets held by the Murray State University Foundation are invested primarily in an investment pool

MURRAY STATE UNIVERSITY

Year Ended June 30, 23 TyNTS

MURRAY STATE UNIVERSITY

Year Ended June 30, 2001

Note 8.

Murray State University Foundation notes issued for various departmental capital expenditures, with maturities to April 2008, interest rates 7.00% to 8.50%.	182,787
Bank master lease agreement to finance computer equipment, matures July 2001, interest rate 4.93%	3,260
Bank master lease agreement to finance vehicles, Matures August 2002, interest rate 4.93%	10,154
Bank master lease agreement to finance residential college networking project, matures August 2007, interest rates of 5.20% to 5.59%	741,942
Total	\$ 1,840,160

A schedule of the mandatory principal and interest payments for the next five fiscal years and thereafter is presented below:

	Year Ending		
	June 30	Principal	Interest
	2002	\$ 533,784	\$ 87,179
	2003	451,302	59,589
	2004	354,652	37,944
	2005	146,800	26,123
	2006	155,011	16,375
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MURRAY STATE UNIVERSITY

Year Ended June 30, 2001

Note 9.

A schedule of the mandatory principal payments for the next five fiscal years and thereafter is presented below:

Year Ending June 30	Consolidated Educational Building Revenue Bonds		Consolidated Housing and Dining System Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$ 1,365,000	\$ 609,960	\$ 840,000	\$ 437,425	\$ 2,205,000	\$ 1,047,385
2003	1,430,000	538,374	855,000	414,842	2,285,000	953,216
2004	1,510,000	461,106	600,000	383,655	2,110,000	844,761
2005	1,600,000	377,525	602,000	361,072	2,202,000	738,597
2006	1,690,000	288,321	520,000	339,294	2,210,000	627,615
Thereafter	3,525,000	508,245	7,600,000	2,458,576	11,125,000	2,966,821
Total	\$ 11,120,000	\$ 2,783,531	\$ 11,017,000	\$ 4,394,864	\$ 22,137,000	\$ 7,178,395

The required minimum reserves of \$2,003,615 and \$1,272,192 for the Consolidated Educational Sinking Fund and the Housing and Dining Sinking Fund, respectively, are on deposit with the trustee and are included in the "Cash" and "Investments" amounts in Plant Funds in the accompanying balance sheet.

Note 10.

The University leases certain equipment and facilities, under capital lease agreements. Remaining minimum annual lease payments pursuant to these leases are as follows:

Year Ending June 30	
2002	\$ 277,379
2003	261,637
2004	258,249
2005	231,931
2006	178,974
Thereafter	1,972,464
	<u>3,180,634</u>
Less amount representing interest	(989,735)
Present value of capital lease obligations	<u>\$ 2,190,899</u>

MURRAY STATE UNIVERSITY

Year Ended June 30, 2001

Note 11.

The University has been named as 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.

On September 18, 1998, a fire damaged one of the University's student housing units and one student resident wadunits and one student llyal effec445t is the posit445t d one