

Murray State University

A Component Unit of the State of Kentucky

Accountants' Report and Financial Statements

June 30, 2006 and 2005



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Independent Accountants' Report on Financial Statements and Supplementary Information

Interim President Dr. Thomas I. Miller
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, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions 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. The financial statements of Murray State University Foundation, Inc. and Murray State University Athletic Foundation, Inc., discretely presented component units, were not audited in accordance with *Government Auditing Standards*. 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 as of June 30, 2006 and 2005, and the 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.

Interim President Dr. Thomas I. Miller
and Board of Regents
Murray State University
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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 8, 2006

Murray State University

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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, 2006. 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 10,275 students. The University has not only continued to post record enrollment figures, it has increased its graduation rate to an impressive 57.3 percent.

The tuition and fees for the 2005-06 academic year increased by \$222 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 for its academic quality and affordability. For 16 consecutive years *U.S. News & World Report* has ranked the University as one of the best public schools in America. In the 2007 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 2007. 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 fourth 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.

Murray State University has been consistently recognized in the past for its high quality, affordable education and its unique setting. In addition to *U.S. News*, the University has been highly ranked by the *Princeton Review*, *Money Guide*, *Kiplinger's Personal Finance*, *Southern Living*, the *MIT Student Review*, and a Carnegie Mellon study. Murray State has also been featured in the *New York Times*, the *Chronicle of Higher Education*, and the *London Times*.

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

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Management's Discussion and Analysis

Financial Highlights

- The University's financial position remained strong as of the end of the year, with assets of \$221.9 million and liabilities of \$63.8 million. Net assets, which represent the University's residual interest in assets after liabilities are deducted, were \$158 million or 71% of total assets. Net assets increased by \$10.1 million from 2005 to 2006.
- Fiscal operations were in accordance with the annual operating budget of approximately \$119 million. The University continued to be a strong employer for the region and employed approximately 4,020 individuals, including 545 faculty and 1,130 staff members and 2,345 students. These amounts include 1,324 regular and full time faculty and staff.
- State appropriations for operational use from the Commonwealth of Kentucky increased by \$5.6 million.
- The Athletic Department's fundraising and sponsorship activities were transferred to the University from the Murray State University Athletic Foundation, Inc., effective July 1, 2005. This change significantly improved the institutional control of the Athletic Department.
- Phase III of a multi-phase science complex was funded with \$15 million from the Commonwealth of Kentucky 2006-2008 biennium budget.

Construction of the Phase II facility of the science complex was started in the Summer 2006 and is planned to house the chemistry program. The second phase was funded with \$15 million from the Commonwealth of Kentucky 2004-06 biennium budget and is scheduled for substantial completion in the Winter of 2007. Additional funds from Phase III will be needed for final completion of the Chemistry Phase II facility.

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.

- The Western Regional Center for Emerging Technologies (business incubator), located on the north edge of the main campus, opened for operations in the Fall of 2005. Additional construction is needed to finish interior office and business space. 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 continues the 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.

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- In Summer 2006, the University completed 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 cost savings. This campus wide project was funded from \$6.7 million of debt service issued. Chevron/Texaco guarantees costs savings will be realized over a number of years to cover the repayment of this debt.
- For the second year in a row, the University experienced lower health claims than were expected. Plan design, wellness initiatives, and employee awareness were significant factors in the cost of claims.
- In Spring 2006, the University began construction of a new residential college facility to replace the existing Clark Residential College. The University issued \$15.8 million in Series Q Housing and Dining debt to fund the construction of the facility. This residential college is expected to house approximately 304 students and is scheduled for completion in Summer 2007.
- The University began an upgrade to the telephone switching system to Voice over Internet Protocol (VOIP). This project began in Summer 2006 and is scheduled to take three years to fully complete. This upgrade is planned to produce significant savings in telephone costs and dramatically increases the number of telephone lines that will be available on campus.

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.

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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 2006 and 2005 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 2006 were \$221.9 million, of which capital assets, net of depreciation, represented the largest portion. This group of assets totaled approximately \$121.6 million or 55% of total assets and was primarily comprised of university-owned land, buildings, equipment, and library holdings. Cash and cash equivalents amounted to \$59.4 million or 27% of total assets. Total assets increased by \$22.3 million during 2006, which was largely due to proceeds from the sale of Housing and Dining Series Q bonds. Total assets increased by \$5.5 million during 2005, which was primarily due to capitalization of major construction projects.

Liabilities

Total liabilities at the end of the fiscal year 2006 were \$63.8 million. Long term debt obligations increased by \$11.7 million, due to the issuance of Series Q Housing and Dining bonds for the construction of a new residential college facility.

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.

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Condensed Balance Sheets

	June 30, 2006	June 30, 2005	June 30, 2004
Assets			
Current assets	\$48,479,918	\$40,690,369	\$33,665,438
Noncurrent assets	51,776,781	39,621,293	42,892,454
Capital assets	<u>121,625,301</u>	<u>119,254,615</u>	<u>117,518,493</u>
Total assets	<u>\$221,882,000</u>	<u>\$199,566,277</u>	<u>\$194,076,385</u>
Liabilities			
Current liabilities	\$18,886,714	\$18,355,649	\$20,571,802
Noncurrent liabilities	<u>44,909,212</u>	<u>33,233,974</u>	<u>29,832,417</u>
Total liabilities	<u>\$63,795,926</u>	<u>\$51,589,623</u>	<u>\$50,404,219</u>
Net assets			
Invested in capital assets, net of related debt	\$92,579,768	\$89,933,928	\$85,638,535
Restricted for			
Nonexpendable	14,854,340	14,781,227	14,684,636
Expendable			
Scholarships, research, instruction and other	5,448,627	4,578,913	3,729,092
Loans	4,904,484	4,919,668	4,977,530
Capital	2,383,819	3,174,364	9,135,468
Debt service	6,338,671	4,144,190	4,021,365
Unrestricted	<u>31,576,365</u>	<u>26,444,364</u>	<u>21,485,540</u>
Total net assets	<u>158,086,074</u>	<u>147,976,654</u>	<u>143,672,166</u>
Total liabilities and net assets	<u>\$221,882,000</u>	<u>\$199,566,277</u>	<u>\$194,076,385</u>

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.

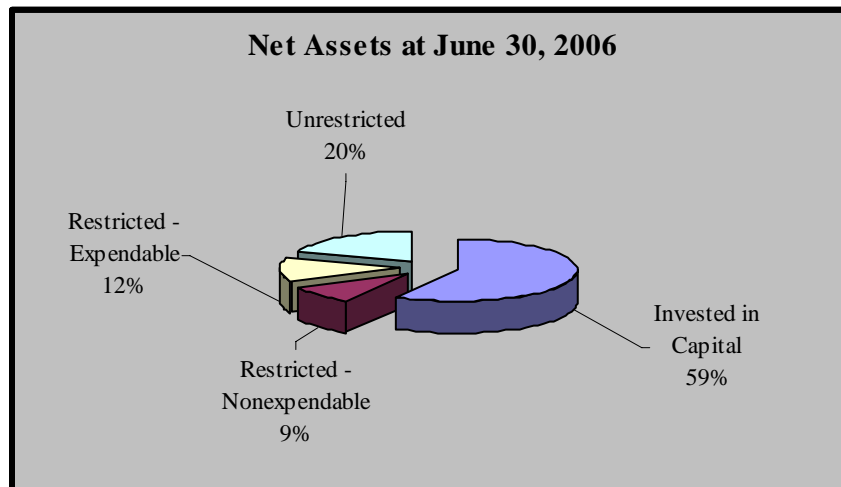
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- Restricted nonexpendable net assets - Restricted nonexpendable net assets consist solely of permanent endowments owned by the University. The corpus, as specified by the donor, is invested in perpetuity and may not be expended.
 - Restricted expendable 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-

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

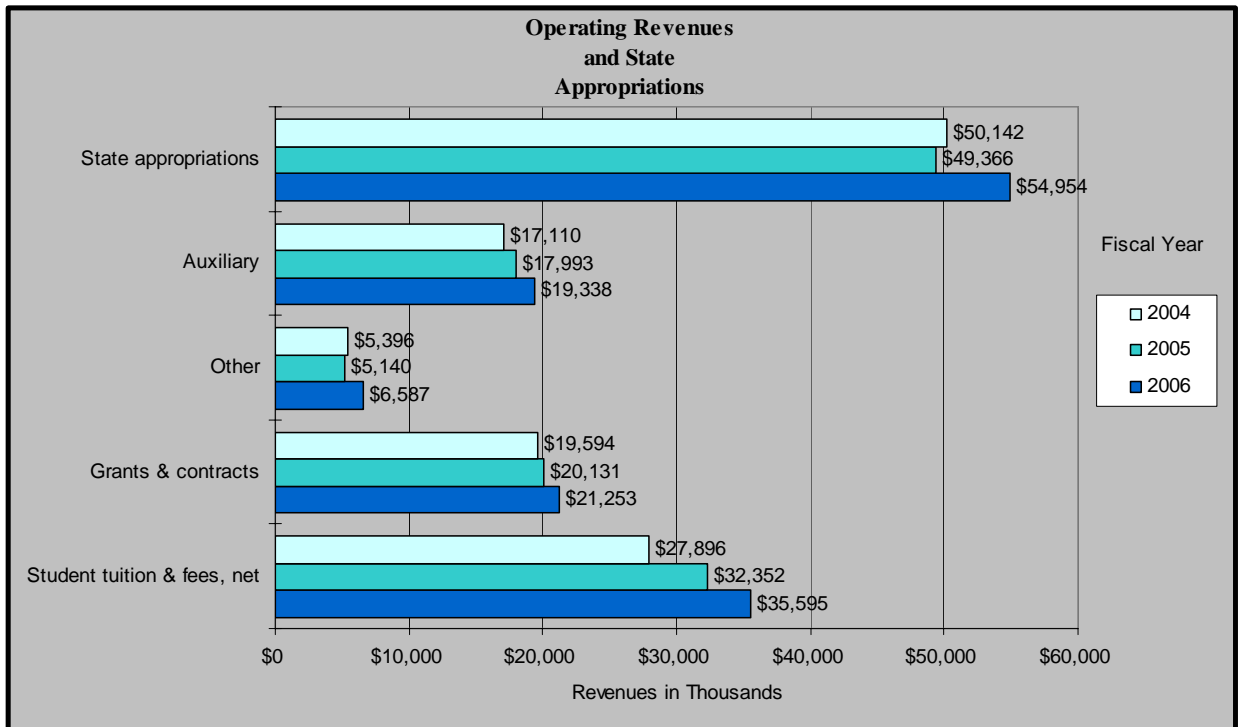
Revenues

Total operating revenues, which exclude state appropriations, for the 2006 fiscal year were \$82.8 million, including student tuition and fees, net of related discounts and allowances, of \$35.6 million, operating grants and contracts revenues of \$21.3 million, and auxiliary services net revenue of \$19.3 million.

Operating revenues increased during the year by \$7.2 million. This increase is comprised of \$3.2 million from net student tuition, fees, room, and board, \$1.1 million from federal and state grants and contracts, and \$1.3 auxiliary revenues.

For 2006, the University received a net of \$54.9 million of state appropriations. 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:

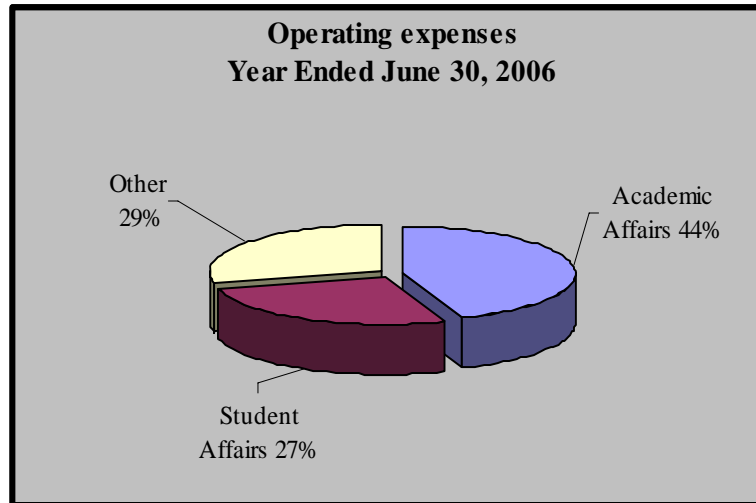


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Expenses

Total operating expenses for the 2006 fiscal year were \$138 million. Academic affairs, which includes instruction, research, libraries, and academic support, represents a significant portion of the operating expenses, totaling \$61.3 million or 44%. Student affairs, which includes student services, financial aid, and auxiliary services, were \$36.6 million or 27% and other expenses which includes public service, institutional support, depreciation, and operation and maintenance amounted to \$40 million or 29%. 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, 2006, by \$6.3 million. The primary reasons for increased operating expenses continue to be for salaries, utilities, and other fixed costs.



The net loss from operations for the year ended June 30, 2006, was \$55.2 million. Nonoperating revenues, net of expenses, amounted to \$61.6 million and non-debt related capital funding amounted to \$3.7 million, resulting in an increase in net assets of \$10.1 million for the year ended June 30, 2006.

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.

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Condensed Statements of Revenues, Expenses and Changes in Net Assets

	2006	2005	2004
Operating revenues			
Student tuition and fees, net	\$ 35,595,332	\$ 32,351,507	\$ 27,896,362
Grants and contracts	21,253,304	20,130,510	19,593,986
Other	6,587,050	5,140,180	5,395,820
Auxiliary, net	19,338,130	17,993,122	17,109,547
Total operating revenues	<u>82,773,816</u>	<u>75,615,319</u>	<u>69,995,715</u>
Operating expenses			
Instruction	50,564,149	47,040,216	46,574,969
Other educational and general	63,769,387	62,023,778	56,662,972
Depreciation	6,621,914	6,527,977	5,840,909
Auxiliary enterprises	16,570,655	15,267,241	14,592,820
Auxiliary depreciation	455,042	831,987	779,527
Total operating expenses	<u>137,981,147</u>	<u>131,691,199</u>	<u>124,451,197</u>
Operating loss	<u>(55,207,331)</u>	<u>(56,075,880)</u>	<u>(54,455,482)</u>
Nonoperating revenues (expenses)			
State appropriations	54,954,200	49,366,100	50,141,800
Other nonoperating revenues (expenses)	10,362,551	11,014,268	19,151,101
Total nonoperating revenues (expenses)	<u>65,316,751</u>	<u>60,380,368</u>	<u>69,292,901</u>
Increase in net assets	<u>10,109,420</u>	<u>4,304,488</u>	<u>14,837,419</u>
Net assets, beginning of year	<u>147,976,654</u>	<u>143,672,166</u>	<u>128,834,747</u>
Net assets, end of year	<u>\$ 158,086,074</u>	<u>\$ 147,976,654</u>	<u>\$ 143,672,166</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.

For the year ended June 30, 2006:

The net cash used in operating activities reflects the net cash used for general operations of the University, which changed by \$.6 million during 2006.

The cash flows from noncapital financing activities, changed by \$4 million during 2006. This change was due to an increase in state appropriations.

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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 \$9.4 million during 2006. A large portion of this change is due to the sale of Series Q Housing and Dining bonds to finance the construction of the new Clark residential college.

The cash flows provided by (used in) investing activities represent the cash activities of investments, which changed by \$4.5 million for 2006. A portion of this change is related to the purchase of investments for the Housing and Dining sinking and reserve funds and improved realized gains on investments.

For the year ended June 30, 2005:

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.

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 for 2005. This change is related to the purchase of investments for the energy performance project debt escrow fund.

Condensed Statements of Cash Flows

	2006	2005	2004
Cash provided/(used by):			
Operating activities	\$ (47,902,135)	\$ (48,520,987)	\$ (47,628,530)
Noncapital financing activities	58,455,183	54,474,090	54,974,561
Capital and related financing activities	3,583,628	(5,788,732)	(13,041,031)
Investing activities	3,142,266	(1,368,063)	1,508,087
Net (decrease) increase in cash	<u>17,278,942</u>	<u>(1,203,692)</u>	<u>(4,186,913)</u>
Cash and cash equivalents, beginning of year	<u>42,137,694</u>	<u>43,341,386</u>	<u>47,528,299</u>
Cash and cash equivalents, end of year	<u>\$ 59,416,636</u>	<u>\$ 42,137,694</u>	<u>\$ 43,341,386</u>

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Management's Discussion and Analysis

Capital Assets and Debt Administration

The University had a \$2.4 million increase in capital assets during the fiscal year ended June 30, 2006. This change is primarily due an increase of \$1.6 million in equipment and library holding acquisitions. The Western Regional Center for Emerging Technologies building which totaled \$3.4 million was transferred from construction in progress to the buildings assets during the year. Capital assets as of the year ended June 30, 2006, and changes during the year are as follows:

	Balance June 30, 2006	Net Change 2005-06
Land	\$ 7,641,580	\$ 849,699
Construction in progress	4,100,601	1,045,012
Museum and collectibles	515,293	18,100
Buildings	187,588,251	5,047,573
Non-building improvements	9,623,707	-
Equipment	20,465,066	599,778
Library holdings	26,953,423	995,658
Livestock	177,750	55,000
Accumulated Depreciation	(135,440,370)	(6,240,135)
Total	\$ 121,625,301	\$ 2,370,685

The University issued new debt of \$15.9 million which included \$15.8 million for the construction of a new residential college. The University also paid off \$3.9 million of long term debt.

Debt as of June 30, 2006, is summarized below:

	Balance June 30, 2006
Housing and Dining System Revenue Bonds	\$ 25,705,000
Consolidated Educational Buildings Revenue Bonds	3,535,000
Bond discount	(481,583)
City of Murray – Susan E. Bauernfeind Student Recreation and Wellness Center	9,910,000
Other (Note 11 of Notes to Financial Statements)	10,052,956
Total	\$ 48,721,373

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Management's Discussion and Analysis

Infrastructure Assets

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

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.
- 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. For the 2006-07 academic year, the Commonwealth of Kentucky's Council on Postsecondary Education rescinded this delegation and began to approve the tuition rate parameters for all public universities within the Commonwealth.
- The University received \$13,077,000 authorization in the Commonwealth of Kentucky 2006-2008 biennium budget to issue Housing and Dining bonds to construct a new residential college facility to replace the existing Richmond Residential College.
- In partnership with the Tennessee Valley Authority and Murray Electric System, the University plans to begin a new energy project. This project will entail the construction of a building to house diesel or natural gas generators on the main campus. These generators will allow the University to obtain better electrical utility rates per unit.
- In the Fall 2006, the University will begin the selection phase for a new Enterprise Resource Planning (ERP) system. This system is needed to replace aging core mainframe applications, such as those for Admissions and Records, Student Financial Aid, and financial areas. A software partner for a new system is expected to be selected in the Winter of 2007. The installation of a new campus wide ERP system will enhance the technology available to future and current students and enhance the data capabilities of all administrative systems. The project will be funded over a period of years from existing funds from within the University's operating budget.

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Management's Discussion and Analysis

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
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Balance Sheets
June 30, 2006 and 2005

ASSETS

	2006	2005
Current Assets		
Cash and cash equivalents	\$ 37,978,869	\$ 31,733,726
Accounts receivable, net	6,849,515	5,212,078
Inventories	2,013,668	1,982,920
Prepaid expenses	706,956	876,607
Loans receivable, net	903,681	869,983
Interest receivable	27,229	15,055
Total current assets	48,479,918	40,690,369
Noncurrent Assets		
Restricted cash and cash equivalents	21,437,767	10,403,968
Restricted investments	26,146,638	25,051,377
Accounts receivable, net	—	91,700
Loans receivable, net	3,588,002	3,641,037
Capital assets	257,065,671	248,454,850
Accumulated depreciation	(135,440,370)	(129,200,235)
Debt issuance costs, net	604,374	433,211
Total noncurrent assets	173,402,082	158,875,908
Total assets	\$ 221,882,000	\$ 199,566,277

Murray State University
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Balance Sheets
June 30, 2006 and 2005

LIABILITIES AND NET ASSETS

	<u>2006</u>	<u>2005</u>
Current Liabilities		
Accounts payable	\$ 6,201,515	\$ 6,048,999
Self-insured health liability	1,160,513	1,079,117
Accrued payroll	3,849,365	3,437,563
Interest payable	368,270	237,831
Deposits	246,111	167,798
Deferred revenue	3,099,017	3,622,937
Current maturities of long-term liabilities	<u>3,961,923</u>	<u>3,761,404</u>
Total current liabilities	<u>18,886,714</u>	<u>18,355,649</u>
Noncurrent Liabilities		
Deposits	149,762	205,805
Revenue bonds, notes payable, and capital leases	<u>44,759,450</u>	<u>33,028,169</u>
Total noncurrent liabilities	<u>44,909,212</u>	<u>33,233,974</u>
Total liabilities	<u>63,795,926</u>	<u>51,589,623</u>
Net Assets		
Invested in capital assets, net of related debt	92,579,768	89,933,928
Restricted for		
Nonexpendable – permanent endowments	14,854,340	14,781,227
Expendable		
Scholarships, research, instruction and other	5,448,627	4,578,913
Loans	4,904,484	4,919,668
Capital assets	2,383,819	3,174,364
Debt service	6,338,671	4,144,190
Unrestricted	<u>31,576,365</u>	<u>26,444,364</u>
Total net assets	<u>158,086,074</u>	<u>147,976,654</u>
Total liabilities and net assets	<u>\$ 221,882,000</u>	<u>\$ 199,566,277</u>

Murray State University Foundation, Inc.
 Statements of Financial Position
 June 30, 2006 and 2005

ASSETS

	2006	2005
Cash	\$ 9,748,194	\$ 115,694
Accounts receivable, net of allowance; 2006 – \$17,224, 2005 – \$16,740	58,001	70,327
Accounts receivable, L.D. Miller Trust	342,563	—
Investments	48,988,286	54,447,299
Prepaid and other current assets	45,074	33,832
Contributions receivable, net of allowance; 2006 – \$7,507, 2005 – \$33,148	140,141	625,594
Notes receivable, net of allowance; 2006 – \$0, 2005 – \$22,000	84,857	185,809
Property and equipment, net of accumulated depreciation; 2006 – \$1,336,597, 2005 – \$1,585,764	3,654,445	3,284,482
Total assets	\$ 63,061,561	\$ 58,763,037

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 637,110	\$ 159,133
Accrued expenses	36,012	32,939
Deferred revenue	37,679	38,613
Assets held for others	18,592,559	17,534,480
Annuities payable	538,354	221,762
Capital lease obligations	132,034	83,802
Total liabilities	19,973,748	18,070,729

Net Assets

Unrestricted	7,040,978	6,041,631
Temporarily restricted	13,056,224	12,210,710
Permanently restricted	22,990,611	22,439,967
Total net assets	43,087,813	40,692,308
Total liabilities and net assets	\$ 63,061,561	\$ 58,763,037

Murray State University Athletic Foundation, Inc.
 Statements of Financial Position
 June 30, 2006 and 2005

ASSETS

	2006	2005
Cash	\$ 89,237	\$ 180,285
Investments	122,877	108,968
Contributions receivable, net of allowance; 2006 – \$0, 2005 – \$1,800	—	34,302
Other receivables	2,600	34,297
Real estate held for sale	603,595	603,595
Equipment, net of accumulated depreciation; 2006 – \$9,578, 2005 – \$6,623	2,794	5,750
Total assets	\$ 821,103	\$ 967,197

LIABILITIES AND NET ASSETS (DEFICIT)

Liabilities

Accounts payable to Murray State University	\$ 422,163	\$ 435,897
Accounts payable and accrued expenses	34,829	32,927
Note payable	607,672	607,672
Total liabilities	1,064,664	1,076,496

Net Assets (Deficit)

Unrestricted	(243,561)	(192,072)
Temporarily restricted	—	82,773
Total net assets (deficit)	(243,561)	(109,299)
Total liabilities and net assets (deficit)	\$ 821,103	\$ 967,197

Murray State University
A Component Unit of the State of Kentucky
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2006 and 2005

	2006	2005
Revenues		
Operating revenues		
Student tuition and fees	\$ 59,539,363	\$ 52,096,603
Less discounts and allowances	<u>(23,944,031)</u>	<u>(19,745,096)</u>
Net tuition and fees	<u>35,595,332</u>	<u>32,351,507</u>
Federal grants and contracts	12,544,061	12,463,138
State grants and contracts	8,343,541	7,421,792
Local and private grants and contracts	<u>365,702</u>	<u>245,580</u>
Total grants and contracts	<u>21,253,304</u>	<u>20,130,510</u>
Sales and services of educational departments	4,234,826	3,429,670
Other operating revenues	<u>2,352,224</u>	<u>1,710,510</u>
Total sales, services, and other revenues	<u>6,587,050</u>	<u>5,140,180</u>
Auxiliary enterprises revenues (Revenues are pledged as security for the Housing and Dining Revenue System Bond Series A – Q)	20,292,760	18,742,513
Less discounts and allowances	<u>(954,630)</u>	<u>(749,391)</u>
Net auxiliary revenue	<u>19,338,130</u>	<u>17,993,122</u>
Total operating revenues	<u>82,773,816</u>	<u>75,615,319</u>
Expenses		
Operating expenses		
Instruction	50,564,149	47,040,216
Research	2,968,954	2,647,825
Public service	5,948,602	5,803,477
Libraries	1,596,098	1,621,110
Academic support	6,216,530	5,418,991
Student services	12,878,334	11,201,585
Institutional support	12,449,351	10,918,645
Operational and maintenance of plant	14,539,404	17,439,073
Student financial aid	7,172,114	6,973,072
Depreciation	6,621,914	6,527,977
Auxiliary enterprises	16,570,655	15,267,241
Auxiliary depreciation	<u>455,042</u>	<u>831,987</u>
Total operating expenses	<u>137,981,147</u>	<u>131,691,199</u>
Operating Loss	<u>(55,207,331)</u>	<u>(56,075,880)</u>

Murray State University
A Component Unit of the State of Kentucky
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Nonoperating Revenues (Expenses)		
State appropriations	\$ 54,954,200	\$ 50,999,000
Less: State appropriation reduction	—	(1,632,900)
Restricted student fees (Revenues are pledged as security for the City of Murray debt agreement)	660,629	646,417
Federal grants and contracts	1,056,839	1,747,094
State grants and contracts	1,718,265	2,805,482
Local and private grants and contracts	603,304	1,220,515
Gifts	991,666	578,337
Investment income	3,580,765	2,464,474
Interest on capital asset-related debt	(1,739,697)	(1,503,252)
Loss on deletion and disposal of capital assets	(170,435)	(156,020)
Bond amortization	<u>(73,680)</u>	<u>(51,311)</u>
Net nonoperating revenues (expenses)	<u>61,581,856</u>	<u>57,117,836</u>
Income before Other Revenues, Expenses, Gains or Losses	6,374,525	1,041,956
State capital appropriations	2,350,797	1,274,783
Capital grants	388,288	1,468,179
Capital gifts	995,810	397,807
Insurance proceeds on capital asset loss	<u>—</u>	<u>121,763</u>
Increase in Net Assets	10,109,420	4,304,488
Net Assets, Beginning of Year	<u>147,976,654</u>	<u>143,672,166</u>
Net Assets, End of Year	<u>\$ 158,086,074</u>	<u>\$ 147,976,654</u>

Murray State University Foundation, Inc.
 Statements of Activities
 Years Ended June 30, 2006 and 2005

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Contributions	\$ 1,024,561	\$ 826,300	\$ 453,803	\$ 2,304,664
Revenues from operations of golf course	553,400	—	—	553,400
Fees	132,216	—	—	132,216
Investment return	576,741	2,599,233	6,322	3,182,296
Other	183,536	2,203	90,519	276,258
Net assets released from restrictions	<u>2,582,222</u>	<u>(2,582,222)</u>	<u>—</u>	<u>—</u>
Total revenues, gains and other support	<u>5,052,676</u>	<u>845,514</u>	<u>550,644</u>	<u>6,448,834</u>
Expenses and Losses				
Payments made on behalf of Murray State University	2,582,222	—	—	2,582,222
Golf course	596,498	—	—	596,498
General and administrative	<u>874,609</u>	<u>—</u>	<u>—</u>	<u>874,609</u>
Total expenses and losses	<u>4,053,329</u>	<u>—</u>	<u>—</u>	<u>4,053,329</u>
Change in Net Assets	999,347	845,514	550,644	2,395,505
Net Assets, Beginning of Year	<u>6,041,631</u>	<u>12,210,710</u>	<u>22,439,967</u>	<u>40,692,308</u>
Net Assets, End of Year	<u>\$ 7,040,978</u>	<u>\$ 13,056,224</u>	<u>\$ 22,990,611</u>	<u>\$ 43,087,813</u>

Murray State University Foundation, Inc.
 Statements of Activities
 Years Ended June 30, 2006 and 2005

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
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
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>
Expenses and Losses				
Payments made on behalf of Murray State University	2,242,375	—	—	2,242,375
Golf course	555,052	—	—	555,052
General and administrative	<u>921,212</u>	<u>—</u>	<u>—</u>	<u>921,212</u>
Total expenses and losses	<u>3,718,639</u>	<u>—</u>	<u>—</u>	<u>3,718,639</u>
Change in Net Assets	232,375	3,235,285	1,380,443	4,848,103
Net Assets, Beginning of Year	<u>5,809,256</u>	<u>8,975,425</u>	<u>21,059,524</u>	<u>35,844,205</u>
Net Assets, End of Year	<u>\$ 6,041,631</u>	<u>\$ 12,210,710</u>	<u>\$ 22,439,967</u>	<u>\$ 40,692,308</u>

Murray State University Athletic Foundation, Inc.
 Statements of Activities
 Years Ended June 30, 2006 and 2005

	2006		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ —	\$ —	\$ —
Sponsorships and promotions	1,600	—	1,600
Fund raising events	—	—	—
Investment return	13,916	—	13,916
Gain on sale of real estate held for sale	—	—	—
Other	25,292	—	25,292
Net assets released from restrictions	82,773	(82,773)	—
Total revenues, gains and other support	<u>123,581</u>	<u>(82,773)</u>	<u>40,808</u>
Expenses			
Sponsorships and promotions	—	—	—
Contributions to Murray State University			
Athletic department	64,648	—	64,648
General operations	—	—	—
General and administrative	68,892	—	68,892
Fund raising events	29	—	29
Membership activities	—	—	—
Interest	41,501	—	41,501
Total expenses	<u>175,070</u>	<u>—</u>	<u>175,070</u>
Change in Net Assets (Deficit)	(51,489)	(82,773)	(134,262)
Net Assets (Deficit), Beginning of Year	<u>(192,072)</u>	<u>82,773</u>	<u>(109,299)</u>
Net Assets (Deficit), End of Year	<u>\$ (243,561)</u>	<u>\$ —</u>	<u>\$ (243,561)</u>

Murray State University Athletic Foundation, Inc.
 Statements of Activities
 Years Ended June 30, 2006 and 2005

	2005		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
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	516,650	(516,650)	—
Total revenues, gains and other support	<u>1,420,891</u>	<u>(29,144)</u>	<u>1,391,747</u>
Expenses			
Sponsorships and promotions	370,452	—	370,452
Contributions to Murray State University			
Athletic department	668,221	—	668,221
General operations	70,226	—	70,226
General and administrative	236,589	—	236,589
Fund raising events	61,644	—	61,644
Membership activities	10,661	—	10,661
Interest	69,291	—	69,291
Total expenses	<u>1,487,084</u>	<u>—</u>	<u>1,487,084</u>
Change in Net Assets (Deficit)	(66,193)	(29,144)	(95,337)
Net Assets (Deficit), Beginning of Year	<u>(125,879)</u>	<u>111,917</u>	<u>(13,962)</u>
Net Assets (Deficit), End of Year	<u>\$ (192,072)</u>	<u>\$ 82,773</u>	<u>\$ (109,299)</u>

Murray State University
A Component Unit of the State of Kentucky
Statements of Cash Flows
Years Ended June 30, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities		
Tuition and fees	\$ 35,916,699	\$ 32,726,025
Grants and contracts	21,545,444	19,220,602
Salaries, wages, and benefits	(78,720,876)	(72,347,127)
Payments to suppliers	(28,468,656)	(28,716,663)
Payments to students for financial aid	(7,172,114)	(6,973,072)
Computer loans issued to employees	(50,511)	(39,833)
Collection of computer loans to employees	47,750	43,444
Loans issued to students	(1,085,773)	(1,297,203)
Collection of loans to students	1,105,110	1,161,354
Sales and services	3,859,771	3,183,549
Other operating revenues	2,352,534	1,708,241
Auxiliary enterprises revenues		
Food service	6,669,217	5,877,915
Housing	7,023,589	6,785,347
Book store	5,388,443	4,971,841
Other	226,068	238,424
Auxiliary enterprises payments		
Salaries, wages, and benefits	(5,059,154)	(4,658,079)
Payment to suppliers	<u>(11,479,676)</u>	<u>(10,405,752)</u>
Net cash used in operating activities	<u>(47,902,135)</u>	<u>(48,520,987)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	54,954,200	49,366,100
Grants and contracts	3,378,408	5,773,091
Endowment transfers to MSU Foundation	(704,960)	(770,350)
Gifts for other than capital purposes	821,014	100,100
Agency transactions	<u>6,521</u>	<u>5,149</u>
Net cash provided by noncapital financing activities	<u>58,455,183</u>	<u>54,474,090</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt, net of discount and issuance costs	15,974,688	7,465,190
Payment receipt for loan issued for capital project	91,700	91,700
Restricted student fees pledged for debt service	660,629	646,417
Insurance proceeds	—	121,763
State capital appropriations	—	546,402
Purchases of capital assets	(8,840,067)	(11,195,885)
Capital gift	892,385	135,400
Capital grants	388,288	1,468,179
Principal paid on capital debt and leases	(3,971,496)	(3,561,130)
Interest paid on capital debt and leases	<u>(1,612,499)</u>	<u>(1,506,768)</u>
Net cash provided by (used in) capital and related financing activities	<u>3,583,628</u>	<u>(5,788,732)</u>

Murray State University
A Component Unit of the State of Kentucky
Statements of Cash Flows
Years Ended June 30, 2006 and 2005

	2006	2005
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	\$ 5,452,087	\$ 6,747,641
Purchase of investments	(5,523,051)	(9,928,475)
Interest receipts on investments	<u>3,213,230</u>	<u>1,812,771</u>
Net cash provided by (used in) investing activities	<u>3,142,266</u>	<u>(1,368,063)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,278,942	(1,203,692)
Cash and Cash Equivalents, Beginning of Year	<u>42,137,694</u>	<u>43,341,386</u>
Cash and Cash Equivalents, End of Year	<u>\$ 59,416,636</u>	<u>\$ 42,137,694</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash and cash equivalents	\$ 37,978,869	\$ 31,733,726
Restricted cash and cash equivalents	<u>21,437,767</u>	<u>10,403,968</u>
Total cash and cash equivalents	<u>\$ 59,416,636</u>	<u>\$ 42,137,694</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (55,207,331)	\$ (56,075,880)
Depreciation	7,076,956	7,359,964
Bad debt	211,071	169,248
Changes in assets and liabilities		
Accounts receivable, net	(244,872)	732,388
Inventories	(30,748)	38,326
Prepaid expenses	169,651	(191,775)
Accounts payable	152,516	(171,624)
Self-insured health liability	81,396	(73,646)
Accrued payroll	411,802	69,923
Deposits	1,344	(12,858)
Deferred revenue	<u>(523,920)</u>	<u>(365,053)</u>
Net cash used in operating activities	<u>\$ (47,902,135)</u>	<u>\$ (48,520,987)</u>
Supplemental Cash Flows Information		
Gifts of capital assets	\$ 103,425	\$ 262,407
Accounts payable incurred for capital assets	\$ 780,904	\$ 274,268

Murray State University
A Component Unit of the State of Kentucky
Notes to Financial Statements
June 30, 2006 and 2005

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 10,275. 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.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 39 (GASB No. 39), *Determining Whether Certain Organizations are Component Units*, certain organizations are to 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 results 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, 2006 and 2005

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, 2006 and 2005

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 \$3,241 and \$0 for the years ended June 30, 2006 and June 30, 2005, 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 years ended June 30, 2006 and 2005, was \$32,616 and \$23,757, respectively.

Murray State University
A Component Unit of the State of Kentucky
Notes to Financial Statements
June 30, 2006 and 2005

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, 2006 and 2005

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, 2006 and 2005

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 has issued three pronouncements relating to the governance of postemployment and termination benefits. 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. Statement No. 47, *Accounting for Termination Benefits* provides guidance for reporting all termination benefits, and becomes effective with the implementation of Statement No. 45. The impact of applying these new statements has not yet been determined.

Note 2: Accounts Receivable

Accounts receivable consisted of:

	2006	2005
Current accounts receivable:		
Student tuition and fees	\$ 2,060,063	\$ 1,798,983
Grants and contracts	2,087,436	2,579,957
Auxiliary fees	632,418	566,719
MSU and Racer Foundations	941,915	575,472
Employee computer loans	18,207	15,447
Outside sales	473,965	510,525
State agencies	8,394	6,700
Commonwealth of KY – science complex phase II	1,649,219	55,364
Capital construction receivable - vendors	117,184	91,831
Allowance for doubtful accounts	<u>(1,139,286)</u>	<u>(988,920)</u>
Total current accounts receivable	<u>6,849,515</u>	<u>5,212,078</u>
Noncurrent accounts receivable:		
Capital construction receivable	<u>—</u>	<u>91,700</u>
Total accounts receivable	<u>\$ 6,849,515</u>	<u>\$ 5,303,778</u>

Murray State University
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Notes to Financial Statements
June 30, 2006 and 2005

Note 3: Inventories

Inventories consisted of:

	<u>2006</u>	<u>2005</u>
Inventories		
University bookstore – resale	\$ 1,454,279	\$ 1,449,850
Physical plant – supplies	405,565	402,074
Food services – resale and supplies	148,798	117,677
Central stores – supplies	<u>5,026</u>	<u>13,319</u>
Total inventories	<u>\$ 2,013,668</u>	<u>\$ 1,982,920</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, 2006 and 2005. 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, 2006 and 2005, the allowance for uncollectible loans was \$200,947 and \$207,105, respectively.

Loans receivable consisted of:

	<u>2006</u>	<u>2005</u>
Current loans receivable:		
University loan programs	\$ 87,037	\$ 88,740
Federal nursing program	81,897	80,442
Federal Perkins program	<u>734,747</u>	<u>700,801</u>
Total current loans receivable, net	<u>903,681</u>	<u>869,983</u>
Noncurrent loans receivable:		
Federal nursing program	347,600	359,702
Federal Perkins program	<u>3,240,402</u>	<u>3,281,335</u>
Total noncurrent loans receivable, net	<u>3,588,002</u>	<u>3,641,037</u>
Total loans receivable, net	<u>\$ 4,491,683</u>	<u>\$ 4,511,020</u>

Murray State University
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Notes to Financial Statements
June 30, 2006 and 2005

Note 5: Deposits, Investments, and Investment Income

Deposits

At June 30, 2006 and June 30, 2005, the carrying amounts of the University's bank balances and deposits were \$59,416,636 and \$42,137,694, 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, 2006 and 2005 consisted of:

	<u>2006</u>	<u>2005</u>
Depository accounts:		
Local bank deposits, collateral held as a pledge in the University's name	\$ 8,404,495	\$ 6,629,654
Cash on hand	74,725	78,464
Foreign currency deposits	292,973	285,997
State Investment Pool – uninsured and uncollateralized	<u>50,644,443</u>	<u>35,143,579</u>
Total deposits	<u>\$ 59,416,636</u>	<u>\$ 42,137,694</u>

Murray State University
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Notes to Financial Statements
June 30, 2006 and 2005

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

Deposits as presented in the balance sheet captions include:

	<u>2006</u>	<u>2005</u>
Cash and cash equivalents, current	\$ 37,978,869	\$ 31,733,726
Restricted cash and cash equivalents	<u>21,437,767</u>	<u>10,403,968</u>
Total deposits	<u>\$ 59,416,636</u>	<u>\$ 42,137,694</u>

Investments

Investments consisted of:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Money market funds restricted for capital purposes	\$ 8,073,943	\$ 8,002,979
Restricted assets held by Murray State University Foundation	<u>18,072,695</u>	<u>17,048,398</u>
Total investments	<u>\$ 26,146,638</u>	<u>\$ 25,051,377</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
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Notes to Financial Statements
June 30, 2006 and 2005

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

The assets in the Murray State University Foundation, Inc. investment pool are invested as follows:

	<u>2006</u>	<u>2005</u>
Percentage of pool invested in:		
Mutual funds in equity securities	63%	61%
Mutual funds in fixed income securities	35%	34%
Other	<u>2%</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, 2006 and 2005, consisted of:

	<u>2006</u>	<u>2005</u>
Assets held by the University:		
Interest income	\$ 2,195,779	\$ 1,405,163
Assets held by MSU Foundation:		
Investment income	1,348,962	610,465
Net increase in fair value of investments	<u>36,024</u>	<u>448,846</u>
Total investment income	<u>\$ 3,580,765</u>	<u>\$ 2,464,474</u>

Murray State University
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June 30, 2006 and 2005

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, 2006:

<u>Funding Period</u>	<u>External Match Receipts</u>					
	<u>CPE Funding Available</u>	<u>CPE Funding Received</u>	<u>Held By University</u>	<u>Held By Foundation</u>	<u>Total</u>	<u>External Match Pledges</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, 2005:

<u>Funding Period</u>	<u>External Match Receipts</u>					
	<u>CPE Funding Available</u>	<u>CPE Funding Received</u>	<u>Held By University</u>	<u>Held By Foundation</u>	<u>Total</u>	<u>External Match Pledges</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 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.

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Note 7: Capital Assets

Capital asset activity for the year ended June 30, 2006, was:

	Balance June 30, 2005	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2006
Land	\$ 6,791,881	\$ —	\$ 849,699	\$ —	\$ 7,641,580
Construction in progress	3,055,589	7,360,570	(6,122,356)	(193,202)	4,100,601
Museum and collectibles	<u>497,193</u>	<u>18,100</u>	<u>—</u>	<u>—</u>	<u>515,293</u>
Total capital assets not being depreciated	<u>10,344,663</u>	<u>7,378,670</u>	<u>(5,272,657)</u>	<u>(193,202)</u>	<u>12,257,474</u>
Buildings	182,540,678	112,000	5,272,657	(337,084)	187,588,251
Non-building improvements	9,623,707	—	—	—	9,623,707
Equipment	19,865,288	1,210,040	—	(610,262)	20,465,066
Library holdings	25,957,764	1,055,569	—	(59,910)	26,953,423
Livestock	<u>122,750</u>	<u>55,000</u>	<u>—</u>	<u>—</u>	<u>177,750</u>
Total other capital assets	<u>238,110,187</u>	<u>2,432,609</u>	<u>5,272,657</u>	<u>(1,007,256)</u>	<u>244,808,197</u>
Total capital assets before depreciation	<u>248,454,850</u>	<u>9,811,279</u>	<u>—</u>	<u>(1,200,458)</u>	<u>257,065,671</u>
Less accumulated depreciation					
Buildings	90,605,490	4,380,139	—	(179,713)	94,805,916
Improvements other than buildings	4,617,040	371,917	—	—	4,988,957
Equipment	14,106,751	1,254,425	—	(600,195)	14,760,981
Library holdings	19,843,129	1,055,071	—	(56,913)	20,841,287
Livestock	<u>27,825</u>	<u>15,404</u>	<u>—</u>	<u>—</u>	<u>43,229</u>
Total accumulated depreciation	<u>129,200,235</u>	<u>\$ 7,076,956</u>	<u>\$ —</u>	<u>\$ (836,821)</u>	<u>135,440,370</u>
Capital assets, net	<u>\$ 119,254,615</u>				<u>\$ 121,625,301</u>

Murray State University
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Notes to Financial Statements
June 30, 2006 and 2005

Note 7: Capital Assets (Continued)

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	<u>497,193</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>497,193</u>
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	<u>94,250</u>	<u>28,500</u>	<u>—</u>	<u>—</u>	<u>122,750</u>
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)	49,843,129
Livestock	<u>17,004</u>	<u>10,821</u>	<u>—</u>	<u>—</u>	<u>27,825</u>
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
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Note 8: Accounts Payable

Accounts payable consisted of:

	2006	2005
Current accounts payable:		
Vendors	\$ 4,569,770	\$ 4,043,690
Payroll benefits and withholdings	1,623,349	1,992,549
Loans	8,396	12,760
Total accounts payable	\$ 6,201,515	\$ 6,048,999

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, 2006, 2005, and 2004 were \$3,783,348, \$3,687,406, and \$3,681,254, 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
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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, 2006, 2005, and 2004 were \$916,026, \$835,942, and \$820,956, respectively, and were equal to the required contributions.

University Health Self-Insurance Program

The University maintains a self-insurance program for employees' health insurance. For the fiscal year ended June 30, 2006, the University paid approximately 79% of total plan expenses 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, 2006 and 2005 totaled \$3,983,735 and \$3,678,402 respectively, excluding administrative and stop-loss fees. Stop-loss and administrative fees incurred for the years ended June 30, 2006 and 2005 were \$653,045 and \$716,324 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>2006</u>	<u>2005</u>
Liability, beginning of year	\$ 1,079,117	\$ 1,152,763
Accruals for current year claims and changes in estimate (includes employee and employer contributions)	5,900,595	5,374,011
Administrative and stop loss fees	(653,045)	(716,324)
Claims paid	<u>(5,166,154)</u>	<u>(4,731,333)</u>
Liability, end of year	<u>\$ 1,160,513</u>	<u>\$ 1,079,117</u>

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Note 10: Deferred Revenue

Deferred revenue consisted of:

	2006	2005
Current deferred revenue:		
Prepaid tuition and fees	\$ 2,166,040	\$ 1,589,722
International studies programs	425,331	553,226
Grants and contracts	503,819	717,938
Auxiliary enterprises	3,827	5,110
Capital state appropriations	—	756,941
Total current deferred revenue	\$ 3,099,017	\$ 3,622,937

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, 2006:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long Term Portion
Bonds payable	\$ 15,785,000	\$ 15,800,000	\$ (2,345,000)	\$ 29,240,000	\$ 2,460,000	\$ 26,780,000
Less bond discounts	(212,026)	(310,616)	41,060	(481,582)	(38,787)	(442,795)
Bonds payable, net of discounts	15,572,974	15,489,384	(2,303,940)	28,758,418	2,421,213	26,337,205
City of Murray payable	10,000,000	—	(90,000)	9,910,000	105,000	9,805,000
Master lease notes payable	9,420,731	372,850	(1,202,626)	8,590,955	1,333,710	7,257,245
Capital leases	1,559,000	—	(97,000)	1,462,000	102,000	1,360,000
Notes payable	144,400	—	(144,400)	—	—	—
MSU Foundation notes payable	92,468	—	(92,468)	—	—	—
Total bonds, notes and capital leases	\$ 36,789,573	\$ 15,862,234	\$ (3,930,434)	\$ 48,721,373	\$ 3,961,923	\$ 44,759,450

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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, 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	<u>(239,581)</u>	<u>—</u>	<u>27,555</u>	<u>(212,026)</u>	<u>(27,554)</u>	<u>(184,472)</u>
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
Master lease notes payable	2,932,254	7,445,190	(956,713)	9,420,731	1,073,272	8,347,459
Capital leases	1,703,193	—	(144,193)	1,559,000	97,000	1,462,000
Notes payable	234,400	—	(90,000)	144,400	144,400	—
MSU Foundation notes payable	<u>100,693</u>	<u>20,000</u>	<u>(28,225)</u>	<u>92,468</u>	<u>39,286</u>	<u>53,182</u>
Total bonds, notes and capital leases	<u>\$ 32,857,959</u>	<u>\$ 7,465,190</u>	<u>\$ (3,533,576)</u>	<u>\$ 36,789,573</u>	<u>\$ 3,761,404</u>	<u>\$ 33,028,169</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
2007	\$ 2,460,000	\$ 1,540,710	\$ 4,000,710	\$ 2,064,402	\$ 6,065,112
2008	985,000	1,410,649	2,395,649	1,890,546	4,286,195
2009	1,555,000	1,030,529	2,585,529	1,792,245	4,377,774
2010	1,405,000	987,483	2,392,483	1,697,579	4,090,062
2011	1,470,000	841,576	2,311,576	1,605,898	3,917,474
2012-2016	6,655,000	4,852,108	11,507,108	6,620,865	18,127,973
2017-2021	7,040,000	2,879,900	9,919,900	4,217,036	14,136,936
2022-2026	5,440,000	2,250,000	7,690,000	2,395,999	10,085,999
2027-2031	2,230,000	2,835,000	5,065,000	846,146	5,911,146
2032-2033	<u>—</u>	<u>1,335,000</u>	<u>1,335,000</u>	<u>67,971</u>	<u>1,402,971</u>
Total	<u>\$ 29,240,000</u>	<u>\$ 19,962,955</u>	<u>\$ 49,202,955</u>	<u>\$ 23,198,687</u>	<u>\$ 72,401,642</u>

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

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Original Issue	Balance Due June 30, 2006	Interest Expense, Current Year	Bonds/Notes/ Leases Maturing 2006-2007
Housing and Dining System Revenue Bonds Payable				
Series L bonds dated September 1, 1968, with interest at 3.00%; final principal payment due September 1, 2008; Regents Hall	2,000,000	550,000	17,320	175,000
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	585,000	30,339	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	4,990,000	221,493	265,000
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	1,475,000	70,142	65,000
Series P bonds dated June 18, 2004, with interest from 1.10% to 4.25%; final principal payment due September 1, 2024; Winslow Cafeteria	2,500,000	2,305,000	75,315	100,000
Series Q bonds dated December 1, 2005 with interest from 4.00% to 4.59%; final principal payment due September 1, 2027; Clark Hall	<u>15,800,000</u>	<u>15,800,000</u>	<u>192,382</u>	<u>—</u>
Total housing and dining system revenue bonds payable	<u>\$ 29,105,000</u>	<u>\$ 25,705,000</u>	<u>\$ 606,991</u>	<u>\$ 640,000</u>

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

	<u>Original Issue</u>	<u>Balance Due June 30, 2006</u>	<u>Interest Expense, Current Year</u>	<u>Bonds/Notes/ Leases Maturing 2006-2007</u>
Consolidated Educational Buildings				
Revenue Bonds Payable				
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	\$ 1,510,000	\$ 151,024	\$ 1,510,000
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>2,025,000</u>	<u>68,630</u>	<u>310,000</u>
Total consolidated educational buildings revenue bonds payable	<u>14,515,000</u>	<u>3,535,000</u>	<u>219,654</u>	<u>1,820,000</u>
Bonds payable before discount	43,620,000	29,240,000	826,645	2,460,000
Less bond discount	<u>—</u>	<u>(481,582)</u>	<u>—</u>	<u>(38,787)</u>
Total bonds payable	<u>\$ 43,620,000</u>	<u>\$ 28,758,418</u>	<u>\$ 826,645</u>	<u>\$ 2,421,213</u>
City of Murray Payable				
Agreement dated 12/30/02 with interest of 2.50% to 4.85%; final principal payment due June 1, 2033	<u>\$ 10,000,000</u>	<u>\$ 9,910,000</u>	<u>\$ 454,860</u>	<u>\$ 105,000</u>
Master Lease Payable				
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	\$ 159,990	\$ 12,512	\$ 136,511
Deferred Maintenance – Master lease dated May 10, 2002, with interest from 3.56% to 4.79%; final principal payment due December 3, 2010	2,232,000	1,145,105	50,466	349,060
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	555,793	29,531	273,097

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

	<u>Original Issue</u>	<u>Balance Due June 30, 2006</u>	<u>Interest Expense, Current Year</u>	<u>Bonds/Notes/ Leases Maturing 2006-2007</u>
Master Lease Payable (Continued)				
Campus Energy Performance Upgrade – Masterlease dated February 10, 2005, with interest of 3.94%. Final principal payment due August 10, 2017	6,707,876	6,486,572	267,394	455,772
Oracle Software – Masterlease dated August 11, 2005 with interest of 4.13%. Final principal payment due September 1, 2007	<u>372,850</u>	<u>243,495</u>	<u>8,404</u>	<u>119,270</u>
Total Master lease payable	<u>\$ 11,740,453</u>	<u>\$ 8,590,955</u>	<u>\$ 368,307</u>	<u>\$ 1,333,710</u>
Capital Leases				
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>1,462,000</u>	\$ <u>81,974</u>	\$ <u>102,000</u>
Total capital leases	<u>\$ 2,200,000</u>	<u>\$ 1,462,000</u>	<u>\$ 81,974</u>	<u>\$ 102,000</u>
Interest on paid off debt in current year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,911</u>	\$ <u>-</u>
Total all Bond Issues, Notes Payable and Capital Leases	<u>\$ 67,560,453</u>	<u>\$ 48,721,373</u>	<u>\$ 1,739,697</u>	<u>\$ 3,961,923</u>

The revenue bond indentures requires the University to make deposits to sinking and reserve funds in annual amounts to meet the principal and interest payments due within the next twelve months as well as maintain a reserve balance as a percentage of outstanding balances. As of June 30, 2006 and 2005, the sinking fund and reserve fund requirements have been funded as required.

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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>2006</u>	<u>2005</u>
Capital lease assets, at cost	\$ 2,200,000	\$ 2,516,960
Less accumulated depreciation	<u>(1,430,000)</u>	<u>(1,691,960)</u>
Net book value	<u>\$ 770,000</u>	<u>\$ 825,000</u>

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

<u>Year Ending June 30</u>	<u>Total</u>
2007	\$ 179,259
2008	179,230
2009	179,870
2010	179,118
2011	179,030
2012-2016	896,693
2017-2018	<u>179,282</u>
	1,972,482
Less amount representing interest	<u>(510,482)</u>
Present value of capital lease obligations	<u>\$ 1,462,000</u>

Note 12: Deposits

The deposits held by the University consisted of:

	<u>2006</u>	<u>2005</u>
Current:		
Horse stall rentals	\$ 3,180	\$ 2,870
Racer card declining balances	84,745	63,820
Housing deposits	108,448	58,251
Post office box deposits	360	—
Agency account balances	<u>49,378</u>	<u>42,857</u>
Total current deposits	<u>246,111</u>	<u>167,798</u>
Noncurrent:		
Housing deposits	<u>149,762</u>	<u>205,805</u>
Total deposits	<u>\$ 395,873</u>	<u>\$ 373,603</u>

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Note 12: Deposits (Continued)

Noncurrent housing deposit additions were \$89,809 and \$134,000 for years ended June 30, 2006 and 2005, respectively. Noncurrent housing deposit deductions were \$145,853 and \$100,128 for years ended June 30, 2006 and 2005, respectively.

Note 13: Unrestricted Net Assets

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

	<u>2006</u>	<u>2005</u>
Unrestricted net assets		
Allocated for		
Prior year carryovers		
Renovation and maintenance	\$ 2,621,747	\$ 2,230,527
Departmental operations	10,481,159	8,644,032
Encumbrances	1,042,851	697,277
Working capital	2,959,990	2,673,297
Revenue contingency	2,690,984	2,498,013
General contingency	10,879,634	8,801,218
Self insurance	<u>900,000</u>	<u>900,000</u>
Total unrestricted net assets	<u>\$ 31,576,365</u>	<u>\$ 26,444,364</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 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 is 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.

Murray State University
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June 30, 2006 and 2005

Note 14: Component Units (Continued)

During the year ended June 30, 2006 and June 30, 2005, the Foundation made payments of \$2,582,222 and \$2,242,375, respectively, on behalf of the University from restricted sources. Accounts receivable at June 30, 2006 and 2005 from the Foundation were \$519,752 and \$139,575, respectively. Accounts payable to the Foundation as of June 30, 2006 and June 30, 2005, respectively, were not significant. Complete financial statements for the Foundation can be obtained from the MSU Foundation Office, 100 Nash House, Murray, Kentucky, 42071.

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, 2006 and 2005.

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. The 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, 2006, the Racer Foundation distributed \$64,648 of restricted assets to the University. 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. The total benefits for University athletics for the years ended June 30, 2006 and 2005, was \$64,648 and \$738,447, respectively. Accounts receivable from the Racer Foundation were \$422,163 and \$435,897 as of June 30, 2006 and June 30, 2005, respectively. Complete financial statements for the Racer Foundation can be obtained from the MSU Athletic Foundation Office, Stewart Stadium, Murray, Kentucky, 42071.

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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 \$12,600,000 and \$2,900,000 as of June 30, 2006 and 2005, 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
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Note 17: Natural Expense Classifications with Functional Classifications

The University's operating expenses by functional classification for the year ended June 30, 2006 and 2005 were as follows:

Fund Classification	Year Ended June 30, 2006						
	Natural Classification						
	Compensation and Benefits	Operations	Utilities	Non-capitalized Equipment	Scholarships	Depreciation	Total
Instruction	\$ 43,254,033	\$ 6,155,671	\$ 210,988	\$ 934,249	\$ 9,208	\$ —	\$ 50,564,149
Research	1,493,428	1,385,322	581	89,623	—	—	2,968,954
Public service	4,469,602	1,128,732	260,850	89,418	—	—	5,948,602
Libraries	1,285,688	229,264	42	81,104	—	—	1,596,098
Academic support	3,687,870	2,013,359	11,261	502,785	1,255	—	6,216,530
Student services	8,268,754	4,338,618	62,887	183,347	24,728	—	12,878,334
Institutional support	11,037,282	862,661	198,160	351,248	—	—	12,449,351
Operations and maintenance	5,303,643	3,111,032	5,502,201	622,528	—	—	14,539,404
Financial aid	44,572	12,879	—	—	7,114,663	—	7,172,114
Depreciation	—	—	—	—	—	6,621,914	6,621,914
Auxiliary	5,090,979	11,087,105	—	289,810	102,761	—	16,570,655
Auxiliary depreciation	—	—	—	—	—	455,042	455,042
Total expenses	<u>\$ 83,935,851</u>	<u>\$ 30,324,643</u>	<u>\$ 6,246,970</u>	<u>\$ 3,144,112</u>	<u>\$ 7,252,615</u>	<u>\$ 7,076,956</u>	<u>\$ 137,981,147</u>

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
Total expenses	<u>\$ 76,863,969</u>	<u>\$ 32,802,532</u>	<u>\$ 5,489,131</u>	<u>\$ 2,111,237</u>	<u>\$ 7,064,366</u>	<u>\$ 7,359,964</u>	<u>\$ 131,691,199</u>

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Note 18: Segment Information

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specifically identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, and assets and liabilities, that are required by an external party to be accounted for separately. The University has two reportable segments: the Murray State University Housing and Dining System and the Susan E. Bauernfeind Student Recreation and Wellness Center.

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 as and for the years ended June 30, 2006 and 2005 of the University's Housing and Dining segment is as follows:

Housing and Dining System - Condensed Balance Sheets

	2006	2005
Assets		
Current assets	\$ 1,827,175	\$ 3,453,983
Noncurrent assets	19,743,778	2,599,923
Capital assets, net of accumulated depreciation	<u>8,712,989</u>	<u>9,974,190</u>
Total assets	<u>\$ 30,283,942</u>	<u>\$ 16,028,096</u>
Liabilities		
Current liabilities	\$ 1,941,267	\$ 6,616,423
Noncurrent liabilities	<u>25,443,731</u>	<u>10,670,852</u>
Total liabilities	<u>\$ 27,384,998</u>	<u>\$ 17,287,275</u>

Murray State University
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Note 18: Segment Information (Continued)

Housing and Dining System - Condensed Balance Sheets (Continued)

	2006	2005
Net assets		
Invested in capital assets, net of related debt	\$ (970,023)	\$ (312,986)
Restricted		
Expendable capital	(1,538,418)	990,757
Expendable debt service	4,475,505	1,230,683
Unrestricted	<u>931,880</u>	<u>(3,167,633)</u>
Total net assets	<u>2,898,944</u>	<u>(1,259,179)</u>
Total liabilities and net assets	<u>\$ 30,283,942</u>	<u>\$ 16,028,096</u>

Housing and Dining System - Condensed Statements of Revenues, Expenses and Changes in Net Assets

	2006	2005
Operating revenues	\$ 13,757,119	\$ 12,772,576
Operating expenses	(11,557,888)	(10,635,598)
Depreciation expense	<u>(453,543)</u>	<u>(830,486)</u>
Operating income	1,745,688	1,306,492
Nonoperating revenues (expenses)	<u>2,412,435</u>	<u>(636,999)</u>
Change in net assets	4,158,123	669,493
Net assets, beginning of year	<u>(1,259,179)</u>	<u>(1,928,672)</u>
Net assets, end of year	<u>\$ 2,898,944</u>	<u>\$ (1,259,179)</u>

Housing and Dining System - Condensed Statements of Cash Flows

	2006	2005
Cash flows from		
Operating activities	\$ 3,189,781	\$ 2,462,413
Noncapital financing activities	(2,627,502)	(1,373,178)
Capital and related financing activities	14,526,960	(1,182,680)
Investing activities	<u>(1,957,411)</u>	<u>515,169</u>
Net increase in cash	13,131,828	421,724
Cash, beginning of year	<u>3,182,122</u>	<u>2,760,398</u>
Cash, end of year	<u>\$ 16,313,950</u>	<u>\$ 3,182,122</u>

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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, 2006 and June 30, 2005, of the University's Wellness Center segment are as follows:

Wellness Center - Condensed Balance Sheet

	2006	2005
Assets		
Current assets	\$ 25,485	\$ 130
Noncurrent assets	1,152,698	1,376,075
Capital assets, net of accumulated depreciation	<u>10,018,652</u>	<u>10,018,905</u>
Total assets	<u>\$ 11,196,835</u>	<u>\$ 11,395,110</u>
Liabilities		
Current liabilities	\$ 73,494	\$ 39,620
Noncurrent liabilities	<u>9,910,000</u>	<u>10,000,000</u>
Total liabilities	<u>9,983,494</u>	<u>10,039,620</u>
Net assets		
Invested in capital assets, net of related debt	432,743	354,999
Restricted		
Expendable capital	531,641	818,643
Expendable debt service	262,731	184,069
Unrestricted	<u>(13,774)</u>	<u>(2,221)</u>
Total net assets	<u>1,213,341</u>	<u>1,355,490</u>
Total liabilities and net assets	<u>\$ 11,196,835</u>	<u>\$ 11,395,110</u>

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Note 18: Segment Information (Continued)

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

	2006	2005
Operating revenues	\$ 56,259	\$ 48,067
Operating expenses	(574,515)	(268,235)
Depreciation	<u>(274,721)</u>	<u>(274,721)</u>
Operating income (loss)	<u>(792,977)</u>	<u>(494,889)</u>
Nonoperating revenues		
University budget support	367,865	190,826
Restricted student fees	660,629	646,417
Investment income	7,875	52,492
Transfer of reserve payment - current fund	71,868	71,868
Transfer of lease payment – current fund	9,454	27,122
Cost of issuance amortization	(12,003)	(12,003)
Interest on capital asset-related debt	<u>(454,860)</u>	<u>(455,045)</u>
Nonoperating revenues	<u>650,828</u>	<u>521,677</u>
Change in net assets	(142,149)	26,788
Net assets, beginning of year	<u>1,355,490</u>	<u>1,328,702</u>
Net assets, end of year	<u>\$ 1,213,341</u>	<u>\$ 1,355,490</u>

Wellness Center - Condensed Statement of Cash Flows

	2006	2005
Cash flows from		
Operating activities	\$ (543,407)	\$ (220,169)
Noncapital financing activities	367,867	190,826
Capital and related financing activities	(136,585)	(3,503,040)
Investing activities	<u>89,197</u>	<u>165,249</u>
Net decrease in cash	(222,928)	(3,367,134)
Cash, beginning of year	<u>1,037,761</u>	<u>4,404,895</u>
Cash, end of year	<u>\$ 814,833</u>	<u>\$ 1,037,761</u>