

Western Kentucky University

Accountants' Report and Financial Statements

June 30, 2003 and 2002



Western Kentucky University
June 30, 2003 and 2002

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Independent Accountants' Report on Financial Statements and Supplementary Information

President Gary A. Ransdell and
Board of Regents
Western Kentucky University
Bowling Green, Kentucky

We have audited the accompanying basic financial statements of Western Kentucky University, a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Kentucky University as of June 30, 2003 and 2002, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2003, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

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

/s/ **BKD, LLP**

September 18, 2003

Western Kentucky University

Management's Discussion and Analysis

June 30, 2003

Overview

Management's Discussion and Analysis (MD&A) of Western Kentucky University's (University) financial statements is intended to provide an overview of the financial position, changes in financial position and cash flows of the University as of and for the fiscal years ended June 30, 2003 and 2002. MD&A, in addition to the financial statements and the footnote disclosures, is the responsibility of University management.

All financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

An independent audit, performed by **BKD, LLP**, provides an opinion on the basic financial statements taken as a whole. BKD has expressed an unqualified opinion on the financial statements stating that such statements present fairly, in all material respects, the financial position of the University as of June 30, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended. Furthermore, BKD has issued a report required by *Government Auditing Standards* that addresses its consideration of the University's internal control over financial reporting and tests of the University's compliance with certain provisions of laws, regulations, contracts and grants.

A schedule of expenditures of federal awards required by U.S. Office of Management and Budget and Budget Circular A-133 is presented for purposes of additional analysis and is not a required part of the basic financial statements. BKD has issued reports on that schedule, on its consideration of the University's internal control over compliance and on the University's compliance with specified requirements applicable to major federal awards programs.

BKD has applied certain limited procedures consisting principally of inquiries of management regarding the methods of measurement and presentation of MD&A, which the Governmental Accounting Standards Board (GASB) has determined to be supplementary information required to accompany but not be part of the basic financial statements. BKD, however, did not audit such information and did not express an opinion on it.

Reporting Entity

The University is a component unit of the Commonwealth of Kentucky. The financial statements of the University include the University and its blended component unit, the Western Kentucky University Research Foundation.

The financial statements do not include certain other entities that provide support to the University and its activities because those entities do not meet the current criteria established by GASB for inclusion in the University's reporting entity. One such entity is the WKU Foundation, which principally seeks contributions from resource providers and holds the resulting resources to support and further the achievement of the University's objectives.

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Management's Discussion and Analysis
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Fiscal 2003 Highlights

The financial viability of a public university is a function of a secure and preferably growing enrollment base, solid and preferably growing private giving and state funding. It is noted that a majority of the assets of the WKU Foundation are held and expended through the Foundation and are not recognized in the financial statements except for capital asset purchases transferred to the University. Per state requirements, the "Bucks for Brains" state-funded endowment funds flow through the University, but are transferred to the Foundation for investment and management purposes.

The following data is provided to help assess the financial viability of the University:

<u>Enrollment Base (Headcount)</u>	<u>Fall 2002</u>	<u>Fall 2001</u>
Applications	7,391	7,078
Admissions	6,677	6,132
First-time Freshmen	3,139	2,710
Total Undergraduate Enrollment	15,234	14,135
Total Graduate Enrollment	2,584	2,444
Total Enrollment	17,818	16,579
	<u>June 30,</u>	<u>June 30,</u>
	<u>2003</u>	<u>2002</u>
<u>WKU Foundation Capital Campaign</u>		
Total Cumulative Gifts and Pledges	\$102.2 million	\$79.7 million
Total Endowed Faculty Positions*	27	20
Total Cash Receipts	\$12.1 million	\$12.3 million

*Earnings from endowments that are transferred to the University to support filled faculty positions are recognized as part of the University's nonoperating revenue.

	<u>June 30,</u>	<u>June 30,</u>
	<u>2003</u>	<u>2002</u>
<u>State Appropriations</u>		
General nonoperating revenue	\$ 65,729,100	\$ 63,873,700
Retirement of Debt Obligations	<u>3,213,700</u>	<u>2,263,900</u>
Total	<u>\$ 68,942,800</u>	<u>\$ 66,137,600</u>

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Statement of Net Assets

The Statement of Net Assets presents the financial position of the University as of the end of the fiscal year and includes all assets and liabilities. Readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the University. The change in net assets is an indicator of whether the overall financial position has improved or worsened during the year and over time. One can think of net assets as one method to measure the University's financial strength. Many non-financial factors, such as strategic planning assessments, the trend in admissions, applications and student retention, the condition of the University's capital assets and the quality of the faculty also need to be considered to assess the overall health of the University.

Restricted net assets are subject to externally imposed restrictions governing their use. The corpus of nonexpendable restricted resources is only available for investment purposes. Although unrestricted net assets are not subject to externally imposed stipulations, a significant portion of these assets has been internally designated to fund encumbrances brought forward from the prior fiscal year, working capital requirements, emergency reserve and specific support of academic and support programs. Allocations of net assets are set by University policy or approved by the board of regents.

A summary of the University's assets, liabilities and net assets, as of June 30, 2003 and 2002, are as follows:

Statement of Net Assets (in Thousands)

	June 30, 2003	June 30, 2002
Assets		
Current assets	\$ 43,633	\$ 34,337
Capital assets, net	139,753	100,407
Other noncurrent assets	43,970	81,791
Total assets	\$ 227,356	\$ 216,535
Liabilities		
Current liabilities	\$ 42,484	\$ 50,740
Noncurrent liabilities	51,152	52,976
Total liabilities	93,636	103,716

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Management's Discussion and Analysis
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	June 30, 2003	June 30, 2002
Net Assets		
Invested in capital assets, net of related debt	\$ 85,266	\$ 45,826
Restricted		
Nonexpendable	6,192	6,541
Expendable	22,930	44,074
Unrestricted	19,331	16,378
Total net assets	\$ 133,719	\$ 112,819

It is noted that liabilities included pledges payable to the City of Bowling Green (City) in the amount of \$31,620,543 for the Diddle Arena Improvements Project. Bonds payable for educational buildings total \$18,300,000 with final payments on the bonds scheduled for 2013.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenue, Expenses and Changes in Net Assets summarizes all financial transactions that increase or decrease net assets. The purpose of the statement is to present the revenues from providing goods and services, expenses incurred to acquire and deliver the goods and services and other revenues, expenses and gains and losses recognized by the University. Financial activities are reported as either operating or nonoperating.

The most significant source of nonoperating revenue is state appropriations. State appropriations are nonoperating because these funds are non-exchange revenues provided by the General Assembly to the University without the General Assembly directly receiving commensurate value (goods and services) for those revenues. Other important nonoperating revenue sources include non-exchange grants and contracts and investment income.

Accordingly, the University reports net operating losses of \$(88,227,593) and \$(85,506,464) for fiscal years 2003 and 2002, respectively.

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A summary of the University's revenues, expenses and changes in net assets for the years ended June 30, 2003 and 2002, is as follows:

Statement of Revenues, Expenses and Changes in Net Assets (in Thousands)

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Operating Revenues		
Net tuition and fees	\$ 38,388	\$ 35,022
Grants and contracts	23,731	21,655
Sales and services of educational departments	8,069	6,027
Auxiliary Enterprises	13,927	12,553
Other	<u>4,713</u>	<u>4,017</u>
Total Operating Revenue	<u>88,828</u>	<u>79,274</u>
Operating Expenses	<u>177,055</u>	<u>164,780</u>
Operating Loss	<u>(88,228)</u>	<u>(85,506)</u>
Nonoperating Revenues (Expenses)		
State appropriations	68,943	66,138
Grants and contracts	26,433	22,866
Investment income	1,157	543
Interest on capital asset-related debt	(1,262)	(1,185)
Other	<u>1,595</u>	<u>(65)</u>
Net nonoperating revenues (expenses)	<u>96,866</u>	<u>88,297</u>
Income before Other Revenues, Expenses, Gains or Losses	8,639	2,791
State capital appropriations	12,261	13,689
Additions to permanent endowment (state endowment match)	<u>—</u>	<u>25</u>
	<u>12,261</u>	<u>13,714</u>
Increase in Net Assets	<u>20,900</u>	<u>16,505</u>
Net Assets, Beginning of Year	<u>112,819</u>	<u>96,314</u>
Net Assets, End of Year	<u>\$ 133,719</u>	<u>\$ 112,819</u>

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Operating Revenues

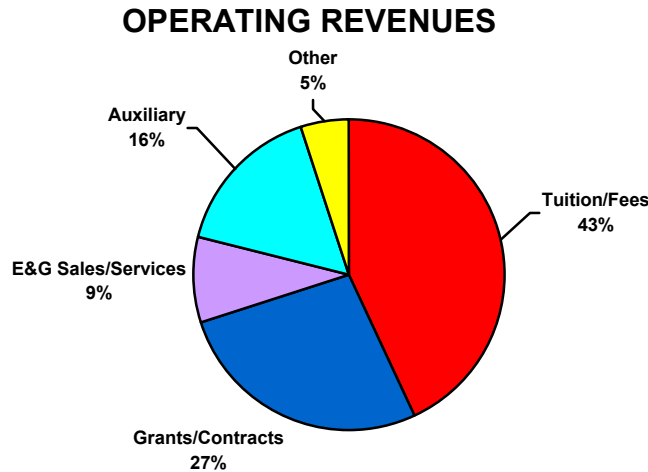
Operating revenues include all transactions that result in the sales of goods and services. For the University, the most significant operating revenue is student tuition and fees. Student tuition and fees revenue is a function of enrollment and rates approved by the University's Board of Regents. Other operating revenue is due to University operations such as the bookstore, health services, conferences and workshops, the farm, the police department and athletics.

As previously noted, the University's total headcount enrollment increased by 7.5% and 6.8% between fall 2001 and 2002, and fall 2000 and fall 2001 respectively. As of fall 2001, approximately 83% of students enrolled at the University were Kentucky residents. An additional 8% of the student population came from Tennessee with many coming to the University through a state reciprocity agreement, *i.e.*, enrolled at instate rates or the Tuition Incentive Program. Board approved tuition and fee rate increases ranged from 7.6% to 12.9% for fiscal year 2003. Thus, the combination of increased rates and enrollment growth resulted in tuition and fees, prior to the adjustment for discounts and allowances, growing to \$56.9 million from \$47.9 million.

Tuition and fees revenue is recorded in the financial statements net of scholarship allowances, gift scholarships and institutional aid. A scholarship allowance is the difference between the stated charges for goods and services provided by the institution and the amount that is billed to students and third parties making payments on behalf of students. Pell Grants, College Access Program and KEES Program have been included in the scholarship allowance after these sources have been used to satisfy a student's fee and charges. Any excess aid disbursed to the student is recognized as a student financial aid expense. Net tuition and fees, as of June 30, 2003 and 2002, were 67.5 % and 73.1%, respectively, of the gross tuition and fees with approximately \$18.5 and \$12.9 million, respectively, being recorded as scholarship allowance.

Western Kentucky University Management's Discussion and Analysis June 30, 2003

The distribution of operating revenue, by source, is summarized as follows:



The University is awarded grants and contracts by various external agencies. These grants and contracts awards represent amounts that will be recognized as revenue when the service is provided regardless of when cash is exchanged. Thus, the operating and nonoperating revenue generated by such grants and contracts will equal the actual expenses in a given fiscal year.

Through the efforts of the Western Kentucky University Research Foundation and the University, grants and contracts awards (excluding financial aid) continue to increase. Such awards totaled \$11,531,856 for 1996-97 and increased to \$29,785,185 for 2002-03.

The grant and contract awards received in a given year are frequently multiyear awards for which only the current year activity related to the award will be recorded, *i.e.*, any cash received in excess of expenses incurred will be recorded as deferred revenues. Additionally, awards related to future periods are not recorded in the University's financial statements. The following chart provides a two-year comparison of total grants and contracts awarded (not received/recorded) during the 2003 and 2002 fiscal years.

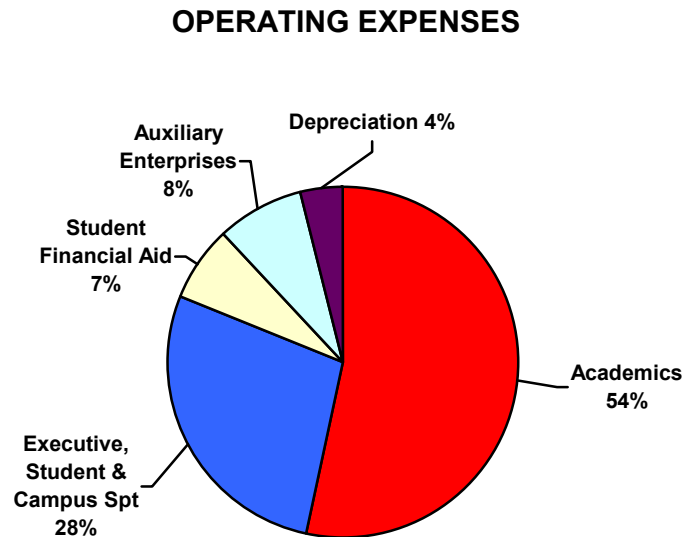
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Grants and Contracts Awards (Excluding Financial Aid)

	June 30, 2003	June 30, 2002
Federal	\$ 20,106,064	\$ 18,337,403
State	7,523,967	4,339,894
Other	2,155,154	1,795,171
Total	\$ 29,785,185	\$ 24,472,468

Operating Expenses

Operating expenses are all costs necessary to meet the University's mission, goals and objectives through a broad array of programs and activities. Expenses other than depreciation are reported by functional classification, *e.g.*, instruction, research, public service, auxiliary enterprises, etc. Depreciation is recognized as an expense and a reduction in the value of the capital assets. The following graph summarizes expenses as academics, student and campus services, student financial aid, depreciation and auxiliary enterprises. Academics include the program classification codes of instruction, research, public service, libraries and academic support. Executive, student and campus support includes student services, institutional support and operation and maintenance of plant.



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Nonoperating Revenues (Expenses)

Nonoperating revenues are all revenues that are primarily non-exchange in nature. The most significant single source of nonoperating revenue for the University is state appropriations for other than capital purposes. Other sources include many grants and contracts, endowment contributions and investment income.

The University's investments consist primarily of collateralized mortgage obligations and its equity in Commonwealth of Kentucky pooled investment funds. Investment income for the years ended June 30, 2003 and 2002, is comprised of the following:

	June 30, 2003	June 30, 2002
Investment income	\$ 1,258,752	\$ 1,255,472
Net change for the year in the fair value of investments	<u>(101,515)</u>	<u>(712,471)</u>
	<u>\$ 1,157,237</u>	<u>\$ 543,001</u>

State appropriations, excluding debt retirement, were \$65,729,100 for 2002 and 2003 in comparison to \$63,873,700 for 2001 and 2002. The University's state appropriation, based on the enacted 2002-2004 Biennial Budget, was reduced by \$1,402,100 or 2.1% in comparison to the system wide average of 2.6% in recognition of the University's enrollment growth.

Change in Net Assets

For the years ended June 30, 2003 and 2002, the change in the University's net assets increased \$20,900,455 and \$16,504,507, respectively. The year-end net assets for June 30, 2003 and 2002, were \$133,719,154 and \$112,818,699, respectively.

Statement of Cash Flows

The Statement of Cash Flows presents data related to the University's cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments by the University that will allow for the assessment of the University's ability to generate net cash flows and to meet obligations as they come due. Under certain circumstances, such an analysis might demonstrate a university's need for external financing. The Statement of Cash Flows is broken into the following sections:

- Operating cash flows and the net cash used for the operating activities of the University
- Cash flows for noncapital financing activities
- Cash flows from capital and related financing activities

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Management's Discussion and Analysis
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- Cash flows from investing activities
- Reconciliation of the net cash flows from operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets

The major sources of cash received for operating activities are tuition and fees of \$39,713,337, auxiliary enterprises of \$13,927,507 and grants and contracts of \$25,281,483. Major uses of cash for operating activities were payments to employees for salaries and benefits of \$104,404,613 and to suppliers and contractors of \$49,221,917. A majority of the noncapital financing activities is state appropriations and grants and contracts. Principal and interest paid on capital debt and leases are recognized as capital and related financing activities. A state appropriation of \$3,213,700 was allocated for debt payments of the University. Investing activities recognize the cash flows from proceeds from sales and maturities of investments, purchases of investments and interest receipts.

The Statement of Cash Flows is summarized as follows:

	June 30, 2003	June 30, 2002
Cash Provided by (Used in)		
Operating activities	\$ (75,059)	\$ (81,387)
Noncapital financing activities	95,345	89,224
Capital and related financing activities	(47,516)	28,677
Investing activities	<u>3,575</u>	<u>28</u>
Net increase (decrease) in cash and cash equivalents	(23,655)	36,542
Cash and Cash Equivalents, Beginning of Year	<u>84,762</u>	<u>48,220</u>
Cash and Cash Equivalents, End of Year	<u>\$ 61,107</u>	<u>\$ 84,762</u>

Western Kentucky University
Management's Discussion and Analysis
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Capital Asset and Debt Administration

Capital Assets

As of June 30, 2003, the University had \$139.7 million invested in capital assets, net of accumulated depreciation of \$107.5 million. Capital assets at June 30, 2003 and 2002, are summarized below:

	June 30, 2003	June 30, 2002
Land	\$ 4,586,665	\$ 4,401,051
Buildings and improvements	115,447,950	112,099,300
Infrastructure	10,572,427	10,369,554
Furniture, fixtures and equipment	22,901,609	21,307,537
Library materials	28,618,117	26,966,242
Construction in progress	<u>65,139,906</u>	<u>27,011,211</u>
Total capital assets	247,266,674	202,154,895
Less accumulated depreciation	<u>107,513,834</u>	<u>101,747,983</u>
Invested in capital assets	<u>\$ 139,752,840</u>	<u>\$ 100,406,912</u>

As of June 30, 2003, the major construction projects in progress include: Instructional Technology and Communication Project, Diddle Arena renovation, Science Complex renovation and South Regional Education Center.

Debt

As of June 30, 2003 and 2002, the University had \$54,667,258 and \$56,295,686, respectively, in debt outstanding consisting of pledges payable to the City, bonds payable (Consolidated Educational Buildings Revenue Bonds), capital leases and other long-term debt to the WKU Student Life Foundation, Inc. The debt obligations are summarized as follows:

	June 30, 2003	June 30, 2002
Pledges to the City of Bowling Green	\$ 31,620,543	\$ 31,620,543
Consolidated Educational Buildings Revenue Bonds	18,300,000	20,705,000
Capital leases	2,762,736	1,700,475
Other long-term debt	<u>1,983,979</u>	<u>2,269,668</u>
Total	<u>\$ 54,667,258</u>	<u>\$ 56,295,686</u>

Western Kentucky University
Management's Discussion and Analysis
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Economic Factors Impacting Future Periods

The following are known facts and circumstances that will affect the future financial viability of the University:

- ◆ The board-approved tuition and mandatory fees increases for fiscal 2004. In fall 2003 approximately 70% of the total enrollment was resident undergraduate. The tuition and mandatory fees rate per semester for this population was increased from \$1,560 to \$1,825 or 17.0%. This rate increase, coupled with a growing enrollment, is budgeted to generate an increase of 27% in tuition and fees revenue for the University in fiscal year 2004 in comparison to budgeted fiscal year 2003. It is anticipated that final enrollment numbers in fall 2003 will show an increase of approximately 500 students that were not included in budget estimates.
- ◆ Under its self-insurance plan, the University provides a comprehensive health insurance program for its employees. The University Benefits Committee analyzes claim history and projected health care costs for the industry and then recommends a premium structure and a third-party benefits administrator for the subsequent calendar year. The University's 2003-2004 operating budget includes a University contribution increase of \$40 per month per full-time employee, effective January 2004, raising the total per full-time employee contribution to \$381 per month.
- ◆ The Kentucky economy continues to be weak and State revenues are not meeting targets, as of the first quarter of the fiscal year. Should there be a budget reduction impacting the University, the unbudgeted tuition revenue will be the first source to apply to any cut in State funding.

Western Kentucky University
Statements of Net Assets
June 30, 2003 and 2002

Assets

	2003	2002
Current Assets		
Cash and cash equivalents	\$ 31,838,180	\$ 20,578,169
Accounts receivable, net	2,128,838	3,355,684
Interest receivable	750,878	353,232
Federal and state grants receivable	6,583,911	7,910,594
Inventories	1,485,023	1,332,361
Loans to students, net	721,190	652,954
Prepaid expenses	124,666	153,601
Total current assets	43,632,686	34,336,595
Noncurrent Assets		
Restricted cash and cash equivalents	29,268,932	64,183,799
Long-term investments	2,936,203	3,813,045
Loans to students, net of allowance; 2003 – \$528,709, 2002 – \$549,088	4,794,180	5,082,004
Assets held in trust	6,543,469	8,481,876
Capital assets	247,266,674	202,154,895
Accumulated depreciation on capital assets	(107,513,834)	(101,747,983)
Deferred bond issuance costs	427,323	230,302
Total noncurrent assets	183,722,947	182,197,938
Total assets	\$ 227,355,633	\$ 216,534,533

Liabilities

	<u>2003</u>	<u>2002</u>
Current Liabilities		
Accounts payable	\$ 5,371,001	\$ 4,263,156
Self insured health liability	1,445,236	915,878
Accrued payroll and withholdings	2,070,319	652,908
Accrued compensated absences	2,358,485	2,109,255
Accrued interest	265,817	115,369
Deferred revenue	26,440,993	38,246,939
Long-term debt – current portion	3,515,043	3,319,876
Deposits held in custody for others	<u>1,017,370</u>	<u>1,116,643</u>
Total current liabilities	42,484,264	50,740,024
Long-term Debt	<u>51,152,215</u>	<u>52,975,810</u>
Total liabilities	<u>93,636,479</u>	<u>103,715,834</u>
Net Assets		
Invested in capital assets, net of related debt	85,265,786	45,825,621
Restricted for		
Nonexpendable – endowments	6,192,375	6,541,137
Expendable		
Loans	6,185,570	6,216,436
Capital projects	12,882,600	33,533,689
Debt service	3,861,712	4,323,479
Unrestricted	<u>19,331,111</u>	<u>16,378,337</u>
Total net assets	<u>\$ 133,719,154</u>	<u>\$ 112,818,699</u>

Western Kentucky University
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Tuition and fees, net of discounts and allowances; 2003 – \$18,509,784, 2002 – \$12,858,100	\$ 38,388,167	\$ 35,022,324
Federal grants and contracts	14,058,118	14,056,893
State grants and contracts	9,494,885	7,317,493
Local and private grants and contracts	177,355	280,432
Sales and services of educational activities	8,068,668	6,026,696
Auxiliary enterprise revenues, net of discounts and allowances; 2003 – \$474,610, 2002 – \$359,708	13,927,507	12,552,637
Other operating revenues	<u>4,713,392</u>	<u>4,017,096</u>
Total operating revenues	<u>88,828,092</u>	<u>79,273,571</u>
Operating Expenses		
Instruction	63,298,058	58,895,543
Research	6,073,569	6,461,372
Public service	16,213,393	13,726,694
Libraries	3,399,035	3,412,152
Academic support	7,107,505	6,548,652
Student services	15,146,856	13,744,579
Institutional support	17,518,332	15,332,889
Operating and maintenance of plant	16,143,361	14,920,262
Student financial aid	12,181,645	12,783,648
Depreciation	6,770,102	6,851,792
Auxiliary enterprises	<u>13,203,829</u>	<u>12,102,452</u>
Total operating expenses	<u>177,055,685</u>	<u>164,780,035</u>
Operating Loss	<u>(88,227,593)</u>	<u>(85,506,464)</u>
Nonoperating Revenues (Expenses)		
State appropriations	68,942,800	66,137,600
Federal grants and contracts	19,874,066	15,954,955
State grants and contracts	4,584,382	5,180,752
Local and private grants and contracts	1,974,970	1,730,003
Investment income	1,157,237	543,001
Interest on capital asset-related debt	(1,262,304)	(1,185,478)
Gain (loss) on disposal of capital assets	1,526,335	(37,956)
Other nonoperating revenues (expenses)	<u>68,674</u>	<u>(26,080)</u>
Net nonoperating revenues (expenses)	<u>96,866,160</u>	<u>88,296,797</u>

	<u>2003</u>	<u>2002</u>
Income Before Other Revenues, Expenses, Gains or Losses	\$ <u>8,638,567</u>	\$ <u>2,790,333</u>
State capital appropriations	12,261,888	13,688,965
Additions to permanent endowment	<u>—</u>	<u>25,209</u>
	<u>12,261,888</u>	<u>13,714,174</u>
Increase in Net Assets	20,900,455	16,504,507
Net Assets, Beginning of Year	<u>112,818,699</u>	<u>96,314,192</u>
Net Assets, End of Year	<u>\$ 133,719,154</u>	<u>\$ 112,818,699</u>

Western Kentucky University
Statements of Cash Flows
Years Ended June 30, 2003 and 2002

	2003	2002
Operating Activities		
Tuition and fees	\$ 39,713,337	\$ 33,506,627
Grants and contracts	25,281,483	19,331,690
Payments to employees	(104,404,613)	(97,853,754)
Payments to suppliers	(49,221,917)	(46,991,537)
Loans issued to students	940,778	789,975
Collection of loans to students	(721,190)	(652,954)
Sales and services of educational departments	8,068,668	6,026,696
Other operating revenues	4,713,392	4,017,099
Auxiliary enterprise revenues	13,927,507	12,552,637
Auxiliary enterprise payments		
Payments to employees	(4,862,334)	(4,505,362)
Payments to suppliers	<u>(8,494,157)</u>	<u>(7,607,772)</u>
Net cash used in operating activities	<u>(75,059,046)</u>	<u>(81,386,655)</u>
Noncapital Financing Activities		
State appropriations	68,942,800	66,137,600
Grants and contracts for other than capital purposes	26,433,418	22,865,710
Other receipts (payments)	<u>(30,599)</u>	<u>220,622</u>
Net cash provided by noncapital financing activities	<u>95,345,619</u>	<u>89,223,932</u>
Capital and Related Financing Activities		
Proceeds from bond issuance	80,000	31,620,543
Payment of bond issuance costs	(197,021)	(230,302)
State capital appropriations	—	23,000,000
Proceeds from sale of capital assets	2,084,548	3,000
Purchases of capital assets	(44,984,648)	(21,270,435)
Principal paid on capital debt and leases	(3,387,292)	(3,375,546)
Interest paid on capital debt and leases	<u>(1,111,856)</u>	<u>(1,070,109)</u>
Net cash provided by (used in) capital and related financing activities	<u>(47,516,269)</u>	<u>28,677,151</u>
Investing Activities		
Proceeds from sales and maturities of investments	4,179,742	3,360,050
Purchase of investments	(1,568,735)	(4,667,860)
Investment income	<u>963,833</u>	<u>1,335,805</u>
Net cash provided by investing activities	<u>3,574,840</u>	<u>27,995</u>
Increase (Decrease) in Cash and Cash Equivalents	(23,654,856)	36,542,423
Cash and Cash Equivalents, Beginning of Year	<u>84,761,968</u>	<u>48,219,545</u>
Cash and Cash Equivalents, End of Year	<u>\$ 61,107,112</u>	<u>\$ 84,761,968</u>

See Notes to Financial Statements

	<u>2003</u>	<u>2002</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and cash equivalents	\$ 31,838,180	\$ 20,578,169
Restricted cash and cash equivalents	<u>29,268,932</u>	<u>64,183,799</u>
Total cash and cash equivalents	<u>\$ 61,107,112</u>	<u>\$ 84,761,968</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	\$ (88,227,593)	\$ (85,506,464)
Depreciation expense	6,770,102	6,851,792
Changes in operating assets and liabilities		
Accounts receivable, net	1,226,846	(1,515,697)
Grants and contracts receivable	1,326,683	(4,372,556)
Inventories	(152,662)	(10,682)
Student loans, net	219,588	137,021
Deferred revenue	455,942	2,049,428
Prepaid expenses	28,935	(114,975)
Accounts payable	1,097,114	1,191,223
Health insurance liability	529,358	124,789
Accrued payroll and payroll withholdings	1,417,411	(244,392)
Accrued compensating absences	<u>249,230</u>	<u>23,858</u>
Net Cash Used in Operating Activities	<u>\$ (75,059,046)</u>	<u>\$ (81,386,655)</u>
Supplemental Cash Flows Information		
Capital leases incurred for capital assets	\$ 1,678,864	\$ 926,103
Construction in process included in accounts payable	\$ 10,731	\$ 93,830
Increase in assets held in trust from state endowment match	\$ 0	\$ 25,209

Western Kentucky University

Notes to Financial Statements

June 30, 2003 and 2002

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

Nature of Operations

Western Kentucky University (University) is a state supported institution of higher education located in Bowling Green, Kentucky, and accredited by the Southern Association of Colleges and Schools. The University awards graduate and undergraduate degrees and serves a student population of approximately 17,800 and 16,600 in 2003 and 2002, respectively. The University is operated under the jurisdiction of a board of regents and is a component unit of the Commonwealth of Kentucky. Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Family Education Loan, Federal Direct Loan and Federal Perkins Loan Programs. The University extends unsecured credit to students.

Reporting Entity

The financial reporting entity includes Western Kentucky University, as the primary government, and the accounts of the Western Kentucky University Research Foundation, Inc., collectively referred to as the University.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, consists of the organizations for which exclusion could cause the financial statements to be misleading or incomplete. The determination of financial accountability includes consideration of a number of criteria including (1) the University's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity; (2) the potential for that entity to provide specific financial benefits or to impose specific financial burdens on the University; and (3) that entity's fiscal dependency on the University.

The Western Kentucky University Research Foundation, Inc. (Research Foundation) is included in the University's financial statements as a component unit based on the above criteria. The Research Foundation is a legally separate not-for-profit corporation that is, in substance, a part of the University's operations. It is organized exclusively to benefit the University by generating funding for and performing many of the University's research activities.

The Research Foundation's financial data is combined with the University for financial reporting purposes by the blended component unit method. Transactions between the University and the Research Foundation are eliminated upon consolidation.

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Basis of Accounting and Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses.

The University routinely incurs expenses for which both restricted and unrestricted net assets are available. The University's policy is to allow departmental units the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources.

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB. Pursuant to GASB Statement No. 20, 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, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement. The University has elected not to apply FASB pronouncements issued after the applicable date.

Use of Estimates

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

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.

Western Kentucky University

Notes to Financial Statements

June 30, 2003 and 2002

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

Restricted Cash and Cash Equivalents

Externally restricted cash and cash equivalents are classified as restricted assets. Restricted cash and cash equivalents includes cash and cash equivalents used to purchase or construct capital or other noncurrent assets.

Investments and Investment Income

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, staff and external entities, and include reimbursement of costs from external entities and related foundations. Accounts receivable also include amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Deferred Bond Issue Costs

Bond issue costs incurred on the revenue bond issues have been deferred and are being amortized over the life of the bonds using the effective interest method. Total amortization for the years ended June 30, 2003 and 2002, were \$427,323 and \$230,302, respectively.

Inventories

Inventories, consisting principally of bookstore merchandise, are stated at the lower of cost, determined using the FIFO (first-in, first-out) method, or market.

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$526,709 and \$549,088 at June 30, 2003 and 2002, respectively.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset and is not allocated to functional expense categories. Equipment with an estimated useful life of greater than one year and \$5,000 is capitalized and depreciated with one-half a year's depreciation taken during the year of purchase or donation. Library materials are capitalized in total for the year with one-half a year's depreciation taken during the year of purchase or donation. Construction in process is capitalized when incurred. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred or when the project was closed and is identified as projects less than \$100,000. The University continues to track equipment with a cost of \$500 or more for insurance purposes consistent with applicable Kentucky Revised Statutes but does not capitalize items at these lower thresholds.

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

Buildings and building improvements	15 – 40 years
Furniture, fixtures and equipment	3 – 15 years
Land improvements and infrastructure	20 years
Library materials	10 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 borrowings. Total interest capitalized was:

	<u>2003</u>	<u>2002</u>
Total interest expense incurred on borrowings for project	\$ 1,538,250	\$ —
Interest income from investment of proceeds of borrowings for project	<u>835,695</u>	<u>—</u>
Net interest cost capitalized	\$ <u>702,555</u>	\$ <u>0</u>
Interest capitalized	\$ 702,555	\$ —
Interest charged to expense	<u>1,262,304</u>	<u>1,185,478</u>
Total interest incurred	\$ <u>1,964,859</u>	\$ <u>1,185,478</u>

Western Kentucky University

Notes to Financial Statements

June 30, 2003 and 2002

Historical Collections

The University owns historical collections housed throughout the campus that it does not capitalize, including collections in the Kentucky Building & Museum. These collections adhere to the University's policy to (1) maintain them for public exhibition, education or research; (2) protect, keep unencumbered, care for and preserve them; and (3) require proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than capitalized.

Compensated Absences

University policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized when vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. 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. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net assets date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

Deferred Revenue

Deferred revenue includes amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenue also includes amounts received from grant and contract sponsors that have not yet been earned and unexpended state capital appropriations.

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 scholarship allowances; (2) sales and services of auxiliary enterprises; and (3) interest on student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34 *Basic Financial Statements – Management's Discussion & Analysis – for State & Local Governments*, such as state appropriations and investment income.

Western Kentucky University

Notes to Financial Statements

June 30, 2003 and 2002

Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. 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 scholarship allowance.

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 resources in accordance with restrictions imposed by external third parties.

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees and sales and services of education departments and auxiliary enterprises. These resources are used at the discretion of the governing board to meet current expenses for any purpose.

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Note 2: Assets Held in Trust

Assets held in trust consisted of:

	2003	2002
City of Bowling Green	\$ 9,815	\$ 1,599,460
Regional University Excellence Trust Fund	6,192,375	6,541,137
WKU Student Life Foundation, Inc.	341,279	341,279
Fair value of assets held in trust	\$ 6,543,469	\$ 8,481,876

Assets held with the City and the WKU Student Life Foundation, Inc. are held pursuant to sinking fund requirements of pledges to the City and notes payable to the WKU Student Life Foundation, Inc. as further described in Note 7. Funding received through the Regional University Excellence Trust Fund is further described in Note 13.

Note 3: Investments and Investment Income

Investments

The University may legally invest in repurchase agreements, U. S. Treasury obligations and U. S. government agency obligations including collateralized mortgage obligations.

The University's investments are categorized to give an indication of the level of custodial credit risk assumed by the University. Category 1 includes investments that are insured or registered or for which the securities are held by the University or its agent in the University's name. Category 2 includes uninsured and unregistered investments for which the securities are held by dealer bank's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department in other than the University's name, by the broker/dealer, by the dealer bank or by another bank that is a subsidiary of the same holding company as the dealer bank.

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Investments at June 30, 2003 and 2002, consisted of the following:

	2003				
	1	Category 2	3	Carrying Value	Fair Value
Mortgage-backed securities	\$ <u>0</u>	\$ <u>2,936,203</u>	\$ <u>0</u>	\$ <u>2,936,203</u>	\$ <u>2,936,203</u>
	2002				
	1	Category 2	3	Carrying Value	Fair Value
Mortgage-backed securities	\$ <u>0</u>	\$ <u>3,813,045</u>	\$ <u>0</u>	\$ <u>3,813,045</u>	\$ <u>3,813,045</u>

Investment Income

Investment income for the years ended June 30, 2003 and 2002, consisted of:

	2003	2002
Interest income, including interest earned on cash equivalents	\$ 1,258,752	\$ 1,255,472
Net decrease in fair value of investments	<u>(101,515)</u>	<u>(712,471)</u>
	\$ <u>1,157,237</u>	\$ <u>543,001</u>

Note 4: Accounts Receivable

Accounts receivable consisted of:

	2003	2002
Tuition, fees, sales and services	\$ 1,427,295	\$ 1,116,071
Credit memos	558,379	441,994
Health insurance stop loss reimbursement	—	548,069
Receivables from supporting foundations	141,781	1,363,143
Miscellaneous other	<u>137,284</u>	<u>37,103</u>
	2,264,739	3,506,380
Less allowance for doubtful accounts	<u>135,901</u>	<u>150,696</u>
Accounts receivable, net	\$ <u>2,128,838</u>	\$ <u>3,355,684</u>

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2003 and 2002, was:

	Balance July 1, 2002	Additions	Disposals	Transfers	Balance June 30, 2003
Cost					
Land	\$ 4,401,051	\$ 676,652	\$ (491,038)	\$ —	\$ 4,586,665
Buildings and improvements	112,099,300	1,700,840	(60,000)	1,707,810	115,447,950
Infrastructure	10,369,554	—	—	202,873	10,572,427
Furniture, fixtures and equipment	21,307,537	2,447,397	(853,325)	—	22,901,609
Library materials	26,966,242	1,809,976	(158,101)	—	28,618,117
Construction in progress	<u>27,011,211</u>	<u>40,039,378</u>	<u>—</u>	<u>(1,910,683)</u>	<u>65,139,906</u>
	<u>202,154,895</u>	<u>46,674,243</u>	<u>(1,562,464)</u>	<u>0</u>	<u>247,266,674</u>
Less Accumulated Depreciation					
Buildings and improvements	63,383,357	3,156,052	(15,750)	127,617	66,651,276
Infrastructure	3,941,589	399,414	—	—	4,341,003
Furniture, fixtures and equipment	14,776,929	1,810,273	(830,400)	(127,617)	15,629,185
Library materials	<u>19,646,108</u>	<u>1,404,363</u>	<u>(158,101)</u>	<u>—</u>	<u>20,892,370</u>
	<u>101,747,983</u>	<u>6,770,102</u>	<u>(1,004,251)</u>	<u>0</u>	<u>107,513,834</u>
Net Capital Assets	<u>\$ 100,406,912</u>	<u>\$ 39,904,141</u>	<u>\$ (558,213)</u>	<u>\$ 0</u>	<u>\$ 139,752,840</u>

	Balance July 1, 2002 (as restated)	Additions	Disposals	Transfers	Balance June 30, 2002
Cost					
Land	\$ 4,079,181	\$ 321,870	\$ —	\$ —	\$ 4,401,051
Buildings and improvements	111,110,820	49,734	—	938,746	112,099,300
Infrastructure	7,784,046	—	—	2,585,508	10,369,554
Furniture, fixtures and equipment	19,744,238	1,604,255	(40,956)	—	21,307,537
Library materials	25,466,010	1,545,333	(45,101)	—	26,966,242
Construction in progress	<u>11,766,289</u>	<u>18,769,176</u>	<u>—</u>	<u>(3,524,254)</u>	<u>27,011,211</u>
	<u>179,950,584</u>	<u>22,290,368</u>	<u>(86,057)</u>	<u>0</u>	<u>202,154,895</u>

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

	Balance July 1, 2002 (as restated)	Additions	Disposals	Transfers	Balance June 30, 2002
Less Accumulated Depreciation					
Buildings and improvements	\$ 60,188,428	\$ 3,194,929	\$ —	\$ —	\$ 63,383,357
Infrastructure	3,592,117	349,472	—	—	3,941,589
Furniture, fixtures and equipment	12,812,331	1,964,598	—	—	14,776,929
Library materials	<u>18,348,416</u>	<u>1,342,793</u>	<u>(45,101)</u>	<u>—</u>	<u>19,646,108</u>
	<u>94,941,292</u>	<u>6,851,792</u>	<u>(45,101)</u>	<u>0</u>	<u>101,747,983</u>
Net Capital Assets	<u>\$ 85,009,292</u>	<u>\$ 15,438,576</u>	<u>\$ (40,956)</u>	<u>\$ 0</u>	<u>\$ 100,406,912</u>

Capitalized interest on construction in progress at June 30, 2003 and 2002, was \$ 702,555 and \$0, respectively.

A summary of construction in progress at June 30, 2003 and 2002, is as follows:

	2003	2002
Science Complex renovation	\$ 6,087,961	\$ 1,782,899
South Campus building	3,463,608	2,396,816
Diddle Arena renovation	25,395,694	1,455,090
Life Safety E&G building	503,766	503,766
High voltage underground distribution	659,661	608,661
Instructional Technology and Communication project	14,401,597	8,321,733
South Regional Education Center	8,763,175	7,959,170
ADA Projects Pool	921,846	403,735
Downing University Center renovation	989,242	—
Others under \$500,000	<u>3,953,356</u>	<u>3,579,341</u>
	<u>\$ 65,139,906</u>	<u>\$ 27,011,211</u>

Contractual commitments in connection with all projects totaled \$21,864,089 and \$13,663,126 at June 30, 2003 and 2002, respectively.

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Note 6: Deferred Revenue

Deferred revenue as of June 30, 2003 and 2002, consisted of:

	2003	2002
Unexpended state capital appropriations	\$ 18,772,217	\$ 31,034,105
Summer school tuition and fees	2,580,279	2,481,955
Grants and contracts	4,811,204	4,586,762
Advance sale of football tickets	61,633	51,717
University master plan	83,600	74,600
NCAA advance payment	51,790	0
ATM Rental	26,650	0
Advance sale of Sunbelt Tournament tickets	36,245	0
Advance sales of parking passes	17,375	17,800
Total deferred revenue	\$ 26,440,993	\$ 38,246,939

Note 7: Long-term Liabilities

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2003 and 2002:

	2003				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Capital lease obligations	\$ 1,700,475	\$ 1,678,864	\$ (616,603)	\$ 2,762,736	\$ 761,570
Bonds payable	20,705,000	80,000	(2,485,000)	18,300,000	2,605,000
Other long-term debt	2,269,668	—	(285,689)	1,983,979	148,473
Pledges payable, net of discount	31,620,543	—	—	31,620,543	—
Total bonds, pledges and capital leases	\$56,295,686	\$ 1,758,864	\$ (3,387,292)	\$54,667,258	\$ 3,515,043
	2002				
	Beginning Balance (as restated)	Additions	Deductions	Ending Balance	Current Portion
Capital lease obligations	\$ 1,539,262	\$ 926,103	\$ (764,890)	\$ 1,700,475	\$ 539,187
Bonds payable	23,065,000	0	(2,360,000)	20,705,000	2,495,000
Other long-term debt	2,520,324	0	(250,656)	2,269,668	285,689
Pledges payable, net of discount	—	31,620,543	—	31,620,543	—
Total bonds, pledges and capital leases	\$27,124,586	\$32,546,646	\$ (3,375,546)	\$56,295,686	\$ 3,319,876

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Bonds Payable

Bonds payable as of June 30, 2003, are composed of Consolidated Educational Buildings Revenue Bonds, Series L, M and N. The bonds mature in varying amounts through May 1, 2012, with interest payable at annual rates ranging from 2.00% to 5.00%. Buildings and revenues from student registration fees are pledged as collateral against bonds payable.

The total bonds payable as of June 30, 2003 and 2002, were as follows:

	2003	2002
Series G Bonds dated 5-01-1968 with interest rates from 5.00% to 6.00%. Final principal payment date 5-01-2008 (defeased in 2003 with Series N issue).	\$ —	\$ 1,490,000
Series K Bonds dated 5-20-1992 with interest rates from 3.25% to 6.10%. Final principal payment date 5-01-2012 (defeased in 2003 with Series N issue).	—	4,540,000
Series L Bonds dated 12-01-1993 with interest rates from 2.60% to 5.00%. Final principal payment date 5-01-2010.	\$ 9,325,000	\$ 10,400,000
Series M Bonds dated 3-01-1997 with interest rates from 4.70% to 4.90%. Final principal payment date 5-01-2007.	3,410,000	4,275,000
Series N Bonds dated 9-01-2002 with interest rates from 2.00% to 3.375%. Final principal payment date 5-01-2012.	<u>5,565,000</u>	<u>—</u>
Total bond issues	<u>\$ 18,300,000</u>	<u>\$ 20,705,000</u>

The debt service requirements for the bonds payable as of June 30, 2003, are as follows:

Year Ending June 30	Total to be Paid	Principal	Interest
2004	\$ 3,377,485	\$ 2,605,000	\$ 772,485
2005	3,378,015	2,710,000	668,015
2006	3,392,255	2,835,000	557,255
2007	3,407,155	2,970,000	437,155
2008	2,513,950	2,140,000	373,950
2009 – 2013	<u>5,657,138</u>	<u>5,040,000</u>	<u>617,138</u>
	<u>\$ 21,725,998</u>	<u>\$ 18,300,000</u>	<u>\$ 3,425,998</u>

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

On September 1, 2002, the University defeased Consolidated Educational Building Revenue Bond issues G and K and issued a \$6,110,000 Western Kentucky University Consolidated Educational Buildings Refunding Bond, Series N. The proceeds generated from the Series N bond issue have been placed in irrevocable trusts to make future payments of G and K principal and interest as amounts become due. Accordingly, the trust account assets and liability for the defeased bonds are not included in the accompanying financial statements.

On July 1, 2003, subsequent to the financial statement year-end, the University defeased Consolidated Educational Buildings Revenue Bond issue L and issued a \$9,830,000 Western Kentucky University Consolidated Educational Buildings Refunding Revenue Bond, Series O. The proceeds generated from Series O bond issue have been placed in escrow to make future payments of Series L principal and interest as amounts become due.

On September 1, 2003, subsequent to the financial statement year end, the University issued Western Kentucky University Consolidated Educational Buildings Revenue Bond, Series P. The \$11,135,000 proceeds generated from the bond issue will be used for the expansion and renovation of the Student Parking Structure and for relocating the Department of Facilities Management from the existing parking structure to facilities to be constructed as part of the Series P Project.

Capital Lease Obligations

The University has acquired certain equipment under various lease-purchase contracts and other capital lease agreements. The costs of University assets held under capital leases totaled \$5,515,803 and \$3,390,882 net of accumulated depreciation of \$1,721,651 and \$1,286,057 at June 30, 2003 and 2002, respectively. The following is a schedule by year of future minimum lease payments under the capital leases including interest at rates of 2.23% to 6.42% together with the present value of the future minimum lease payments as of June 30, 2003:

Year Ending June 30	Total to be Paid	Present Value of Future Minimum Lease Payments	Interest Portion
2004	\$ 822,599	\$ 761,570	\$ 61,029
2005	615,574	542,474	73,100
2006	556,469	506,863	49,606
2007	292,359	262,988	29,371
2008	252,550	232,187	20,363
2009 – 2013	<u>476,655</u>	<u>456,654</u>	<u>20,001</u>
	<u>\$ 3,016,206</u>	<u>\$ 2,762,736</u>	<u>\$ 253,470</u>

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Other Long-term Debt

In connection with the University's transfer to the WKU Student Life Foundation, Inc. of substantially all its residence halls in 1999, the University agreed to make future payments to the WKU Student Life Foundation, Inc. These payments represent the principal and interest allocation for the Garrett Conference Center and the Downing University Center, title to which was retained by the University, of the Housing and Dining Revenue Series H and Series K bonds transferred to the WKU Student Life Foundation, Inc. The future payments include annual principal payments and semiannual interest payments at rates ranging from 3.50% to 6.00%.

Debt service requirements on the other long-term debt at June 30, 2003, were as follows:

Year Ending June 30	Total to be Paid	Principal	Interest
2004	\$ 250,897	\$ 148,473	\$ 102,424
2005	323,302	231,518	91,784
2006	520,697	447,937	72,760
2007	520,072	473,102	46,970
2008	518,039	498,267	19,772
2009 – 2013	<u>187,581</u>	<u>184,682</u>	<u>2,899</u>
	<u>\$ 2,320,588</u>	<u>\$ 1,983,979</u>	<u>\$ 336,609</u>

Pledges Payable

The University has pledged certain future revenues consisting of student athletic fees to the City. The University has signed a Memorandum of Agreement dated April 15, 2002, and amended by supplement No. 1 dated June 1, 2002, between the City, Hilltopper Athletic Foundation (HAF) and the University. Under this agreement the University and the HAF have agreed to pledge certain future revenues in exchange for the renovation of E. A. Diddle Arena, financed by General Obligation and Special Revenues Bonds Series 2002B and 2002C issued by the City. These bonds constitute general obligations of the City and the full faith, credit and taxing power of the City.

In the signed Memorandum of Agreement, as amended, the University has agreed to (a) pledge the student athletic fees to the City for the payment of principal and interest on Series 2002B bonds and on a subordinated basis on Series 2002C bonds and (b) the University and HAF pledge the suite rentals (defined as annual suite rental minus annual HAF contributions) to the City on Series 2002C bonds. Additionally, the University has agreed to pay to the City the naming rights to Diddle Arena (if any) for Series 2002B bonds. The University has also covenanted and agreed to maintain the student athletic fees in amounts not less than the principal and interest of the bonds.

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

The University has recorded both Series 2002B and 2002C as the pledges payable to the City. Financing for both issues will be used for the improvement of University facilities and the University has an obligation to make up any difference that is not received from suite rental; therefore, HAF payments of interest and debt will be recorded as revenue when received and a reduction of bond principal or interest expense when paid.

Pledge payments for principal on Series 2003 B will be used to pay principal payment when due, while pledge payments on Series 2003 C Term Bonds will be set aside in a debt service reserve account held in trust with the City until date of term requires payment of principal. Series 2002 C bonds are due June 1, 2018 and June 1, 2026 in amounts of \$630,000 and \$1,170,000, respectively. The following is a schedule, by year, of future minimum pledge payments under the signed Memorandum of Agreement reimbursing the City for renovation costs:

Year Ending June 30	Total to be Paid	Principal 2003B	Principal 2003C	Interest 2003B	Interest 2003C
2004	\$ 1,538,250	\$ 0	\$ 0	\$ 1,425,188	\$ 113,062
2005	1,538,250	0	0	1,425,188	113,062
2006	1,538,250	0	0	1,425,188	113,062
2007	1,668,250	120,000	10,000	1,425,188	113,062
2008	1,818,464	275,000	10,000	1,420,988	112,476
2009 – 2013	11,316,039	3,765,000	195,000	6,814,225	541,814
2014 – 2018	13,864,400	7,280,000	415,000	5,710,424	458,976
2019 – 2023	15,560,100	10,970,000	670,000	3,621,750	298,350
2024 – 2027	<u>9,056,625</u>	<u>7,705,000</u>	<u>500,000</u>	<u>785,000</u>	<u>66,625</u>
	57,898,628	30,115,000	1,800,000	24,053,139	1,930,489
Less unamortized discount	<u>294,457</u>	<u>286,219</u>	<u>8,238</u>	—	—
Total pledges payable	<u>\$ 57,604,171</u>	<u>\$ 29,828,781</u>	<u>\$ 1,791,762</u>	<u>\$ 24,053,139</u>	<u>\$ 1,930,489</u>

Note 8: Operating Leases

The University leases certain equipment under operating lease agreements. The operating leases expire in various years through 2008. These leases generally transfer equipment at the end of the lease term, but individual equipment items are less than the capitalization policies of the University. Periods on these leases range from two to five years and require the University to pay all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at June 30, 2003, were:

2004	134,164
2005	70,377
2006	35,148
2007	32,300
2008	<u>32,300</u>
	<u>\$ 304,289</u>

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Note 9: Supporting Foundations

The University's financial statements do not include the assets, liabilities, net assets, revenues and expenses of the College Heights Foundation, Inc.; the Western Kentucky University Foundation, Inc.; the Hilltopper Athletic Foundation; the Ogden College Foundation; the Western Kentucky University Alumni Association; and the WKU Student Life Foundation, Inc. Each foundation is a separate legal entity with its own governing board and each has legal title to its respective assets. The foundations are not component units of the University, as they do not meet the criteria of accounting principles generally accepted in the United States of America for inclusion in the University's financial reporting entity. The financial statements for these foundations are issued separately.

The University makes annual lease payments of \$26,000 to the College Heights Foundation, Inc., under a capital lease consisting of real property. Future minimum lease payments for this lease are included in the capital leases in Note 7.

Note 10: Pension Plans

Kentucky Teachers' Retirement System

The University contributes to the Kentucky Teachers' Retirement System (KTRS), a cost-sharing, multiple-employer, defined-benefit pension plan administered by the Board of Trustees of KTRS. The plan provides retirement, disability and death benefits to plan members. The Commonwealth of Kentucky assigns the authority to establish and amend benefit provisions to the KTRS Board of Trustees. KTRS 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 or by calling 502 573-3266.

Funding for the plan is provided from eligible employees who contribute 6.16% of their salary through payroll deductions and the Commonwealth of Kentucky, which also indirectly contributes 13.84% of current eligible employees' salaries to the KTRS through appropriations to the University. The contribution requirements of plan members are established by statute and may be changed only by the Kentucky General Assembly. The University's contributions to KTRS for the years ended June 30, 2003, 2002 and 2001, were \$5,095,068, \$5,060,415 and \$5,148,038, respectively, which equaled the required contributions for each year.

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Kentucky Employees' Retirement System

The University contributes to the Kentucky Employees' Retirement System (KERS), a cost-sharing, multiple-employer, defined-benefit pension plan administered by the Board of Trustees of KERS. The plan provides retirement, disability and death benefits to plan members. The Commonwealth of Kentucky assigns the authority to establish and amend benefit provisions to the KERS Board of Trustees. KERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 502 564-4646.

Plan members are required to contribute 5.00% of their annual covered salary, and the University is required to contribute at an actuarially determined rate. The current rate is 5.89% of annual covered payroll. University police officers participate in the Hazardous Duty Division of KERS. The officers are required to contribute 8.00% of their annual covered salary, and the University is required to contribute at an actuarially determined rate. The current rate is 18.84% of annual covered payroll. The contribution requirements of plan members are established by statute and may be changed only by the Kentucky General Assembly. The University's contributions to the KERS for the years ended June 30, 2003, 2002 and 2001, were \$1,127,453, \$999,283 and \$941,859, respectively, which equal the required contributions for each year.

Optional Retirement Plan

University faculty and administrative staff hired after July 1, 1996, have the option of participating in the Optional Retirement Program, a defined contribution pension plan. The plan is administered by one of three providers chosen by the employee. The plan provides retirement benefits to plan members. Benefit provisions are contained in the plan document and were established and may be amended by action of the Commonwealth of Kentucky. Contribution rates for plan members and the University for 2003 expressed as a percentage of covered payroll were 6.16% and 13.84%, respectively. Of the University's 13.84% contribution, 4.58% is paid to Kentucky Teachers' Retirement System for unfunded liabilities. The University's contributions to the Optional Retirement Program for the years ended June 30, 2003, 2002 and 2001, were \$1,923,156, \$1,771,295 and \$1,381,063, respectively. Employees' contributions to the Optional Retirement Program for the years ended June 30, 2003, 2002 and 2001, were \$1,280,230, \$1,084,608 and \$790,645, respectively.

Note 11: Commitments and Contingencies

Claims and Litigation

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University.

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Government Grants

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

Note 12: Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; 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, employee health and certain natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Commonwealth of Kentucky self insures workers' compensation benefits for all state employees, including University employees. Risk Management Services Corporation administers workers' compensation claims.

The University has joined together with other Kentucky governmental entities to form a public entity risk pool currently operating as a common risk management and insurance program for its members. The University pays an annual premium to the pool for its workers' compensation insurance coverage. The pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts.

Under its self-insured health plan, the University accrued the estimated costs of health care claims based on claims filed subsequent to year end and an additional amount for incurred but not yet reported claims based on prior experience.

Changes in the balance of the self-insured health liability are summarized as follows:

	<u>2003</u>	<u>2002</u>
Balance, beginning of year	\$ 915,878	\$ 791,089
Claims and changes in estimates	8,875,433	7,199,784
Claims payments	(7,329,781)	(6,475,371)
Administration costs and Stop Loss Insurance	<u>(1,016,294)</u>	<u>(599,624)</u>
Balance, end of year	<u>\$ 1,445,236</u>	<u>\$ 915,878</u>

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Note 13: Regional University Excellence Trust Fund

The Kentucky General Assembly appropriated funds to the 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 education activities within the Commonwealth of Kentucky. These funds were made available when 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 University, under Kentucky House Bill 502, enacted by the 2000 General Assembly, included the provisions that "the proceeds of the endowment program authorized under Part X, Section I of this Act shall be deposited in the Regional University Excellence Trust Fund Account and invested at the direction of the CPE. Upon receipt of certification, the Council shall transfer the endowment funds from the account to the respective universities for management and investment by the university foundations if the foundations have been previously created to manage and invest private gifts and donations on behalf of the universities over time, otherwise by the university itself."

The University transfers these state match funds to the Western Kentucky University Foundation, Inc. and the College Heights Foundation for investment purposes. The Western Kentucky University Foundation, Inc. and the College Heights Foundation are non-affiliated foundations under the governing laws of the Commonwealth of Kentucky. These Foundations are responsible for managing some of the fund raising and investing activities of the University. The University has recorded the state appropriated RUETF as assets held in trust in the Regional University Excellence Trust Fund (see Note 2 for the fair value of assets held).

Following is a summary of the funding for the RUETF as of June 30, 2003 and 2002:

	CPE Funding Received	External Matched Pledges	
		University Received	University Pledge
Balance, July 1, 2002	\$ 7,013,209	\$ 3,982,025	\$ 3,031,184
Current year additions (deletions)	<u>—</u>	<u>970,002</u>	<u>(970,002)</u>
Balance, June 30, 2003	<u>\$ 7,013,209</u>	<u>\$ 4,952,027</u>	<u>\$ 2,061,182</u>
	CPE Funding Received	External Matched Pledges	
		University Received	University Pledge
Balance, July 1, 2001	\$ 6,988,000	\$ 2,703,963	\$ 4,284,037
Current year additions (deletions)	<u>25,209</u>	<u>1,278,062</u>	<u>(1,252,853)</u>
Balance, June 30, 2002	<u>\$ 7,013,209</u>	<u>\$ 3,982,025</u>	<u>\$ 3,031,184</u>

The University's external matched pledges, both received and outstanding, have not been recorded on the University's financial statements.

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Note 14: Natural and Functional Classifications of Operating Expenses

The University's operating expenses by functional classification on June 30, 2003 and 2002, were as follows:

2003 – Natural Classification							
Functional Classification	Compensation and Benefits	Supplies, Contractual Services and Other	Utilities	Non Capitalized Property	Scholarships	Depreciation	Total
Instruction	\$ 56,561,477	\$ 4,950,616	\$ 85,616	\$ 1,531,071	\$ 169,278	\$ —	\$ 63,298,058
Research	3,314,371	2,415,970	11,178	321,550	10,500	—	6,073,569
Public service	8,176,124	7,517,170	167,203	352,896	—	—	16,213,393
Libraries	3,252,718	110,739	923	34,655	—	—	3,399,035
Academic support	5,191,770	1,598,291	18,467	297,377	1,600	—	7,107,505
Student services	8,733,385	5,338,828	62,541	186,358	825,744	—	15,146,856
Institutional support	13,298,595	3,888,507	30,947	300,283	—	—	17,518,332
Operation and maintenance of plant	7,479,909	3,383,372	4,542,127	737,953	—	—	16,143,361
Student financial aid	62,905	1,081,585	—	737	11,036,418	—	12,181,645
Depreciation	—	—	—	—	—	6,770,102	6,770,102
Auxiliary enterprises	<u>4,862,334</u>	<u>6,623,965</u>	<u>1,602,311</u>	<u>115,219</u>	<u>—</u>	<u>—</u>	<u>13,203,829</u>
Total operating expenses	<u>\$ 110,933,588</u>	<u>\$36,909,043</u>	<u>\$ 6,521,313</u>	<u>\$ 3,878,099</u>	<u>\$ 12,043,540</u>	<u>\$ 6,770,102</u>	<u>\$ 177,055,685</u>
2002 – Natural Classification							
Functional Classification	Compensation and Benefits	Supplies, Contractual Services and Other	Utilities	Non Capitalized Property	Scholarships	Depreciation	Total
Instruction	\$ 52,600,285	\$ 4,267,903	\$ 137,735	\$ 1,565,218	\$ 324,402	\$ —	\$ 58,895,543
Research	3,418,806	2,124,609	21,040	856,784	40,133	—	6,461,372
Public service	7,333,266	6,077,152	116,833	160,923	38,520	—	13,726,694
Libraries	3,172,635	219,217	2,046	18,254	—	—	3,412,152
Academic support	4,811,925	1,518,955	16,332	192,524	8,916	—	6,548,652
Student services	7,718,050	4,357,257	43,746	152,480	1,473,046	—	13,744,579
Institutional support	11,704,731	3,393,886	36,584	196,166	1,522	—	15,332,889
Operation and maintenance of plant	6,872,260	3,943,302	3,723,400	381,300	—	—	14,920,262
Student financial aid	68,110	980,554	—	2,650	11,732,334	—	12,783,648
Depreciation	—	—	—	—	—	6,851,792	6,851,792
Auxiliary enterprises	<u>4,505,362</u>	<u>5,719,212</u>	<u>1,817,954</u>	<u>59,924</u>	<u>—</u>	<u>—</u>	<u>12,102,452</u>
Total operating expenses	<u>\$102,205,430</u>	<u>\$32,602,047</u>	<u>\$ 5,915,670</u>	<u>\$ 3,586,223</u>	<u>\$ 13,618,873</u>	<u>\$ 6,851,792</u>	<u>\$ 164,780,035</u>

Western Kentucky University
Notes to Financial Statements
June 30, 2003 and 2002

Note 15: Future Changes in Accounting Principles

GASB has issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14. This new statement provides additional guidance to determine whether certain organizations should be included as component units in the University's financial statements based on the nature and significance of their relationship with the University. The statement generally requires reporting, as component units, organizations that raise and hold economic resources for the direct benefit of the University. The University expects to first apply the new statement for year ending June 30, 2004. The impact of applying the new statement has not yet been fully determined, but it is expected that several University Foundations will be included in the University's June 30, 2004 financial statement audit. Both the University and the University Foundations are examining the effect of this new standard on financial reporting.

GASB has issued Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. The new statement changes reporting for investment risk note disclosures and the provisions of this statement are effective for the University financial statements for periods beginning after June 15, 2004.

Supplementary Information

Western Kentucky University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2003

<u>Cluster/Program</u>	<u>Federal Agency/ Pass-through Entity</u>	<u>CFDA Number</u>	<u>Grant or Identifying Number</u>	<u>Amount Expended</u>
<u>Student Financial Assistance</u>				
Federal Family Education Loan Prog	U.S. Department of Education	84.032		\$ 30,504,547
National Direct Student Loan*	U.S. Department of Education	84.038		5,793,975
On Campus Work Study-Federal	U.S. Department of Education	84.033		592,817
Off Campus Work Study-Federal	U.S. Department of Education	84.033	P033A1615	94,053
America Reads WS	U.S. Department of Education	84.033	P033A21615	53,092
SEOG Grants 2001-2002	U.S. Department of Education	84.007	P007A001615	(4,000)
SEOG Grants 2002-2003	U.S. Department of Education	84.007	P007A011615	444,107
PELL Grants 2001-2002	U.S. Department of Education	84.063	P063P000657	14,214
PELL Grants 2002-2003	U.S. Department of Education	84.063	P063P000657	13,304,261
Total Student Financial Assistance				50,797,066
<u>Research and Development</u>				
Poultry Waste Management Proj 1)	U.S. Department of Agriculture	10.001	5864061017	119,334
Poultry Waste Management (Proj 2)	U.S. Department of Agriculture	10.001	5864061017	88,246
Poultry Waste Management (Proj 3)	U.S. Department of Agriculture	10.001	5864061017	87,108
PLOW- People Learning Other's Ways	U.S. Department of Health & Human Services	10.224	97362015260	11,770
UXO Tool (PFTNA)	U.S. Department of Defense /Science Applications International Corp	12.301	N0017400C007	134,776
PELAN IEP 2000 Phase 3	U.S. Department of Defense /Batelle Memorial Institute	12.901	1598984	223
Thermal Stability Silicate	U.S. Air Force	12.630	F49620-00-1-	79,074
Transportable Detectron Probe	U.S. Department of the Army	12.910	DAA0798C0118	14,978
Pelan Neutron-Based UXO Id Probe	U.S. Department of the Army	12.910	DACA7201C001	186,692
Fish Population	U.S. National Park Service	15.608	H553001007	18,619
Sinking Springs	U.S. National Park Service	15.921	1443CA553099	4,265
Impact/Lock & Dam #6	U.S. National Park Service	15.921	H5530010104	10,526
Graduate-level Training	U.S. National Park Service	15.923	H2360020009 T002-02	5,904
Black Bear in Appalachian Ecosys	U.S. National Park Service/KY Dept of Fish and Wildlife Resources	15.634	MOA 5-22-02	11,969
Mercury in Mammoth Cave	U.S. National Park Service/University of KY Research Foundation	15.805	UKRF4-64694-02-303	7,613
Id Explosives- Pelan	U.S. Department of Transportation/FAA Technical Center	20.108	00-G-027	44,177
Ky Space Grant Consortium- Yr 8	National Aeronautics & Space Administration	43.001	NGT5-40051	39
Ky Space Grant Consortium- Yr 9	National Aeronautics & Space Administration	43.001	NGT5-40051	4
Ky Space Grant Consortium Yr 10	National Aeronautics & Space Administration	43.001	NGT5-40105	43,534
Ky Space Consortium Yr 11	National Aeronautics & Space Administration	43.001	NGT5-40105	143,681
Ky Space Grant Consortium Yr 12	National Aeronautics & Space Administration	43.001	NGT5-40105	25,013
Starbase Network	National Aeronautics & Space Administration	43.001	NAG5-08762	88,149
NASA EPSCoR	National Aeronautics & Space Administration	43.001	NCC5-222	26,000
NASA EPSCoR Preparation Program	National Aeronautics & Space Administration	43.001	NCC5-396	121
Detection of Extrasolar Planets	National Aeronautics & Space Administration	43.001	NGT5-40105	337
MaCWAVE Sounding Rocket	National Aeronautics & Space Administration	43.001	NGT5-40105	1,065

*Includes loans outstanding at the beginning of year plus loans issued during the year

Western Kentucky University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2003

KY NASA/EPSCoR Program Yr 8	National Aeronautics & Space Administration	43.001	NCC5-571	\$	328,215
Monitor & Assess Human Health	National Aeronautics & Space Administration	43.001	NCC5-571 SUB 516140		349
Optical Photo Monitoring-Sub 516140	National Aeronautics & Space Administration	43.001	NCC5-571 SUB516140		6,513
Astronomy to Classroom - Sub 516106	National Aeronautics & Space Administration	43.001	NGT5-40105 SUB		1,989
Black Hole Masses - Sub 516106	National Aeronautics & Space Administration	43.001	NGT5-40105 SUB		3,500
Exp. Of Period Changes-Sub 516106	National Aeronautics & Space Administration	43.001	NGT5-40105 SUB		3,410
Monitoring of Gamma-ray-Sub 516106	National Aeronautics & Space Administration	43.001	NGT5-40105-SUB		3,092
Wing-Collision Effects	National Aeronautics & Space Administration	43.001	NAS5-32985-D088		7,859
Cass 2001	National Aeronautics & Space Administration /Tennessee State University	43.001	CONTRACO.WKS		6,751
MRI/RUI: Manufacturing Systems	National Science Foundation	47.041	DMI-0116515		75,684
Catalysis of Diverted Orth- Metal	National Science Foundation	47.049	CHE-0101435		64,117
Surfactant Immobilized Sorbent Mat	National Science Foundation	47.049	CHE-0132181		68,054
Acquisition of Workstation Computer	National Science Foundation	47.070	ECS-9724186		(90)
RUI: Molecular Phylogenetics	National Science Foundation	47.074	DEB-0236166		30,437
Lifespan Psychology	National Science Foundation	47.075	SES-0097491		72,364
Synthesis/Technological Application	National Science Foundation/KY NSF EPSCoR	47.076	NSF EPSCOR		22,450
Fluorescence Quenching Studies	National Science Foundation	47.076	4-65499-03-362		6,854
Experimental and Computational Stud	National Science Foundation/University of KY Reasearch Foundation	47.076	UKRF 4-65499-03-364		7,806
Ecological Studies of Dung Beetles	National Science Foundation/University of KY Reasearch Foundation	47.076	UKRF 4-65499-03-363		3,252
PELAN System Training	TVA - Tennessee Valley Authority/TVA - Tennessee Valley Authority	62.001	TVA 4778		5,301
TVA Analyzer Installation & Repair	TVA - Tennessee Valley Authority/TVA - Tennessee Valley Authority	62.001	PO7417 AKU-R		7,583
Quarters Area Archaeological Survey	U.S. Environmental Protection Agency	66.606	NPS MOA 7-31-02		465
KRWA	U.S. Environmental Protection Agency	66.606	X826659-01-3		73,200
Task 3 Yr 3	U.S. Environmental Protection Agency	66.606	X826659-01-3		139,863
Task 4 Yr 3	U.S. Environmental Protection Agency	66.606	X826659-01-3		75,147
Small Rural Water Admin 3	U.S. Environmental Protection Agency	66.606	X826659-01-3		227,282
Task 2B Groundwater Sensitivity Map	U.S. Environmental Protection Agency	66.606	X-97418901-0		32,160
Wastewater Admin & Mgmt	U.S. Environmental Protection Agency	66.606	X-97418901-0		93,422
Wastewater Quality & Sampling	U.S. Environmental Protection Agency	66.606	X-97418901-0		52,957
Wastewater Database	U.S. Environmental Protection Agency	66.606	X-97418901-0		43,717
Archeological Site Stewardship Prog	U.S. Environmental Protection Agency	66.606	H5530020075		3,665
Biological Monitoring Program	U.S. Environmental Protection Agency/KY Division of Water	66.460	M-01133685		6,113
Bacteriological & Biological Assmen	U.S. Environmental Protection Agency/KY Division of Water	66.460	M-01133436		1,962
Green River Watershed Project	U.S. Environmental Protection Agency/KY Division of Water	66.460	M-03043136		919
Environmental Control Tech Lab	U.S. Department of Energy/U.S. Department of Energy	81.089	DE-AP26-02NT20836		24,996
Raising Science Achievement	U.S. Department of Education/Council of Postsecondary Education	84.281	EISENHOWER 17		49,573
Personal Preparation in EI	U.S. Department of Education	84.325	PS350703		68,071
Learning & Judgement in Older Adult	U.S. Dept of Health & Human Services	93.866	1 R01 AG19155-01-02-03		174,787
WKU KBRIN	U.S. Dept of Health & Human Services/University of Louisville	93.389	LTR121901		21,721
WKU KBRIN Yr 2 of 3	U.S. Dept of Health & Human Services/University of Louisville	93.389	ULRF 01-555		29,581

Western Kentucky University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2003

Molecular Systematics of Mints	U.S. Dept of Health & Human Services/University of Louisville	93.389	ULRF 01-555-02SI	\$	32,878
Detection & Tracking of Bacterial..	U.S. Dept of Health & Human Services/University of Louisville	93.389	ULRF 01-555-02SI		29,403
Zebrafish Visual Function	U.S. Dept of Health & Human Services/University of Louisville	93.389	ULRF 01-555-02SI		22,447
Use of Amino Acid Properties	U.S. Dept of Health & Human Services/University of KY Research Foundation	93.389	UKRF 4-66404-03-286		4,623
Visual Processing Older Adults	U.S. Dept of Health & Human Services/University of Alabama at Birmingham	93.866	5R37 AG05739-17		70,582
Enhancing Mobility FY 03	U.S. Dept of Health & Human Services/University of Alabama at Birmingham	93.866	5P50AG11684-11		82,126
Improvement of Visual Processing in	U.S. Dept of Health & Human Services/University of Alabama at Birmingham	93.866	5R37 AG05739-18		7,086
Total Research & Development					3,247,453
<u>Other Programs</u>					
Improving Teacher Quality Yr 4-Mtg	U.S. Department of Education	84.336	P336B990014-02A		429
Improving Teacher Quality- USDE Sem	U.S. Department of Education	84.336	P336B9900140		7,303
Improving Teacher Quality Yr 1	U.S. Department of Education	84.336	P336B99900140		9,521
Improving Teacher Quality Year 2	U.S. Department of Education	84.336	P336B9900140		150,193
Improving Teacher Quality Yr 3	U.S. Department of Education	84.336	P336B990014-01-02		681,840
Improving Teacher Quality 99-04	U.S. Department of Education	84.336	P336B990014-01-02		578,618
					1,427,904
Quality Center IVA Head Start 00-01	U.S. Department of Health & Human Services	93.600	90YQ0001/04		1
Quality Center IV-A Head Start 2002	U.S. Department of Health & Human Services	93.600	90YQ0001/05		385,149
Early Quality IV-A 2002	U.S. Department of Health & Human Services	93.600	90YQ001/05		244,158
Quality Center IV B 2002	U.S. Department of Health & Human Services	93.600	90YQ0016/05		553,206
Early Quality IV B 2002	U.S. Department of Health & Human Services	93.600	90YQ0016/05		179,804
Headstart General 18-2002	U.S. Department of Health & Human Services	93.600	04CH0201/18		396,048
Headstart T/TA 18-2002	U.S. Department of Health & Human Services	93.600	04CH0201/18		74,697
Quality Center IV-A Head Start 2003	U.S. Department of Health & Human Services	93.600	90YQ0001/06		1,237,117
Early Quality IV-A 2003	U.S. Department of Health & Human Services	93.600	90YQ001/06		534,157
Quality Center IV-B 2003	U.S. Department of Health & Human Services	93.600	90YQ0016/06		1,446,626
Early Quality IV-B	U.S. Department of Health & Human Services	93.600	90YQ0016/06		625,662
Head Start General 19-2003	U.S. Department of Health & Human Services	93.600	04CH0201/19		794,652
Head Start T/TA 19-2003	U.S. Department of Health & Human Services	93.600	04CH0201/19		14,944
Early Head Start Delegate 2002	U.S. Department of Health & Human Services-Flow Through /Murray Head Start	93.600	09YC 0661 001		27,458
Early Headstart Delegate 2002	U.S. Department of Health & Human Services-Flow Through /Murray Head Start	93.600	09YC 0661 001		282
Early Headstart Delegate 2003	U.S. Department of Health & Human Services-Flow Through /Murray Head Start	93.600	04YC0661-001		149,090
Early Head Start Training	U.S. Department of Health & Human Services-Flow Through /Murray Head Start	93.600	04YC0661-001		682
Family Literacy Project	U.S. Department of Health & Human Services-Flow Through /Murray Head Start	93.600	90YL0001/03		26,298
Family Literacy Project	U.S. Department of Health & Human Services-Flow Through /Murray Head Start	93.600	SU76PE0323/		32,139
Total Head Start					6,722,170

Western Kentucky University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2003

Other Federal Awards

University Center Program 2002	U.S. Department of Commerce	11.303	04-66-04928	\$ 2,228
University Center Program 2003	U.S. Department of Commerce	11.303	04-66-0589	90,000
Disaster Mitigation	U.S. Department of Commerce	11.307	04-69-04980	12,017
WKYU-FM STL Replacement	U.S. Department of Commerce	11.550	21-01-N02081	38,754
WKYUDT Phase I	U.S. Department of Commerce/Public Broadcasting	11.550	PBS 8-19-02	282,719
				<hr/> 425,718 <hr/>
USAR - Training 108th Division	U.S. Department of Defense	12.113	DAKF29-01-M-0497 & 0494	(86)
108th Division Training 02	U.S. Department of Defense	12.113	DAKF29-02-M-0356&0374	140
100th Division (IT) Annual Training	U.S. Department of Defense	12.113	DABJ15-03-M-0303 & 0340	151,301
108th Division (IT) Annual Training	U.S. Department of Defense	12.113	DABJ15-03-M-0304 & 0308	138,039
				<hr/> 289,394 <hr/>
Dev Nat Pk Species Database	National Park Service	15.921	CA553000002	20,838
Rehousing Catalog Specimens	National Park Service	15.921	CA55049007	-
Backlog Cataloging 10,000 Items	National Park Service	15.921	1443 CA5530 00 001	29,365
Preserve Maps, Drawings & Photos	National Park Service	15.921	1443 CA5530 00 001	27,288
Assess Off-Site Museum Collections	National Park Service	15.921	1443 CA5530 00 001	12,043
Ecological Monitoring Collection	National Park Service	15.921	H5530010144	6,687
Student Research at Mammoth Cave	National Park Service	15.921	H5530020034	13,689
Digital Library - Collection Websit	National Park Service	15.921	CA5530110003	6,709
				<hr/> 116,619 <hr/>
WKU Juvenile Delinquency Project	U.S. Department of Justice	16.541	2002-JP-FX 1001	336,643
KY LL EBG Program	U.S. Department of Justice/Commonwealth of KY Justice Cabinet	16.592	MOA 5-10-01	4,500
International Journalism Training	Department of State/Internews Network	19.300	LETTER 6-5-01	181,132
Astr/Space SC Workshop sub516104	National Aeronautics & Space Administration	43.001	NGT5-40051	28
Astro/Space Science Teacher 2000	National Aeronautics & Space Administration	43.001	NGT5-40051	256
Space Workshop 2002-Sub 516105	National Aeronautics & Space Administration	43.001	SUB TO 516105 NGT5-4010	7,741
Astro/Space Workshop 2003	National Aeronautics & Space Administration	43.001	NGT5-40105 SUB	2,320
Engineering/Robotics - Sub 516106	National Aeronautics & Space Administration	43.001	NGT5-40105 SUB	3,922
Ky Earth Science	National Aeronautics & Space Administration/Institute for Global Environmental Strategies	43.001	NAG5-8517	9,772
SSA Workshop for Teachers	National Aeronautics & Space Administration/SERCH	43.001	CK492443	3,956
How Old is Your Universe? Workshop	National Aeronautics & Space Administration/Space Telescope Science Institute	43.001	HST-ED-90251-01-A	5,708
Saturday Scholars Academy	National Aeronautics & Space Administration/NAACP	43.001	NASA-NAACP	5,200
Extending Nova Network-KY-IDEAS	National Aeronautics & Space Administration/University of Alabama	43.001	NAG5-9388	2,161
				<hr/> 41,064 <hr/>

Western Kentucky University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2003

Forever Free	National Endowment for Humanities/NEH-National Endowment for Humanities	45.164	GL-50055-03	\$	262
We * Can	National Science Foundation/NSF-National Endowment for Humanities	47.041	HRD-0086370		10,015
Small Business Center FY 02	Small Business Administration /University of Kentucky Research Foundation	59.037	UKRF 465241-02-113		23,477
Small Business Center FY 03	Small Business Administration /University of Kentucky Research Foundation	59.037	UKRF 4-66282-03-156		38,501
					61,978
Vocational Evaluation	Department of Vetrans Affairs	64.117	V3027		8,779
Vocational Rehab, Area 2	Department of Vetrans Affairs	64.117	V101(93)P-1980		20,000
					28,779
Digital Library	National Park Service	66.606	H553002063		9,880
Radon Mitigation in Schools	National Park Service/KY Cabinet for Health Services	66.032	M-02074194		13,266
River Institute: Building Ed Part	National Park Service/KY Division of Water	66.460	M-02025681 & M-02172347		33,300
Utility Mgmt Institute-Phase IV	National Park Service/KY Rural Water Association	66.606	X-97418901-SUB KRWA		6,915
					63,361
PROJECT GATE	U.S. Department of Education	84.016	P016A010025		77,675
Global Workforce Yr 1 & 2	U.S. Department of Education	84.016	P016A000012-01		21,733
Student Support Services 4 of 4	U.S. Department of Education	84.042	P042A980514		71,488
Student Support Services 02-06	U.S. Department of Education	84.042	P042A021170		217,835
Talent Search 98-02	U.S. Department of Education	84.044	9044A980350		61,366
Talent Search 03-07	U.S. Department of Education	84.044	PO44A020280		281,614
Veterans Upward Bound 00-03	U.S. Department of Education	84.047	IP047A990681		266,206
Upward Bound- 99-04	U.S. Department of Education	84.047	P047A990886		345,466
EOC-Educational Opportunity Centers	U.S. Department of Education	84.066	P066A020229 &229A		107,222
Fed Trio Training-General 2001	U.S. Department of Education	84.103	P103A000029		102,293
Fed Trio Training-Report 2001	U.S. Department of Education	84.103	P103A000060		14,499
Fed Trio Training-Regulatory 2001	U.S. Department of Education	84.103	P103A000035		92,300
Fed Trio Training-General 03-05	U.S. Department of Education	84.103	P103A020042		235,290
Fed Trio Training-Report 03-05	U.S. Department of Education	84.103	P103A020013		188,064
Fed Trio Training-Regulatory 03-05	U.S. Department of Education	84.103	P103A020011		252,859
CC Middle School Resource Lab	U.S. Department of Education	84.116	P116B01184		99,478
OGBE Promoting E Commerce	U.S. Department of Education	84.116	P116Z010057		39,547
Energizing Resources-WKU & Partners	U.S. Department of Education	84.116	P1162020205		136,894
Achieving International Motive	U.S. Department of Education	84.153	P153A020048		64,379

Western Kentucky University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2003

Quality- New Teachers	U.S. Department of Education	84.303 R303K010047	\$	78,124
CCAMPIS	U.S. Department of Education	84.335 P335A010005		103,884
				2,858,216
Missing Link: Parents as Partners	U.S. Department of Education - Flow Through /University of North Carolina at Chapel Hill	84.027 UNC/USDE		70
Cavland Educational Support Center	U.S. Department of Education - Flow Through/KY Department of Education	84.027 PL105-171IDEA		602
First Steps Monitoring System	U.S. Department of Education - Flow Through/Kentucky Cabinet for Health Services	84.027 M-1274411		5,747
Special Education Tuition Program	U.S. Department of Education - Flow Through /Northern Kentucky University	84.027 NK4-23095		117
Agriculture - Perkins 2002	U.S. Department of Education - Flow Through/KY Department of Education	84.048 PL#101392		4,611
Community College-Perkins 2002	U.S. Department of Education - Flow Through/KY Department of Education	84.048 PL 101-392		9,753
Perkins-Marketing Program 2002	U.S. Department of Education - Flow Through /Kentucky Cabinet for Workforce Development	84.048 PERKINS 2002		538
Teacher Ed for Industrial Ed	U.S. Department of Education - Flow Through/KY Cabinet for Workforce Development	84.048 PERKINS 2003		20,203
Improve TE Programs	U.S. Department of Education - Flow Through/KY Cabinet for Workforce Development	84.048 PERKINS 2003		22,000
Perkins - Agriculture 2003	U.S. Department of Education- Flow Through/KY Cabinet for Workforce Development	84.048 PERKINS 2003		23,524
Perkins - Dental Hygiene 2003	U.S. Department of Education- Flow Through/KY Cabinet for Workforce Development	84.048 PERKINS 2003		33,489
Perkins - Community College 2003	U.S. Department of Education- Flow Through/KY Cabinet for Workforce Development	84.048 PERKINS 2003		140,807
Perkins - Marketing 03	U.S. Department of Education - Flow Through /Kentucky Cabinet for Workforce Development	84.048 PERKINS FED-FLOW		1,898
Introduction to Surveying and Level	U.S. Department of Education - Flow Through /Kentucky Cabinet for Workforce Development	84.048 M-03090127		1,502
Integration of Academic and Technic	U.S. Department of Education - Flow Through /Kentucky Cabinet for Workforce Development	84.048 PERKINS 6-4-03		18,738
Field-based Teacher Ed-Industrial	U.S. Department of Education - Flow Through /Kentucky Cabinet for Workforce Development	84.048 PERKINS 2002		1,623
Tech Prep Activities	U.S. Department of Education - Flow Through /Kentucky Cabinet for Workforce Development	84.048 PERKINS 2002		13,413
Comparing Watersheds Across KY	U.S. Department of Education/Murry Head Start	84.168 MOA NO. OSP 2003-138		350
2001-2002 Faculty Assistance Grant	U.S. Department of Education - Flow Through/KY Department of Education	84.173 M-01303795		5,258
IECE Traineeship Grant	U.S. Department of Education - Flow Through/KY Department of Education	84.173 M-02359907		4,998
Using the Environment: (EIC)	U.S. Department of Education - Flow Through/Murray Head Start	84.215 MOA-OSP 2003-013		24,800
Teach & Learn Astro/Space	U.S. Department of Education - Flow Through/KY Council on Postsecondary Education	84.281 EISENHOWER 17		14,392
GREAT Science	U.S. Department of Education - Flow Through/KY Council on Postsecondary Education	84.281 EISENHOWER 17		37,531
Science Project 2001	U.S. Department of Education - Flow Through/KY Council on Postsecondary Education	84.281 EISENHOWER		17,460

Western Kentucky University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2003

The River 06/30/03	U.S. Department of Education - Flow Through/KY Council on Postsecondary Education	84.281	EISENHOWER 17	\$	55,634
NWP Writing Project	U.S. Department of Education - Flow Through/National Writing Project Corporation	84.298	92KY-06		38,590
Ky Gear Up Project Yr2	U.S. Department of Education - Flow Through/KY Council on Postsecondary Education	84.334	MOA120501		68,734
Ky Gear Up Project Yr3	U.S. Department of Education - Flow Through/Council of Postsecondary Education	84.334	Letter 10-10-02		39,834
					<hr style="border-top: 1px solid black;"/>
					606,216
					<hr style="border-top: 1px solid black;"/>
EMS for Children	U.S. Department of Health & Human Services	93.127	M-02177353		5,300
Industrial Hygiene 2003	U.S. Department of Health & Human Services	93.263	T02/CCT410463-09		26,922
Advanced Ed Nursing Traineeship	U.S. Department of Health & Human Services	93.358	2A10HP00189-03		36,832
Rural Mobil Health Unit	U.S. Department of Health & Human Services	93.912	PL104-299		201,787
KEMSA Rural Health	U.S. Department of Health & Human Services	93.912	PL104-299		254,246
Rural Health Initiative/ MHU / RTU02	U.S. Department of Health & Human Services	93.912	2 D1A RH 00032-02		186,972
RHP: Empowering the Elderly	U.S. Department of Health & Human Services	93.912	1D1ARH00068-01		83,864
KEMSA Rural Health 03	U.S. Department of Health & Human Services	93.912	2DIARH00048-02		81,023
					<hr style="border-top: 1px solid black;"/>
					876,946
					<hr style="border-top: 1px solid black;"/>
MSS - AHEC 2002	U.S. Department of Health & Human Services - Flow Through/University of Louisville	93.107	ULRF/DHHS 93.107		60,469
MSSA 02-03	U.S. Department of Health & Human Services - Flow Through/University of Louisville	93.107	ULRF-DHHS SUB 12/18/02		25,876
EMS for Children Yr2	U.S. Department of Health & Human Services - Flow Through/Ky Emergency Medical Services Board	93.127	M-03003264		568
Health Edu & Training Ctr 2001	U.S. Department of Health & Human Services - Flow Through/University of Louisville	93.189	2D39DE00007		2,302
HETC 2002	U.S. Department of Health & Human Services - Flow Through/University of Louisville	93.189	ULRF/DHHS 93.189FY02		66,338
HETC 2003	U.S. Department of Health & Human Services - Flow Through/University of Louisville	93.189	2D39HP00007-13sub		32,848
Grants for Interdisciplinary Traini	U.S. Department of Health & Human Services - Flow Through/University of Louisville	93.192	02-0762-4		1,250
KEMSA Paramedic Course-Marshall	U.S. Department of Health & Human Services - Flow Through/Ky Emergency Medical Services Board	93.241	M-01262771		56,972
Rural Hospital Flexibility Grant	U.S. Department of Health & Human Services - Flow Through/Ky Emergency Medical Services Board	93.241	M-02337131		1,621
Child Care Resource & Referral 2003	U.S. Department of Health & Human Services - Flow Through/KACCRRRA	93.575	C021-93382		326,420
MSW Program Development	U.S. Department of Health & Human Services - Flow Through/Eastern Kentucky University	93.658	EKU 03-318		74,346
PCWCP FY03	U.S. Department of Health & Human Services - Flow Through/Eastern Kentucky University	93.658	EKU03-317		6,760
Training Resource Center 2002	U.S. Department of Health & Human Services - Flow Through/Eastern Kentucky University	93.658	EKU 7301		2,420
TRC Title IV 2003	U.S. Department of Health & Human Services - Flow Through/Eastern Kentucky University	93.658	EKU 03-171		111,336

Western Kentucky University
Schedule of Expenditures of Federal Awards
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TRC Non Title IV 2003	U.S. Department of Health & Human Services - Flow Through/Eastern Kentucky University	93.658	EKU 03-171	\$ 24,796
Group Train Juvenile Justice Staff	U.S. Department of Health & Human Services - Flow Through/Eastern Kentucky University	93.658	EKU 03-107	<u>39,411</u>
				<u>833,733</u>
HP Faculty Curriculum	Corporation for National & Community Service	94.005	RN214619	<u>1,542</u>
				<u>\$ 6,736,118</u>
Total Other Federal Awards				<u>\$ 68,930,711</u>
Total Federal Awards				<u>\$ 68,930,711</u>

Western Kentucky University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Notes to Schedule

1. This schedule includes the federal awards activity of the University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, the University provided federal awards to subrecipients as follows:

Western Kentucky University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Amount Provided</u>
<u>National Aeronautics and Space Administration</u>			
Kentucky Space Consortium Year 10	43.001	University of Louisville	\$ 5,000
Kentucky Space Consortium Year 10	43.001	University of Kentucky	10,945
Kentucky Space Consortium Year 10	43.001	Murray State University	10,182
Kentucky Space Consortium Year 10	43.001	Transylvania University	1,000
Kentucky Space Consortium Year 10	43.001	Northern Kentucky University	1,500
Kentucky Space Consortium Year 11	43.001	Eastern Kentucky University	3,050
Kentucky Space Consortium Year 11	43.001	Murray State University	12,659
Kentucky Space Consortium Year 11	43.001	University of Kentucky	38,520
Kentucky Space Consortium Year 11	43.001	Morehead State University	7,602
Kentucky Space Consortium Year 11	43.001	Northern Kentucky University	716
Kentucky Space Consortium Year 11	43.001	Kentucky Science and Technology Corporation	1,000
Kentucky Space Consortium Year 12	43.001	Eastern Kentucky University	1,000
Kentucky Space Consortium Year 12	43.001	University of Kentucky	2,052
Kentucky NASA EPSCoR Program	43.001	University of Kentucky	21,332
Kentucky NASA EPSCoR Program	43.001	Kentucky Science and Technology Corporation	2,203
Kentucky NASA EPSCoR Program Year 8	43.001	University of Kentucky	222,972
Kentucky NASA EPSCoR Program Year 8	43.001	Kentucky Science and Technology Corporation	8,000
<u>U.S. Department of Commerce</u>			
Disaster Mitigation	11.307	Murray State University	5,260
<u>U.S. Department of Agriculture</u>			
Poultry Waste	10.001	Purdue University	9,500
<u>U.S. Department of Health and Human Services</u>			
Head Start General 18	93.600	Audubon Head Start	6,939
Head Start General 18	93.600	Murray Head Start	12,244
Head Start T/TA 18	93.600	Audubon Head Start	3,069
Head Start T/TA 18	93.600	Murray Head Start	4,168
Head Start General 19	93.600	Audubon Head Start	150,931
Head Start General 19	93.600	Murray Head Start	175,832
Head Start T/TA 19	93.600	Audubon Head Start	3,069
Head Start T/TA 19	93.600	Murray Head Start	4,168
<u>U.S. Department of Justice</u>			
Juvenile Delinquency Project	16.541	Warren County Board of Education	103,714
Juvenile Delinquency Project	16.541	Warren County Fiscal Court	18,944
Juvenile Delinquency Project	16.541	Housing Authority of Bowling Green	80,196
<u>Environmental Protection Agency</u>			
Kentucky Rural Water Agency	66.606	Kentucky Rural Water Association	70,129
Kentucky Rural Water Agency	66.606	Kentucky Rural Water Association	69,642
Small Rural Water	66.606	Kentucky Rural Water Association	85,065
Wastewater Administration	66.606	Kentucky Rural Water Association	61,276
<u>U.S. Department of Education</u>			
Improve Teacher Quality	84.366B	Millersville University	9,520
Improve Teacher Quality	84.366B	Emporia State University	1
Improve Teacher Quality Year 2	84.366B	Millersville University	28,064
Improve Teacher Quality Year 2	84.366B	California State University	11,407
Improve Teacher Quality Year 2	84.366B	Eastern Michigan University	11,947
Improve Teacher Quality Year 2	84.366B	Emporia State University	5,241
Improve Teacher Quality Year 2	84.366B	Kentucky State University	13,811
Improve Teacher Quality Year 2	84.366B	Middle Tennessee University	31,920
Improve Teacher Quality Year 3	84.366B	Eastern Michigan University	14,909
Improve Teacher Quality Year 3	84.366B	University of Northern Iowa	82,314
Improve Teacher Quality Year 3	84.366B	Emporia State University	66,931
Improve Teacher Quality Year 3	84.366B	Middle Tennessee University	70,573

Western Kentucky University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Improve Teacher Quality Year 3	84.366B	California State University	\$ 61,975
Improve Teacher Quality Year 3	84.366B	Southeast Missouri University	38,165
Improve Teacher Quality Year 3	84.366B	Longwood College	42,688
Improve Teacher Quality Year 3	84.366B	Kentucky State University	63,364
Improve Teacher Quality Year 3	84.366B	Millersville University	47,697
Improve Teacher Quality Year 3	84.366B	Idaho State University	54,401
Improve Teacher Quality Year 4	84.366B	Eastern Michigan University	104,874
Improve Teacher Quality Year 4	84.366B	University of Northern Iowa	176,465
Improve Teacher Quality Year 4	84.366B	Emporia State University	34,150
Improve Teacher Quality Year 4	84.366B	California State University	47,727
Improve Teacher Quality Year 4	84.366B	Longwood College	15,159
Improve Teacher Quality Year 4	84.366B	Kentucky State University	28,892
Improve Teacher Quality Year 4	84.366B	Millersville University	50,577
Improve Teacher Quality Year 4	84.366B	Idaho State University	12,383
Kentucky Gear-up Project	84.334	Bowling Green Technical College	3,511
Kentucky Gear-up Project	84.334	Owensboro Community College	1,117
Kentucky Gear-up Project	84.334	Bowling Green Junior High School	22,943
Kentucky Gear-up Project	84.334	Owensboro Middle School	12,434
Kentucky Gear-up Project	84.334	West Point Academy	4,563
			<hr/>
			\$ 2,383,602

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

President Gary A. Ransdell
and Board of Regents
Western Kentucky University
Bowling Green, Kentucky

We have audited the financial statements of Western Kentucky University (University) as of and for the year ended June 30, 2003, and have issued our report thereon dated September 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-1.

President Gary A. Ransdell
and Board of Regents
Western Kentucky University
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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

/s/ **BKD, LLP**

September 18, 2003

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

President Gary A. Ransdell
and Board of Regents
Western Kentucky University
Bowling Green, Kentucky

Compliance

We have audited the compliance of Western Kentucky University (University) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the compliance of the University based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

President Gary A. Ransdell
and Board of Regents
Western Kentucky University
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Internal Control Over Compliance

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

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

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

/s/ **BKD, LLP**

September 18, 2003

Western Kentucky University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
Reportable condition(s) noted considered material weakness(es)? Yes No
Reportable condition(s) noted that are not considered to be material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
Reportable condition(s) noted considered material weakness(es)? Yes No
Reportable condition(s) noted that are not considered to be material weakness(es)? Yes No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

Western Kentucky University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	Various

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$2,067,921.

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

Western Kentucky University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
03-1	Certain employees in the bursar/billings and receivables area have custody of or access to cash receipts and can also record or can adjust entries to record cash receipts. We recommend the University management consider the costs and benefits of segregating the custodial and access functions from the recording functions of these employees.	None

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.

Western Kentucky University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2003

Reference Number	Summary of Finding	Status
02-1	Certain employees in the bursar/billings and receivables area have custody of or access to cash receipts and can also record or can adjust entries to record cash receipts. We recommend the University management consider the costs and benefits of segregating the custodial and access functions from the recording functions of these employees.	Unresolved, see current year finding 03-1.