

**NEW ISSUE  
BOOK-ENTRY ONLY  
Not Bank Qualified**

**RATINGS: Moody's "\_\_\_"  
S&P "\_\_\_"  
(See "Ratings" Herein)**

*In the opinion of Bond Counsel for the Series Q Bonds, based upon an analysis of laws, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants made by the University, and subject to the conditions and limitations set forth herein under the caption "TAX EXEMPTION," interest on the Series Q Bonds is excludable from gross income for Federal income tax purposes and is not a specific item of tax preference for purposes of the Federal individual or corporate alternative minimum taxes. Interest on the Series Q Bonds is exempt from Kentucky income tax and the Series Q Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. See "TAX EXEMPTION" herein.*

**\$11,130,000\***  
**WESTERN KENTUCKY UNIVERSITY  
CONSOLIDATED EDUCATIONAL BUILDINGS  
REVENUE BONDS, SERIES Q**

**Dated: December 1, 2003**

**Due: May 1, as shown below**

The Series Q Bonds will be issued only as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series Q Bonds. Purchasers will not receive certificates representing their ownership interest in the Series Q Bonds purchased. So long as DTC or its nominee is the registered owner of the Series Q Bonds, payments of the principal of and interest due on the Series Q Bonds will be made directly to DTC. The Series Q Bonds bear interest from December 1, 2003, payable semiannually, on May 1 and November 1, commencing May 1, 2004, at the rates, and shall mature serially on May 1 in each of the years 2005 through 2023, in the principal amounts, as follows:

<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>
2005	\$435,000			2015	\$585,000		
2006	445,000			2016	605,000		
2007	455,000			2017	630,000		
2008	465,000			2018	660,000		
2009	475,000			2019	685,000		
2010	490,000			2020	715,000		
2011	505,000			2021	750,000		
2012	525,000			2022	785,000		
2013	540,000			2023	820,000		
2014	560,000						

The Series Q Bonds are subject to optional redemption prior to their stated maturities as described herein.

The Series Q Bonds constitute special obligations of Western Kentucky University and do not constitute a debt, liability or obligation of the Commonwealth of Kentucky nor a pledge of the full faith and credit of the Commonwealth. Principal of and interest on the Series Q Bonds are payable solely from the revenues of the Consolidated Educational Building Project, as more fully described herein.

The Series Q Bonds are issued subject to the approval of legality by Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. Delivery of the Series Q Bonds is expected on or about December 4, 2003.

**First Kentucky Securities Corporation**  
Financial Advisor

Dated: \_\_\_\_\_, 2003

\*Preliminary, subject to change.

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**WESTERN KENTUCKY UNIVERSITY**

**PRESIDENT**

Gary A. Ransdell

**BOARD OF REGENTS**

Kristen T. Bale	James B. Tennill, Jr.
Lois W. Gray	Forrest Roberts
Robert Earl Fischer	Howard E. Bailey, Staff Regent
Cornelius A. Martin	Jamie Sears, Student Regent
LaDonna G. Rogers	Robert Dietle, Faculty Regent
Ronald G. Sheffer	

**OFFICERS**

Lois W. Gray, Chair of the Board	K. Ann Mead, Treasurer
Cornelius A. Martin, Vice Chair of the Board	Elizabeth Esters, Secretary

**BOND COUNSEL**

Peck, Shaffer & Williams LLP  
Covington, Kentucky

**FINANCIAL ADVISOR**

First Kentucky Securities Corporation  
Frankfort, Kentucky

**PAYING AGENT, REGISTRAR AND TRUSTEE**

Branch Banking and Trust Company  
Wilson, North Carolina

**CUSIP NUMBERS**

<u>Year</u>	<u>Cusip #</u> <b>958519</b>	<u>Year</u>	<u>Cusip #</u> <b>958519</b>
2005		2015	
2006		2016	
2007		2017	
2008		2018	
2009		2019	
2010		2020	
2011		2021	
2012		2022	
2013		2023	
2014			

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

This Official Statement does not constitute an offering of any security other than the original offering of the Series Q Bonds of Western Kentucky University identified on the cover page hereof. No person has been authorized by Western Kentucky University to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized by Western Kentucky University or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series Q Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Western Kentucky University since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except Western Kentucky University, will pass upon the accuracy or adequacy of this Official Statement or approve the Series Q Bonds for sale (see "APPROVAL OF ISSUANCE OF SERIES Q BONDS").

## TABLE OF CONTENTS

	Page
INTRODUCTORY STATEMENT .....	1
WESTERN KENTUCKY UNIVERSITY .....	1
THE SERIES Q BONDS .....	2
General .....	2
Book Entry Only System .....	2
Redemption Provisions .....	3
DISPOSITION OF BOND PROCEEDS .....	3
SECURITY FOR THE BONDS .....	4
THE SERIES Q PROJECT .....	4
SOURCES AND USES OF FUNDS .....	5
CERTAIN PROVISIONS OF THE RESOLUTION AND SERIES Q RESOLUTION .....	5
Application of Revenues .....	5
Additional Bonds .....	6
Default and Remedies .....	7
Other Covenants of the Board .....	8
BOARD AND ADMINISTRATIVE OFFICERS .....	9
Governing Board .....	9
Administrative Officers .....	10
FUTURE DEBT .....	11
TAX EXEMPTION .....	12
General .....	12
Original Issue Premium .....	13
Original Issue Discount .....	13
CONTINUING DISCLOSURE .....	14
PENDING LITIGATION .....	15
APPROVAL OF LEGALITY .....	15
FINANCIAL ADVISOR .....	15
APPROVAL OF ISSUANCE OF SERIES Q BONDS .....	15
FINANCIAL STATEMENTS .....	15
CERTIFICATE CONCERNING OFFICIAL STATEMENT .....	15
COMPLETENESS OF OFFICIAL STATEMENT .....	16
RATINGS .....	16
MISCELLANEOUS .....	16

Appendix A: The University and the Consolidated Educational Building Project

Appendix B: Consolidated Educational Buildings Revenue Bonds  
    Estimated Total Annual Debt Service Requirements

Appendix C: Financial Statements

Appendix D: Form of Bond Counsel Opinion

Appendix E: Book Entry Only System

Appendix F: Form of Continuing Disclosure Agreement

## **OFFICIAL STATEMENT RELATING TO**

**\$11,130,000\***

### **WESTERN KENTUCKY UNIVERSITY CONSOLIDATED EDUCATIONAL BUILDINGS REVENUE BONDS, SERIES Q**

#### **INTRODUCTORY STATEMENT**

This Official Statement, which includes the cover page and the Exhibits appended hereto, is being distributed by Western Kentucky University (the "University") to furnish pertinent information to all who may become owners of its Consolidated Educational Buildings Revenue Bonds, Series Q (the "Series Q Bonds") authorized to be issued pursuant to the provisions of Section 162.340, 162.380, and 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes, and pursuant to the terms of a Basic Resolution (the "Resolution") adopted by the Board of Regents of the University (the "Board") on August 15, 1960, supplemented on July 28, 1971 and the Series Q Resolution adopted by the Board on October 31, 2003.

The summaries and references to Sections of the Kentucky Revised Statutes, the Resolution, and the Series Q Resolution included in this Official Statement, do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document.

#### **WESTERN KENTUCKY UNIVERSITY**

The University, located at Bowling Green, Warren County, Kentucky, was established by the Kentucky Legislature in 1906 when there was authorized the establishment of two schools in the State for the training of teachers. On January 1, 1907, the Southern Normal School was transferred to the State of Kentucky, and the President of that Institution became President of the Western Kentucky State Normal School. The Kentucky Legislature of 1922 changed the name of the institution to the Western Kentucky State Normal School and Teachers College, and passed an enabling act permitting the institution to confer degrees. In 1930 the name was changed to the Western Kentucky State Teachers College and in 1948 to the Western Kentucky State College. Pursuant to a 1966 Act of the General Assembly of Kentucky, the name of Western Kentucky State College has been officially changed to Western Kentucky University.

The Board of Regents of the University, a body corporate and an educational institution and agency of the Commonwealth and the governing body of the University, consists of eight members appointed by the Governor of Kentucky, one faculty member elected by the faculty, one student member elected by the student body and one staff member elected by the staff.

The University is authorized to offer the following programs as set forth in Kentucky Revised Statute Section 164.295: upon approval of the Council on Postsecondary Education associate and baccalaureate programs of instruction; upon approval of the Council on Postsecondary Education, graduate programs of instruction at the master's degree level in education, business, and the arts and sciences; educational requirements for teachers, school leaders, and other certified personnel; research and service programs directly related to the needs of its primary geographical area; and programs of a community college nature in its own community.

The University has been divided into colleges and other units to facilitate the offering of these programs and services. The colleges are: Gordon Ford College of Business; College of Education and Behavioral Sciences; Ogden College of Science and Engineering; Potter College of Arts, Humanities and Social Sciences; the Graduate College; the Community College, and College of Health and Human Services.

---

\*Preliminary, subject to change.

The undergraduate offerings include degrees, associate degrees, and certificate programs. The University offers the Bachelor of Arts, Bachelor of Science, Bachelor of Music, Bachelor of Science in Nursing and Bachelor of Fine Arts with more than 80 areas of study available in all the major areas of study and in certain special areas. Preprofessional programs are also available in the following areas: chiropractic, dental, engineering, forestry, law, medicine, optometry, pharmacy, physical therapy, pediatric medicine, theology and veterinary. Associate degree programs are also offered leading to Associate of Arts, Associate of Science, and Associate of Liberal Studies degrees in 19 areas. One-year certificate programs are available in Real Estate and Agricultural Equipment Technology.

Graduate instruction is offered through the Graduate College at the master's and specialist's levels. At the master's level, the following degrees are offered: Master of Business Administration; Master of Music; Master of Public Services - (Option In) Counseling, City and Regional Planning, and Master of Public Administration; Master of Arts - Child Development and Family Living, English, Folk Studies, Humanities, History, Sociology, Psychology, and Communications; Master of Science - Agriculture, Biology, Chemistry, Computer Science, Geography, Health, Library Science, Mathematics, Physical Education, Recreation, Institutional and Home Environment - (Option In) Interior Design and Housing, Textiles and Clothing, Foods and Nutrition, and Master of Communication Disorders. The Specialist Degree is offered in education.

Two non-degree programs at the graduate level are the fifth-year program and the Rank I and Rank II Teacher Certificate program in the College of Education and Behavioral Sciences. Instruction is provided for students in joint doctoral programs in education with the University of Kentucky, in cooperative doctoral programs in aquatic biology and fossil fuel chemistry with University of Louisville and a cooperative master's degree in nursing at the University of Kentucky.

The academic year of the University is divided into two semesters of approximately 18 weeks each, and a summer session of eight weeks.

The main campus of the University is located on a site containing 180 acres and an additional 53 acres, located in the City of Bowling Green and the County of Warren, are used for recreational, instructional, and research purposes. The University also operates a farm of 789 acres and has a 454 acre biological reserve for instructional and research purposes.

## **THE SERIES Q BONDS**

### **General**

The Series Q Bonds will be dated December 1, 2003, will be issued in fully registered form and in denominations of \$5,000 or any integral multiples thereof, will mature as to principal and will bear interest as set forth on the cover page of this Official Statement. The Series Q Bonds shall bear interest payable semiannually on May 1 and November 1, commencing May 1, 2004, at such interest rate or rates fixed as a result of the advertised sale of the Series Q Bonds, and shall mature serially on May 1 in each of the years 2005 through 2023.

### **Book Entry Only System**

The Series Q Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series Q Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, each as hereinafter defined, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Series Q Bonds under the

Resolution and Series Resolution. For additional information about DTC and the book-entry only system see "APPENDIX E - Book Entry Only System."

## **Redemption Provisions**

*Optional Redemption.* The Series Q Bonds maturing on and after May 1, 2014, shall be subject to redemption by the Board prior to maturity, in whole or in part, in the inverse order of their maturities (less than all of a single maturity to be selected by lot), on any date, on or after May 1, 2013, at a redemption price equal to the principal amount of the Series Q Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

*Selection of Bonds for Redemption.* In the event that a Series Q Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series Q Bond may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof, if the Series Q Bond is one of the maturities or amounts or part of the maturities or amounts called for redemption. Upon surrender of any Series Q Bond for redemption in part, the Trustee and Paying Agent shall (authenticate and) deliver an exchange Series Q Bond or Series Q Bonds in an aggregate principal amount equal to the unredeemed portion of the Series Q Bond so surrendered.

*Notice of Redemption.* The Trustee and Paying Agent shall give notice of any redemption by sending at least one such notice by United States mail, first class, postage prepaid, not less than 30 and not more than 60 days prior to the date fixed for redemption to the registered owner of each Series Q Bond to be redeemed in whole or in part, at the address shown on the bond register as of the date of mailing of such notice. The Trustee and Paying Agent may furnish one other form of such notice more than 60 days prior to the date fixed for redemption, provided at least one such notice shall be sent not less than 30 nor more than 60 days prior to such date. Such notice shall state the redemption date, the redemption price, the accrued interest payable on the redemption date, the place at which the Series Q Bonds are to be surrendered for payment, and, if less than all of the Series Q Bonds outstanding are to be redeemed, an identification of the Series Q Bonds or portions thereof to be redeemed. Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the holder receives such notice.

## **DISPOSITION OF BOND PROCEEDS**

The Series Q Bond proceeds will be applied as follows:

(a) The amount received from the purchaser(s) representing accrued interest from December 1, 2003, to the date of delivery, will immediately be deposited into the Bond Fund, as defined herein, to be maintained at Branch Banking and Trust Company, Wilson, North Carolina, the Trustee, Paying Agent, and Bond Registrar.

(b) There will be set aside and deposited to the Debt Service Reserve Fund, as defined herein, an amount, if any, required to make the amount held therein equal to the maximum aggregate principal and interest charges on the outstanding Bonds.

(c) The amount of the proceeds of the Series Q Bonds necessary to pay the costs of issuance of the Series Q Bonds will be set aside into a "Costs of Issuance Account" to be maintained by the Trustee Bank and used to pay all expenses incident to the issuance, sale and delivery of the Series Q Bonds, including the fee of the Financial Advisor, the rating fees and such other appropriate expenses as may be approved by the Board.

(d) The balance of the proceeds of the Series Q Bonds will be set aside and deposited to the Western Kentucky University Consolidated Educational Buildings, Series Q Construction Account (the "Series Q Construction Account"), to be held in the Treasury of the Commonwealth of Kentucky.

### **SECURITY FOR THE BONDS**

The Series Q Bonds, together with the University's outstanding Consolidated Educational Buildings Revenue Bonds and any additional parity bonds, which may hereafter be issued and outstanding under the terms of the Resolution and subsequent Series Resolutions (collectively, "Bonds") will be payable from and will constitute a charge upon the revenues to be derived by the University from the operation of its Consolidated Educational Buildings Project. The fees imposed upon and collected from all students attending the University in Bowling Green, Kentucky for the services furnished by the Consolidated Educational Buildings Project are designated as the source of revenues of the Consolidated Educational Buildings Project. Such revenues are known as the Student Registration Fees and the Board covenants that the same will be fixed (and, if necessary, revised and increased from time to time) at such rates as may be required to pay the interest on and principal of the Bonds as they respectively mature, to provide reserves therefore and to pay the operating costs of the Consolidated Educational Buildings Project to the extent they are not otherwise provided. All collections of the Student Registration Fees are to be set aside, as received into the Consolidated Educational Buildings Project Revenue Fund, as defined herein, and are made subject to a first lien and paramount charge for the security and source of payment of all outstanding Bonds.

As further security for the Series Q Bonds and all outstanding Bonds, there is created and granted by Sections 162.350 and 162.200 of the Kentucky Revised Statutes a statutory lien upon the Consolidated Educational Buildings Project of the University on a parity with all Bonds outstanding.

The Series Q Bonds are additionally secured by the Debt Service Reserve Fund established with respect to the Bonds. The Resolution requires the establishment (within four years following the issuance of a series of Bonds) and maintenance of a Debt Service Reserve Fund (defined herein) in the Bond Fund (defined herein) in an amount equal to the maximum aggregate principal, interest and bond fund charges in any future twelve month period. Upon issuance of the Series Q Bonds, the total required reserve amount will be on deposit in the Debt Service Reserve Fund.

The Board adopted, effective for the spring 2004 semester, a \$200 per semester increase in tuition for full-time students (pro-rated for part-time students). The increase is expected to generate \$5,800,000 in annual revenue. The Board has internally designated a portion of the revenue from this increase to pay the debt service on the Series Q Bonds related to the Downing University Center Renovation.

### **THE SERIES Q PROJECT**

The Series Q Project consists of the construction of facilities described in the Commonwealth of Kentucky State Budget as the (i) Downing University Center Renovation and (ii) Materials Characterization Building. The Downing University Center is the University's student center which was built in the 1960s. The renovation will make a contemporary student center available to students and will be one component of an effective student recruitment strategy. The Materials Characterization Center will be relocated to the WKU Center for Research and Development - a joint project with the Commonwealth of Kentucky to attract and spin-off "New Economy" companies. Consisting of 25,000 square feet, the new facility will increase the capability of services offered to many industries, both regional and national, that require accurate and fast analysis for manufacturing, quality control and public health purposes. Students, faculty and visiting scholars from many countries will staff this most advanced facility.



## SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series Q Bonds are as follows:

### Sources of Funds

Principal Amount of Series Q Bonds  
Net Original Issue [Premium][Discount]  
Accrued Interest  
Total Sources of Funds

### Uses of Funds

Deposit to Construction Fund  
Deposit to Debt Service Reserve Fund  
Accrued Interest  
Net Underwriter's Discount  
Costs of Issuance  
Total Uses of Funds

## CERTAIN PROVISIONS OF THE RESOLUTION AND SERIES Q RESOLUTION

On August 15, 1960, supplemented on July 28, 1971, the Board adopted the Resolution (the "Resolution") and authorized the issuance of its Consolidated Educational Buildings Revenue Bonds.

The following statements are intended to provide only brief summaries of selected pertinent provisions of the Resolution and the Series M, N, O, P and Q Resolutions collectively, "Series Resolutions" and together with the Resolution, the "Resolutions." For detailed and complete information reference is hereby made to the Series Resolutions, copies of which are on file with the University and with the Trustee for the outstanding Consolidated Educational Buildings Revenue Bonds. For purposes of the description in the following sections under the above styled general heading, previous bonds issued or any future bonds to be issued by the Series Resolutions will be referred to as the "Bonds." Additionally, for purpose of this description revenues of the Consolidated Educational Buildings Project will be referred to as "Revenues."

### **Application of Revenues**

There has been created and established a special fund known as the Consolidated Educational Buildings Revenue Fund in the custody of the Treasurer of the Board, separate and apart from other funds of the University. Such Consolidated Educational Buildings Revenue Fund (the "Revenue Fund") will be maintained so long as any of the Bonds are outstanding and unpaid as a trust fund in one or more banks which will be members of the Federal Deposit Insurance Corporation and will be expended and used by the Treasurer only in the manner specified in the Resolutions. Upon delivery of any Bonds issued pursuant to the Resolutions, all Revenues derived from the Consolidated Educational Buildings Project will be deposited as collected in the Revenue Fund to be held and administered by the Treasurer of the Board and will be paid out and applied for the uses and purposes set forth below.

*Bond and Interest Sinking Fund.* There is created and established a special account known as the Consolidated Educational Buildings Bond and Interest Sinking Fund (the "Bond Fund") which is maintained by and in the custody of the Trustee so long as any Bonds are outstanding and unpaid. The Bond Fund will be used by the Trustee to pay interest on the Bonds as the same become due from time to time and to pay and retire the Bonds as they become due, or as otherwise provided in the Resolutions.

From and after the delivery of any Bonds issued pursuant to the Resolution, and thereafter commencing on May 1 of each year, the Treasurer will transfer from the Revenue Fund, and deposit to the credit of the Bond Fund all the Revenues as and when the same are received and deposited into the Revenue Fund, until there has been so deposited and paid into the Bond Fund an amount equal to the total interest and principal becoming due on or prior to the succeeding May 1, on the Bonds then outstanding.

*Debt Service Reserve Fund.* A debt service reserve in the Bond Fund (the "Debt Service Reserve Fund") is required to be maintained in an amount equal to the Maximum Aggregate Principal, Interest and Bond Fund Charges on the Bonds outstanding. Initially, and as any series of Bonds are issued, the amount to be set aside into the Bond Fund will be 125% of the amount set forth above until the required amount is so accumulated and thereafter the same will be resumed and continued whenever and so long as required to restore and maintain such reserve. Aggregate Principal, Interest and Bond Fund Charges is defined "as of any particular date of computation and with respect to a particular twelve month period, an amount of money equal to the aggregate of the amount required by the provisions of the Resolution and all Series Resolutions, to be paid into the Bond Fund in such twelve month period, for account of the interest on all outstanding Bonds becoming due during such twelve month period and to accomplish the retirement of the principal of any Bonds outstanding at or prior to the maturity thereof."

Moneys in the Bond Fund in excess of the Aggregate Principal, Interest and Bond Fund Charges and the prescribed reserve may be used to purchase or redeem Bonds in advance of maturity.

When all required payments into the Bond Fund have been made in any particular twelve month period ending May 1, any moneys remaining in the Revenue Fund may be used by the Board in its discretion to pay the operating costs of the Consolidated Educational Buildings Project to the extent that such costs are not otherwise provided, or may be used for the purchase or retirement of Bonds in advance of maturity, or for any other lawful purpose.

### **Additional Bonds**

The Board covenants and agrees that it will not hereafter create or permit the creation of or issue any bonds which will have a priority over the charge on the Revenues or the payments to be made into the Bond Fund.

Additional bonds ranking on a parity with the Bonds outstanding may be issued only for the purpose of erecting and completing educational buildings and necessary appurtenances which will become and constitute a part of the Consolidated Educational Buildings Project; provided:

(a) That at the time of the issuance of the additional Bonds there is no deficiency in the amount required to be paid into the Bond Fund, and;

(b) That the average of the annual Revenues from the Consolidated Educational Buildings Project for the two fiscal years immediately proceeding the issuance of the additional Bonds, as indicated in a statement by the Treasurer of the Board to be filed with the Trustee, was equal to not less than 1.25 times, the maximum Aggregate Principal, Interest and Bond Fund Charges in any succeeding twelve month period ending May 1 on the Bonds then outstanding and the additional Bonds proposed to be issued. For the purpose of computing average annual Revenues, the Treasurer shall make an adjustment in the amount of annual Revenues to reflect any increase or decrease in the Student Registration Fees being imposed at the time for the services of the Consolidated Educational Buildings Project.

The issuance of such additional Bonds shall be pursuant to the terms of an appropriate Series Resolution by the Board in accordance with the provisions of the Resolution.

## **Default and Remedies**

The Resolution defines an event of default, which includes: failure to pay principal when due or failure to pay any installment of interest when same become due or within 30 days thereafter; the Board being rendered incapable of fulfilling its obligations under the Resolution; any building representing a part of the Consolidated Educational Buildings Project being destroyed or damaged and not being repaired or replaced and insurance proceeds not being deposited in the Bond Fund; an order or decree being entered appointing a receiver of all or part of the Consolidated Educational Buildings Project or Revenues therefrom; and failure after written notice by the Trustee (who is required to give such notice at the written request of the owners of 15% in aggregate amount of the outstanding Bonds) to perform any covenant in the Resolution or any Series Resolution, in each case within or for the specified period of grace, if any.

Upon the happening and continuance of any event of default, then and in every such case the Trustee may, and upon the written request of the owners of not less than twenty-five percent (25%) in principal amount of the Bonds then outstanding, will give notice in writing to the Board, declaring the principal of all Bonds outstanding to be due and payable immediately, and upon such declaration the same will become and be immediately due and payable, anything contained in the Resolution or any Series Resolution to the contrary notwithstanding; provided, however, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, moneys will have been accumulated in the Bond Fund sufficient to pay all arrears of interest, if any, upon the Bonds then outstanding (except the interest accrued on such Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Board under the Resolution will have been paid or a sum sufficient to pay the same will have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Resolution or any Series Resolution (other than a default in the payment of the principal of such Bonds then due only because of a declaration of default) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the owners of not less than twenty-five percent (25%) in principal amount of the Bonds then outstanding shall, by written notice to the Board, rescind and annul such declaration and its consequences, but no such recession or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Upon the happening and continuance of any event of default, then and in every such case the Trustee may proceed, and upon the written request of the owners of not less than fifteen percent (15%) in principal amount of the Bonds then outstanding under the Resolution will proceed to protect and enforce its rights and the rights of the bondholders under the laws of the Commonwealth of Kentucky or under the Resolution or any Series Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained in the Resolution or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, will deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution, the Trustee will be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Board for principal, interest, or otherwise under any of the provisions of the Resolution or any Series Resolution or the Bonds and unpaid together with any and all costs and expenses of collection and of all proceedings under the Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the bondholders, and to recover and enforce judgment or decree against the Board, but solely as provided in the Resolution and in such, for any portion of such amount remaining unpaid, with interest, costs and expenses, and to collect (solely from moneys from the Bond

Fund and the Revenues of the Consolidated Educational Buildings Project pledged to the payment of the Bonds by the Resolution) in any manner provided by law, the moneys adjudged or decreed to be payable.

Anything in the Resolution to the contrary notwithstanding, the holders of a majority in principal amount of the outstanding Bonds shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee thereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to bondholders not parties to such direction.

No holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for any remedy afforded by the Resolution unless such holder shall have previously given to the Trustee written notice of any event of default as in the Resolution provided, nor unless also the holders of 25% in principal amount of the outstanding Bonds shall have made written request to the Trustee and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Resolution or to institute such action, suit or proceeding in its or their name, nor unless also there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Resolution except in the manner provided in the Resolution.

#### **Other Covenants of the Board**

The Board covenants with the owners of the Bonds outstanding, among other things, the following:

(a) That it will establish, maintain and collect, as long as any Bonds are outstanding, such Student Registration Fees for the services of the Consolidated Educational Buildings Project as may be necessary (a) to pay the interest on and principal of the Bonds as they respectively mature, to provide reserves therefore and (b) to pay the operating costs of the Consolidated Educational Buildings Project to the extent they are not otherwise provided. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in Revenues the Board further covenants and agrees to establish, maintain and collect such Student Registration Fees as will produce Revenues, in each twelve month period ending May 1, equal to at least 110% of the current Aggregate Principal, Interest and Bond Fund Charges;

(b) That it will, except as herein before set forth under "Application of Revenues", pay the current operating costs Consolidated Educational Buildings Project from available funds other than the Revenues derived from the Consolidated Educational Buildings Project;

(c) That it will procure and maintain to the extent available, fire and extended coverage insurance on the Consolidated Educational Buildings Project in amount sufficient to provide for not less than full recovery whenever the loss from causes covered by such insurance does not exceed 80% of the full insurable value of the Consolidated Educational Buildings Project. All insurance moneys (except property insurance proceeds in amounts of less than ten thousand dollars (\$10,000), which shall be paid over to the Board) received by the Trustee shall be held by the Trustee as substituted security and used for the purpose of paying the reasonable costs or repairing or replacing part or all of the property damaged or destroyed or the reasonable costs of substitute facilities; provided, however, that the Board shall have furnished, in addition to the proceeds of such insurance, such moneys as may be required to complete such repairs, replacements or substitute facilities and said insurance moneys shall be paid out by the Trustee

only when the same shall be fully sufficient to complete such repairs, replacement or substitute facilities as shown by a certificate of an architect or engineer. If insurance proceeds shall remain after the completion of the repairs, replacement or substitute facilities, or in the event of a failure to repair or replace the property damaged or destroyed, or to construct substitute facilities, the Trustee shall deposit such moneys in the Bond Fund and such moneys, to the extent of any excess over the required balance in the Bond Fund, shall be applied to the retirement of the Bonds;

(d) That unless provision is otherwise made by law for disposition by the Commonwealth of Kentucky of claims made against the University for bodily injury and/or death which may arise from operations of the Board, it will, if such insurance is not already in force, procure and maintain public liability insurance with limits of not less than \$50,000/\$100,000 to protect the Board from claims for bodily injury and/or death which may arise from the operation of the Board, including any use or occupancy of its grounds, structures, and vehicles;

(e) That it will keep accurate financial records and proper books relating to the Consolidated Educational Buildings Project; that such records and books shall be open to inspection by the Bondholder and their agents and representatives; and that not later than 90 days after the close of each fiscal year it will furnish to the Trustee; and to any bondholders who shall request the same in writing, copies of audit reports prepared by an independent certified public accountant or a firm of such accountants, who shall be satisfactory to the Trustee, or by an appropriate state auditing official, reflecting in reasonable detail the financial condition and record of operation of the University, the Consolidated Educational Buildings Project, and the pledged Revenues during the preceding fiscal year (July 1/June 30);

(f) That it will at all times maintain, preserve and keep the Consolidated Educational Buildings Project and every part thereof in good condition, repair and working order; and will from time to time make all needful and proper repairs, replacements, additions, betterments and improvements so that the operations and business of the Consolidated Educational Buildings Project shall at all times be conducted efficiently, properly and advantageously;

(g) That whenever any portion of the Consolidated Educational Buildings Project shall have been worn out or destroyed or shall have become obsolete, inefficient or otherwise unfit for use, the Board will procure and install substitutes of at least equal value, utility and efficiency, so that the value and efficiency of the Consolidated Educational Buildings Project will at all times be fully maintained; and

(h) That it will faithfully observe, do and perform all of its agreements and obligations provided for by the Bonds and the Resolutions.

## **BOARD AND ADMINISTRATIVE OFFICERS**

### **Governing Board**

The Governing Body of the University is the Board of Regents of Western Kentucky University, (the "Board"), consisting of eight members appointed by the Governor of Kentucky, one faculty member elected by the faculty, one student member elected by students and one staff member elected by the staff. The government of the University is vested in the Board, and the Board has general supervision of lands, buildings and other properties of the University and, subject to the statutes of the Commonwealth of Kentucky, control of all expenses therefore.

## **Administrative Officers**

The President and chief administrative officer of the University is Dr. Gary A. Ransdell. Dr. Barbara G. Burch is Provost and Vice President for Academic Affairs; Ms. K. Ann Mead is Treasurer and Chief Financial Officer; Dr. Gerald E. Tice is Vice President for Student Affairs and Campus Services and Mr. Thomas S. Hiles is Vice President for Institutional Advancement. Their biographies follow:

### Dr. Gary A. Ransdell, President of Western Kentucky University

Gary A. Ransdell was named the ninth president of the University on Sept. 12, 1997. Dr. Ransdell, 50, received his bachelor's degree from the University in 1973 in mass communications, a master of public service degree in public administration in 1974, and a doctor of education degree from Indiana University in 1978. Dr. Ransdell joined the University after serving as Vice President for Administration and Advancement at Clemson University, where he amassed a successful record in a broad range of administrative responsibilities, including financial affairs, facilities management, legislative relations, public relations, and fund raising. During Dr. Ransdell's 11-year term at Clemson, the endowment grew from \$22 million to \$168 million. Dr. Ransdell served as Director of Alumni Relations at Southern Methodist University from 1981 until 1987. His previous professional experiences at the University also include service as a field representative in the Office of University School Relations from 1974 to 1976 and as Associate Director of Alumni Affairs from 1978 to 1981. Dr. Ransdell serves on the Distance Learning Advisory Committee for the Kentucky Virtual University. In July 2000, Governor Paul Patton appointed Dr. Ransdell to a four-year term on the Southern Regional Education Board.

### Dr. Barbara G. Burch, Provost and Vice President for Academic Affairs

Dr. Burch received her B.A. from Western Kentucky University in English, her M.S. from Indiana University in education and her Ed.D. from Indiana University in curriculum development. She has also attended the Harvard University Institute for Educational Management. She has served as Provost and Vice President for Academic Affairs since 1996. Prior to that, she served in several capacities at Memphis State University, including Interim Dean of the College of Education, Associate Dean and Director of Graduate Studies, Director of the Center of Excellence in Teacher Education and Assistant Vice President for Academic Affairs and Dean for Nursing and Professor, Department of Curriculum and Instruction. Dr. Burch has also been a public school teacher and held administrative positions in public school systems. She has received several honors, including "Outstanding Dean of Education," University of Dayton *Study of Successful Educational Leadership* and the Christa McAuliffe Showcase for Excellence Award, American Association of State Colleges & Universities. She is the author/co-author of more than fifty published journal articles, book chapters, monographs and papers. She is a past president and board member of the American Association of Colleges of Teacher Education, Member and chair of the NCATE Accreditation team and also chair of the Unit Accreditation Board. She has been the principal writer and/or project director for grants totaling more than \$1.7 million and a contributing writer, consultant and/or participant in more than 25 additional grants.

### Ms. K. Ann Mead, Treasurer and Chief Financial Officer

K. Ann Mead is the Chief Financial Officer, Treasurer and Assistant to the President for Economic Development at the University. Her primary duties include directing the Financial Affairs Division, serving as a liaison with the community, representing the President on advisory councils and assisting with the implementation of the Kentucky Innovation Act and the Central Region's Economic Development Strategic Plan. Ms. Mead has been with the University since 1994, also serving as Director of Budget and Management Information and Director of Institutional Research. She also spent 10 years as Director of Finance with the Kentucky Council on Higher Education (now the Council on Postsecondary Education) and nine years at the University of Kentucky in the Planning and Budget Office. Ms. Mead

has a bachelor's degree in commerce from the University of Louisville and a master's of business administration from the University of Kentucky. She is also a graduate of the College Business Management Institute.

Dr. Gerald E. Tice, Vice President for Student Affairs and Campus Services

Dr. Tice received his B.A. from Muskingum College in economics and business administration, his M.A. from the University of Alabama in college student personnel and his Ph.D. from the University of Alabama in counseling and guidance. He has served as Vice President for Student Affairs and Campus Services at the University since August, 2000. Prior to coming to the University, he held various positions at Mississippi State University, including Associate Vice President for Student Affairs, Assistant Vice President for Student Affairs, Assistant Professor of Counselor Education and Director of Housing and Residence Life. He served as Associate Director of Housing for Residential Life and Director of Housing Operations at University of Alabama, prior to his time at Mississippi State University. He has also consulted with various colleges and universities regarding housing and campus security issues. His professional associations include the National Association of Student Personnel Administrators, where he has held several committee and board positions; the Association of College and University Housing Officers; the Southeastern Association of Housing Officers; and the Southern Association of College Student Affairs, where he has held the positions of Chair, SACSA Scholars Chair, Foundation Board and President.

Mr. Thomas S. Hiles, Vice President for Institutional Advancement

Thomas S. Hiles serves as the University's Vice President for Institutional Advancement. He came to the University in 1998 as Vice President for Development and Alumni Relations, with responsibility for public relations/marketing, publications, and media relations. In addition, his responsibilities include the supervision and direction of all development and alumni relation's functions, and he and his staff have planned and developed support for Western's first comprehensive campaign. The early results from that campaign include a more than 300% increase of the endowment and a 400% increase in cash donations. He began his career in higher education at DePaul University, where he served from 1985 to 1988 in the offices of Annual Giving and Corporate and Foundation Relations. From 1988-1995, he served at the University of Maryland at College Park as Director of Development for the College of Behavioral and Social Sciences, Director of Corporate and Foundation Relations, and Director of Prospect Tracking/Assistant Director of Campaign for Maryland. During his tenure as Director, corporate and foundation giving rose from \$7 million to \$16 million. Immediately prior to coming to the University, he served at Rice University as Director of Development for Strategy and Prospect Management (from 1995 to 1996 and as Director of Campaigns (from 1996 until 1998), where he was responsible for coordinating strategy and planning for Rice's \$500 million *Next Century* Campaign. Mr. Hiles received his undergraduate degree from Graceland College, and he completed his master's degree in Education Administration at DePaul University in 1990.

## **FUTURE DEBT**

There are no further plans to issue Bonds during the current fiscal year ending June 30, 2004 and no Bonds in addition to the Series Q Bonds have been authorized by the State. In its budget request for the 2004-2006 biennium to be submitted to the Kentucky General Assembly, the University has included a request for authorization to issue additional agency debt of the University. There can be no assurance that the 2004 Legislature will approve any or all, of the request.

## TAX EXEMPTION

### General

In the opinion of Bond Counsel for the Series Q Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series Q Bonds is excludable from gross income for Federal income tax purposes and interest on the Series Q Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes. Furthermore, Bond Counsel for the Series Q Bonds is of the opinion that interest on the Series Q Bonds is exempt from income taxation by the Commonwealth and the Series Q Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

A copy of the opinion of Bond Counsel for the Series Q Bonds is set forth in Appendix D, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series Q Bonds. The University has covenanted to comply with certain restrictions designed to ensure that interest on the Series Q Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series Q Bonds being includable in gross income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series Q Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series Q Bonds may adversely affect the tax status of the interest on the Series Q Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series Q Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series Q Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Series Q Bonds has rendered an opinion that interest on the Series Q Bonds is excludable from gross income for Federal income tax purposes and that interest on the Series Q Bonds is excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series Q Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series Q Bonds on the tax liabilities of the individual or entity.

For example, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Similarly, tax-exempt interest may also increase the amount of any environmental tax owed under Section 59 of the Code, which is based on the alternative minimum taxable income of any corporation subject to that tax. Ownership or disposition of the Series Q Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under



Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, and increasing the federal tax liability of certain individual recipients of social security or Railroad Retirement benefits, under Section 86 of the Code. Ownership of any Series Q Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Series Q Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series Q Bonds.

The University has not designated the Series Q Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.

### **Original Issue Premium**

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Series Q Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Series Q Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Series Q Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

### **Original Issue Discount**

The Series Q Bonds that bear an interest rate that is lower than the yield (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon (the "Discount Bonds"). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

## CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the University (the "Obligated Person") will agree, pursuant to a Continuing Disclosure Agreement dated as of December 1, 2003 (the "Disclosure Agreement"), to be delivered on the date of delivery of the Series Q Bonds, to cause the following information to be provided:

(a) to each nationally recognized municipal securities information repository ("NRMSIR") and, if one is established for the Commonwealth, to its state information depository ("SID"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles, generally consistent with the information contained in Appendices A and C; such information shall be provided no later than nine months after the fiscal year ending on the preceding June 30, commencing with the fiscal year ending June 30, 2003;

(b) to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, notice of the occurrence of certain events, if material, with respect to the Series Q Bonds, which events are as follows; and

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of security;
- (7) Modifications to rights of security holders;
- (8) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of the event;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the securities;
- (11) Rating changes;
- (12) The cure, in the manner provided under the Resolutions, of any payment or nonpayment related default under the Resolutions; and
- (13) The issuance of any additional Consolidated Educational Buildings Revenue Bonds or other indebtedness on a parity with the Bonds.

(c) to each NRMSIR or to the MSRB and to the SID, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Disclosure Agreement provides holder of the Series Q Bonds, including beneficial owners of the Series Q Bonds, with certain enforcement rights in the event of a failure by the University to comply with the terms thereof; however, default under the Disclosure Agreement does not constitute an event of default under the Resolutions. The Disclosure Agreement may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series Q Bonds are advised that the Disclosure Agreement, the form of which is obtainable from the Financial Advisor, should be read in its entirety for more complete information regarding its contents.

Financial information regarding the University may be obtained from the Chief Financial Officer, Western Kentucky University, 1 Big Red Way, Bowling Green, Kentucky 42101-3576.

### **PENDING LITIGATION**

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series Q Bonds, or in any way contesting or affecting the validity of the Series Q Bonds or any proceedings of the University taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series Q Bonds or the due existence or powers of the University.

### **APPROVAL OF LEGALITY**

Legal matters incident to the authorization, issuance, sale and delivery of the Series Q Bonds are subject to the approval of Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel to the University. The approving legal opinion of Bond Counsel will be printed on the Series Q Bonds and will contain a statement of tax exemption as represented herein. Bond Counsel has reviewed the information herein pertaining to the Series Q Bonds under the headings "The Series Q Bonds", "Security for the Bonds", "Certain Provisions of the Resolution" and "Tax Exemption", and is of the opinion that such information is a fair summary of the principal provisions of the instruments and information therein described. Said firm has not otherwise participated in the preparation of the Official Statement or the Appendices attached hereto and has not verified the accuracy or completeness of the information contained under any heading other than those stated above, nor of any financial information, enrollment numbers, projections, or computations relating thereto, and therefore, can make no representation with respect to such information. A certification as to the matters set forth under "Pending Litigation" will be delivered by the University with the Series Q Bonds.

### **FINANCIAL ADVISOR**

First Kentucky Securities Corporation, Frankfort, Kentucky, has acted as Financial Advisor to the University in connection with the issuance of the Series Q Bonds and will receive a fee, payable from Bond proceeds, for their services.

### **APPROVAL OF ISSUANCE OF SERIES Q BONDS**

Pursuant to Chapter 42 of the Kentucky Revised Statutes, issuance of the Series Q Bonds must be approved by the Kentucky Finance and Administration Cabinet, Office of Financial Management.

### **FINANCIAL STATEMENTS**

The financial statements of the University as of June 30, 2003 are attached as Appendix C.

### **CERTIFICATE CONCERNING OFFICIAL STATEMENT**

Concurrently with the delivery of the Series Q Bonds, the Treasurer of the Board of Regents will certify that, to the best of her knowledge, the Official Statement did not, as of the date of delivery of the Series Q Bonds, contain any untrue statements of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading in any material respect.

## **COMPLETENESS OF OFFICIAL STATEMENT**

The Board of Regents has approved and caused this Official Statement to be executed and delivered by its Chairman. This Official Statement is deemed final by the Board for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) as of the date hereof.

The financial information supplied by the Board of Regents and reported herein is represented by the Board to be correct. Only accounts required by Federal and State laws, rules and regulations to be audited annually by independent certified public accountants have been so audited and the financial information extracted from their annual audits and presented herein is incomplete to the degree that accounts not required to be so audited have not been included in the annual audits contained in Appendix C.

## **RATINGS**

As noted on the cover page of this Official Statement, Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") have assigned their municipal bond ratings of "\_\_\_" and "\_\_\_", respectively, to the Series Q Bonds. Such ratings reflect only the view of said organizations. Any explanation of the significance of such ratings may only be obtained from the rating agencies at the following addresses: Moody's Investors Service at 99 Church Street, New York, New York 10007, (212) 553-0300; Standard & Poor's Rating Services at 55 Water Street, New York, New York 10041-0003, (212) 438-2124. There is no assurance that the ratings will continue for any given period of time or that a rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series Q Bonds.

## **MISCELLANEOUS**

All quotations from, and summaries and explanations of, the Kentucky Revised Statutes and the Resolution, contained herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Resolution may be obtained from First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40601, Attention: Mr. R. Strand Kramer, Jr. phone: (502) 875-4611.

[This space intentionally left blank.]

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Except when otherwise indicated, the information set forth herein has been obtained from the University and has not been verified as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or Bond Counsel. This Official Statement is not to be construed as a contract or agreement between the University and the purchasers or owners of any of the Series Q Bonds.

**WESTERN KENTUCKY UNIVERSITY**

By: /s/ \_\_\_\_\_  
Chair, Board of Regents

Attest:

**WESTERN KENTUCKY UNIVERSITY**

By: /s/ \_\_\_\_\_  
Secretary

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

**APPENDIX A**

**WESTERN KENTUCKY UNIVERSITY  
CONSOLIDATED EDUCATIONAL BUILDINGS REVENUE BONDS  
SERIES Q**

---

The University and the Consolidated Educational Building Project

**WESTERN KENTUCKY UNIVERSITY  
STATE APPROPRIATIONS**

The General Assembly of the Commonwealth of Kentucky, based on an initial request from the Governor, approves a biennial budget which includes appropriations for all the Commonwealth's public universities. The following are the state appropriations for Western Kentucky University for the past ten years:

<u>Fiscal Year</u>	<u>Appropriation</u>
1994-95	51,598,795
1995-96	53,003,298
1996-97	54,646,500
1997-98	56,545,000
1998-99	57,972,500
1999-00	59,589,500
2000-01	64,328,400
2001-02	66,137,600
2002-03	70,427,100
2003-04	72,040,100

The amount of funds so appropriated has been based in part on the debt service on the University's outstanding Consolidated Educational Buildings Revenue Bonds. The University presently intends, but is not obligated, to continue to seek to have funds appropriated by the General Assembly to partially support the operations of the University. THE GENERAL ASSEMBLY IS NOT NOW OBLIGATED, NOR WILL THERE BE IN THE FUTURE, AN OBLIGATION TO MAKE APPROPRIATIONS TO THE UNIVERSITY. IN ADDITION, THERE CAN BE NO ASSURANCE THAT IN THE PERFORMANCE OF HIS OR HER OBLIGATION TO BALANCE THE STATE BUDGET ANNUALLY, THE GOVERNOR WILL NOT REDUCE OR ELIMINATE ANY APPROPRIATIONS WHICH ARE MADE. THE BONDS ARE SECURED BY AND PAYABLE SOLELY FROM THE REVENUES FROM THE CONSOLIDATED EDUCATIONAL BUILDINGS PROJECT, AND NOT BY ANY APPROPRIATIONS.

**FISCAL YEAR BUDGET**

The 2003-04 fiscal year unrestricted fund budget for Western Kentucky University is \$148,624,000, an increase of \$15,764,000 compared to fiscal year 2002-03. The budget increase is primarily the result of increased tuition and fee revenues, state appropriations and increase in indirect cost recovery on grants and contracts.



## OPERATIONS

### Enrollment

The following schedule indicates the Fall Semester head count and full-time equivalent enrollment at the University for each of the academic years 1994-95 through 2003-04. The full-time enrollment calculation is made in accordance with the method used by the Kentucky Council on Postsecondary Education.

<u>Academic Year</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total Head Count</u>	<u>Full-Time<sup>1</sup> Equivalent</u>
1994-95	12,709	2,056	14,765	11,149
1995-96	12,654	2,067	14,721	11,111
1996-97	12,475	2,138	14,613	10,992
1997-98	12,338	2,205	14,543	11,028
1998-99	12,713	2,169	14,882	11,304
1999-00	12,921	2,202	15,123	11,536
2000-01	13,270	2,246	15,516	11,787
2001-02	14,135	2,444	16,579	12,659
2002-03	15,234	2,584	17,818	13,680
2003-04	15,798	2,593	18,391	14,406

<sup>1</sup> Full-time and part-time enrollment equated to full-time enrollment.

Source: Western Kentucky University

Approximately 18% of students enrolled at the University are nonresidents of Kentucky and in the judgment of the University the percentage should remain constant. Using regional and national surveys of future college age population and historic enrollment data, and taking into consideration the policies of the Kentucky Council on Postsecondary Education relating to the enrollment requirements, the University has estimated 2003-04 through 2007-08 fall semester full-time equivalent enrollment at the University as follows:

<u>Academic Year</u>	<u>Estimated Fall Semester Student Enrollment (Head Count)</u>	<u>Estimated Fall Semester Student Enrollment (Full-Time Equivalent<sup>1</sup>)</u>
2004-05	18,400	13,984
2005-06	18,600	14,136
2006-07	18,800	14,288
2007-08	19,000	14,440
2008-09	19,200	14,592

<sup>1</sup> Full-time and part-time enrollment equated to full-time enrollment.

Source: Western Kentucky University

## Admissions Information - Fall Semester Undergraduate Admissions

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Number of Applications	6540	6720	7078	7737	8510
Number Approved for Enrollment	5390	5712	6132	6846	7530
Number Enrolled	3308	3264	3590	3963	4101
Average ACT Scores	21	21	21	21	21

## Student Registration Fees

The Board of Regents, with the approval of the Kentucky Council on Postsecondary Education, has established a schedule of Student Registration Fees to be imposed, charged and collected for services of the Consolidated Educational Buildings Project from all students attending the University. The schedules of fees, effective for the periods, May 1, 2001, May 1, 2002 and May 1, 2003 are as follows:

	<u>Schedule of Fees 2001-02</u>	<u>Schedule of Fees 2002-03</u>	<u>Schedule of Fees 2003-04</u>
<u>Registration Fee Per Semester Full Time</u>			
Undergraduate			
Resident	\$1,422	\$1,560	\$1,825
Non-Resident	3,712	3,996	4,249
Graduate			
Resident	1,522	1,719	1,999
Non-Resident	3,607	4,154	2,179*
<u>Registration Fee Per Hour Summer Term/Part-Time</u>			
Undergraduate			
Resident	117	130	152
Non-Resident	308	333	354
Graduate			
Resident	167	191	222
Non-Resident	399	210	242

\*2001-2003, scholarships were allotted to all students with a net fee charged. The practice was discontinued for 2003-04.

[The remainder of this page intentionally left blank.]

## COMPARATIVE REPORT OF STUDENT FINANCIAL AID

A summary of the University's student financial aid is presented for the most recent three year period:

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03*</u>
<u>Scholarships &amp; Grants</u>			
<u>Federal Grants</u>			
Pell	\$8,909,896	\$11,503,458	\$13,296,618
Supplemental Educational Opportunity	375,431	405,481	445,107
College Work Study	970,573	877,193	697,013
<u>Institutional Scholarships and Awards</u>			
General	3,215,493	3,515,945	4,039,739
Student Employment	3,082,538	2,616,210	2,253,373
Athletic	1,472,200	1,620,251	1,822,174
State Grants (KHEEA)	5,316,615	7,203,224	9,404,942
<u>Aid from Outside Agencies</u>			
State Grants	245,645	298,451	235,202
Agency Scholarships	<u>1,798,810</u>	<u>2,017,008</u>	<u>2,290,425</u>
Subtotal Scholarships and Grants	\$25,387,201	\$30,057,221	\$34,484,593
<u>Loans</u>			
Perkins Student Loans	\$939,294	\$934,053	\$906,844
Guaranteed Student Loans	22,334,445	24,447,715	27,091,743
PLUS Loans	802,204	1,118,534	1,576,004
Law Access Loans	0	0	0
Schmidlapp Loans	0	0	0
Supplemental Loans for Students	<u>224,149</u>	<u>259,016</u>	<u>494,693</u>
Subtotal Loans	\$24,300,092	\$26,759,318	\$30,069,284
<b>TOTAL STUDENT FINANCIAL AID</b>	<u><b>\$49,687,293</b></u>	<u><b>\$56,816,539</b></u>	<u><b>\$64,553,877</b></u>

\*Estimated.

Source: Western Kentucky University

[The remainder of this page intentionally left blank.]

**FIVE-YEAR HISTORY OF PRIVATE DONATIONS (OR CONTRIBUTIONS)**

<u>Fiscal Year</u>	<u>Number of Donors Participating</u>	<u>Total Voluntary Support</u>
1997-98	11,711	4,269,865
1998-99	12,135	5,724,292
1999-00	11,789	8,202,376
2000-01	11,811	9,831,085
2001-02	14,254	12,324,882
2002-03	15,500*	11,703,041*

\*As of June 15, 2003.

Source: Western Kentucky University

**SUMMARY OF INCOME FROM STUDENT REGISTRATION FEES**

The following table shows student registration fees collected by fiscal year, without adjustment for tuition and scholarship discounting required by GASB 34.

<u>Fiscal Year</u>	<u>Fees Collected</u>
1993-94	28,249,318
1994-95	28,883,402
1995-96	30,470,820
1996-97	30,851,806
1997-98	34,383,716
1998-99	36,883,238
1999-00	39,754,460
2000-01	40,504,568
2001-02	47,880,424
2002-03	52,797,375 *

\*Estimated.

Source: Western Kentucky University

**ESTIMATED COVERAGE OF DEBT SERVICE REQUIREMENTS**

This calculation of coverage of estimated debt service requirements as set forth below is based on the schedule of estimated annual debt service for the Bonds as shown herein.

2001-02 Adjusted Revenues	\$47,880,424
2002-03 Adjusted Revenues	<u>52,797,375</u>
Total	\$100,677,799
Average Annual Revenues	\$50,338,900
Maximum Annual Debt Service Requirement	5,033,682*
Times Maximum Debt Service Covered	10.00x

\*Occurs in 2007.

**OUTSTANDING BONDS OF THE UNIVERSITY**

<u>Consolidated Educational Building Revenue Bonds</u>	<u>Year of Issue</u>	<u>Amount of Issue</u>	<u>Amount Outstanding</u>	<u>Year of Final Maturity</u>
Series M	1997	\$6,625,000	\$3,410,000	2007
Series N	2002	6,110,000	5,565,000	2012
Series O	2003	9,830,000	9,830,000	2010
Series P	2003	<u>11,135,000</u>	<u>11,135,000</u>	2023
TOTAL		<u>\$33,700,000</u>	<u>\$29,940,000</u>	

Source: Western Kentucky University and Financial Advisor.

In June 2000, the University sold its housing facilities to WKU Student Life Foundation, Inc., a Kentucky nonprofit corporation, created as a "supporting organization" of the Western Kentucky University Foundation, for a purchase price equal to the appraised value of the facilities. The University used those funds to defease all its outstanding housing and dining bonds. The University continued ownership of certain housing facilities and was obligated to pay \$3,037,115 to WKU Student Life Foundation, Inc. over a period ending December 2008. The current outstanding amount is \$1,983,979. The amounts required to make those payments are generated by revenues from auxiliary services of the University and not from student registration fees. See APPENDIX C.

In June, 2002 the City of Bowling Green issued General Obligation Bonds Series B in the amount of \$30,155,000 and Series C (taxable) in the amount of \$1,800,000. These bonds were issued to provide funds for the renovation and expansion at the E.A. Diddle Arena on the University campus. The University collects a mandatory student athletic fee and the Arena generates revenue. A portion of the fees and revenues are used to pay the debt service on those bonds pursuant to an agreement between the City and the University. See APPENDIX C.

---

THIS PAGE INTENTIONALLY

LEFT BLANK

---

**APPENDIX B**

**Western Kentucky University  
Consolidated Educational Buildings Revenue Bonds  
Series Q**

---

Estimated Total Annual Debt Service Requirements

**WESTERN KENTUCKY UNIVERSITY  
CONSOLIDATED EDUCATIONAL BUILDINGS REVENUE BONDS  
ESTIMATED TOTAL ANNUAL DEBT SERVICE REQUIREMENTS**

Year Ending <u>June 30</u>	Existing Debt <u>Service</u>	Series Q			Total Debt <u>Service</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2004	\$4,000,502	-	\$172,772	\$172,772	\$4,173,274
2005	4,148,913	\$435,000	420,255	855,255	5,004,168
2006	4,160,572	445,000	411,338	856,338	5,016,910
2007	4,176,467	455,000	402,215	857,215	5,033,682
2008	3,216,250	465,000	391,750	856,750	4,073,000
2009	2,930,100	475,000	378,730	853,730	3,783,830
2010	2,949,475	490,000	364,242	854,242	3,803,717
2011	1,383,830	505,000	349,298	854,298	2,238,128
2012	1,393,055	525,000	332,127	857,127	2,250,182
2013	839,999	540,000	313,490	853,490	1,693,489
2014	843,549	560,000	293,780	853,780	1,697,329
2015	841,068	585,000	271,940	856,940	1,698,008
2016	842,055	605,000	248,247	853,247	1,695,302
2017	841,243	630,000	223,140	853,140	1,694,383
2018	839,336	660,000	196,365	856,365	1,695,701
2019	840,536	685,000	167,985	852,985	1,693,521
2020	840,386	715,000	137,845	852,845	1,693,231
2021	843,186	750,000	106,385	856,385	1,699,571
2022	839,192	785,000	72,635	857,635	1,696,827
2023	<u>843,237</u>	<u>820,000</u>	<u>37,310</u>	<u>857,310</u>	<u>1,700,547</u>
<b>TOTAL</b>	<b>\$37,612,951</b>	<b>\$11,130,000</b>	<b>\$5,291,849</b>	<b>\$16,421,849</b>	<b>\$54,034,800</b>

Source: Western Kentucky University and Financial Advisor

[the remainder of this page intentionally left blank]



**APPENDIX C**

**WESTERN KENTUCKY UNIVERSITY  
CONSOLIDATED EDUCATIONAL BUILDINGS REVENUE BONDS  
SERIES Q**

---

Financial Statements as of June 30, 2003

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

# **Western Kentucky University**

Accountants' Report and Financial Statements

June 30, 2003 and 2002



**Western Kentucky University**  
**June 30, 2003 and 2002**

**Contents**

<b>Independent Accountants' Report on Financial Statements and Supplementary Information .....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>3</b>
<b>Financial Statements</b>	
Statements of Net Assets .....	15
Statements of Revenues, Expenses and Changes in Net Assets .....	16
Statements of Cash Flows .....	17
Notes to Financial Statements .....	18
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards .....	39
<b>Independent Accountants' Report on Compliance and Internal Control Over Financial Reporting Based on the Audit of the Financial Statements in Accordance with <i>Government Auditing Standards</i> .....</b>	<b>50</b>
<b>Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs .....</b>	<b>52</b>
<b>Schedule of Findings and Questioned Costs .....</b>	<b>54</b>
<b>Summary Schedule of Prior Audit Findings .....</b>	<b>57</b>

## **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  
Page Two

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.

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

***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:

<b><u>Enrollment Base (Headcount)</u></b>	<b><u>Fall 2002</u></b>	<b><u>Fall 2001</u></b>
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
<b><u>WKU Foundation Capital Campaign</u></b>	<b><u>June 30, 2003</u></b>	<b><u>June 30, 2002</u></b>
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.

<b><u>State Appropriations</u></b>	<b><u>June 30, 2003</u></b>	<b><u>June 30, 2002</u></b>
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>



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

**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)**

	<b>June 30, 2003</b>	<b>June 30, 2002</b>
<b>Assets</b>		
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
<b>Liabilities</b>		
Current liabilities	\$ 42,484	\$ 50,740
Noncurrent liabilities	51,152	52,976
Total liabilities	93,636	103,716

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

	<b>June 30, 2003</b>	<b>June 30, 2002</b>
<b>Net Assets</b>		
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.

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

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,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>
<b>Operating Revenues</b>		
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>
<b>Total Operating Revenue</b>	<u>88,828</u>	<u>79,274</u>
<b>Operating Expenses</b>	<u>177,055</u>	<u>164,780</u>
<b>Operating Loss</b>	<u>(88,228)</u>	<u>(85,506)</u>
<b>Nonoperating Revenues (Expenses)</b>		
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>
<b>Income before Other Revenues, Expenses, Gains or Losses</b>	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>
<b>Increase in Net Assets</b>	<u>20,900</u>	<u>16,505</u>
<b>Net Assets, Beginning of Year</b>	<u>112,819</u>	<u>96,314</u>
<b>Net Assets, End of Year</b>	<u>\$ 133,719</u>	<u>\$ 112,819</u>

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

***Operating Revenues***

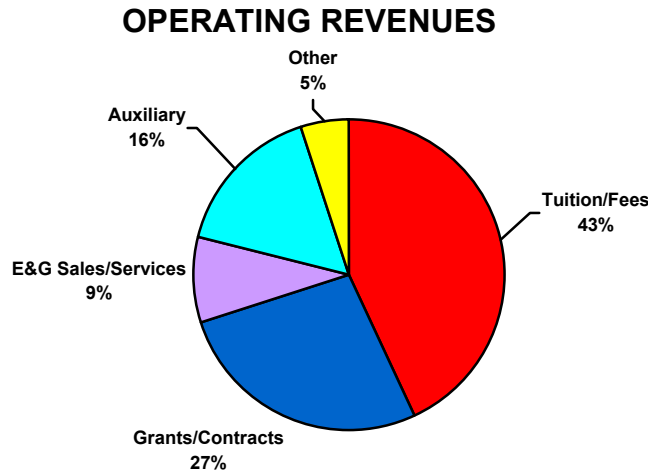
Operating revenues include all transactions that result in the sales of goods and services. For the University, the most significant operating revenue is student tuition and fees. Student tuition and fees revenue is a function of enrollment and rates approved by the University's Board of Regents. Other 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.

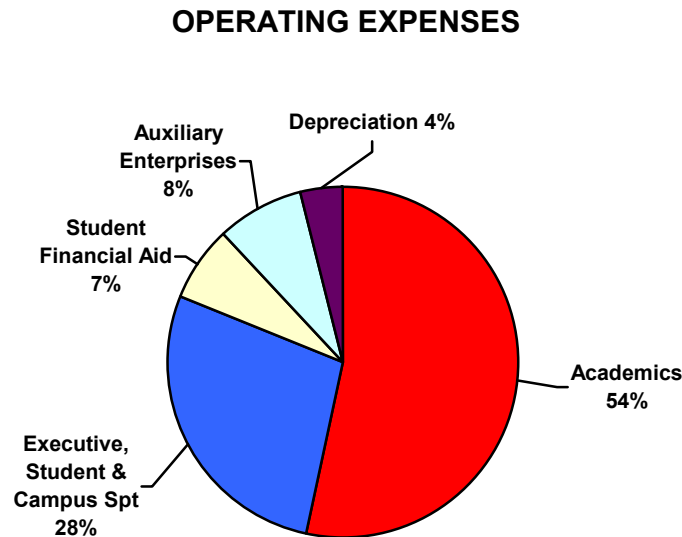
**Western Kentucky University**  
**Management's Discussion and Analysis**  
**June 30, 2003**

**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.



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

***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:

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

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

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

- 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:

	<b>June 30, 2003</b>	<b>June 30, 2002</b>
<b>Cash Provided by (Used in)</b>		
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
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>84,762</u>	<u>48,220</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 61,107</u>	<u>\$ 84,762</u>



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

**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:

	<b>June 30, 2003</b>	<b>June 30, 2002</b>
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:

	<b>June 30, 2003</b>	<b>June 30, 2002</b>
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**  
**June 30, 2003**

***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**

	<b>2003</b>	<b>2002</b>
<b>Current Assets</b>		
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
<b>Noncurrent Assets</b>		
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>
<b>Current Liabilities</b>		
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
<b>Long-term Debt</b>	<u>51,152,215</u>	<u>52,975,810</u>
Total liabilities	<u>93,636,479</u>	<u>103,715,834</u>
<b>Net Assets</b>		
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**

	<b>2003</b>	<b>2002</b>
<b>Operating Revenues</b>		
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	4,713,392	4,017,096
Total operating revenues	88,828,092	79,273,571
<b>Operating Expenses</b>		
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	13,203,829	12,102,452
Total operating expenses	177,055,685	164,780,035
<b>Operating Loss</b>	<b>(88,227,593)</b>	<b>(85,506,464)</b>
<b>Nonoperating Revenues (Expenses)</b>		
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)	68,674	(26,080)
Net nonoperating revenues (expenses)	96,866,160	88,296,797

	<u>2003</u>	<u>2002</u>
<b>Income Before Other Revenues, Expenses, Gains or Losses</b>	\$ <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>
<b>Increase in Net Assets</b>	20,900,455	16,504,507
<b>Net Assets, Beginning of Year</b>	<u>112,818,699</u>	<u>96,314,192</u>
<b>Net Assets, End of Year</b>	<u>\$ 133,719,154</u>	<u>\$ 112,818,699</u>

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

	<b>2003</b>	<b>2002</b>
<b>Operating Activities</b>		
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>
<b>Noncapital Financing Activities</b>		
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>
<b>Capital and Related Financing Activities</b>		
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>
<b>Investing Activities</b>		
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>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>		
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>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities</b>		
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>
<b>Net Cash Used in Operating Activities</b>	<u>\$ (75,059,046)</u>	<u>\$ (81,386,655)</u>
<b>Supplemental Cash Flows Information</b>		
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:

	<b>2003</b>	<b>2002</b>
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:

	<b>Balance July 1, 2002</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance June 30, 2003</b>
<b>Cost</b>					
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>
<b>Less Accumulated Depreciation</b>					
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>
<b>Net Capital Assets</b>	<u>\$ 100,406,912</u>	<u>\$ 39,904,141</u>	<u>\$ (558,213)</u>	<u>\$ 0</u>	<u>\$ 139,752,840</u>

	<b>Balance July 1, 2002 (as restated)</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance June 30, 2002</b>
<b>Cost</b>					
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**

	<b>Balance July 1, 2002 (as restated)</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance June 30, 2002</b>
<b>Less Accumulated Depreciation</b>					
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>
<b>Net Capital Assets</b>	<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:

	<b>2003</b>	<b>2002</b>
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:

	<b>2003</b>	<b>2002</b>
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:

	<b>2003</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
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
	<b>2002</b>				
	<b>Beginning Balance (as restated)</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
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:

	<b>2003</b>	<b>2002</b>
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:

<b>Year Ending June 30</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
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:

<b>Year Ending June 30</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
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>	<u>—</u>	<u>—</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:

	<b>2003</b>	<b>2002</b>
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	(1,016,294)	(599,624)
Balance, end of year	\$ 1,445,236	\$ 915,878

**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:

	<b>CPE Funding Received</b>	<b>External Matched Pledges</b>	
		<b>University Received</b>	<b>University Pledge</b>
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>
	<b>CPE Funding Received</b>	<b>External Matched Pledges</b>	
		<b>University Received</b>	<b>University Pledge</b>
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:

<b>2003 – Natural Classification</b>							
<b>Functional Classification</b>	<b>Compensation and Benefits</b>	<b>Supplies, Contractual Services and Other</b>	<b>Utilities</b>	<b>Non Capitalized Property</b>	<b>Scholarships</b>	<b>Depreciation</b>	<b>Total</b>
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>
<b>2002 – Natural Classification</b>							
<b>Functional Classification</b>	<b>Compensation and Benefits</b>	<b>Supplies, Contractual Services and Other</b>	<b>Utilities</b>	<b>Non Capitalized Property</b>	<b>Scholarships</b>	<b>Depreciation</b>	<b>Total</b>
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>
<b><u>Student Financial Assistance</u></b>				
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
<b><u>Research and Development</u></b>				
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
<b>Total Research &amp; Development</b>					3,247,453
<b><u>Other Programs</u></b>					
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
<b>Total Head Start</b>					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
					606,216
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
					876,946
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**  
**Year Ended June 30, 2003**

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>
<b><u>National Aeronautics and Space Administration</u></b>			
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
<b><u>U.S. Department of Commerce</u></b>			
Disaster Mitigation	11.307	Murray State University	5,260
<b><u>U.S. Department of Agriculture</u></b>			
Poultry Waste	10.001	Purdue University	9,500
<b><u>U.S. Department of Health and Human Services</u></b>			
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
<b><u>U.S. Department of Justice</u></b>			
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
<b><u>Environmental Protection Agency</u></b>			
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
<b><u>U.S. Department of Education</u></b>			
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  
Page Two

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  
Page Two

**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:

<b>Cluster/Program</b>	<b>CFDA Number</b>
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***

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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.

---

THIS PAGE INTENTIONALLY

LEFT BLANK

---

**APPENDIX D**

**WESTERN KENTUCKY UNIVERSITY  
CONSOLIDATED EDUCATIONAL BUILDINGS REVENUE BONDS  
SERIES Q**

---

Form of Bond Counsel Opinion

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

[Date of Delivery]

Western Kentucky University  
Bowling Green, Kentucky

Re: \$ \_\_\_\_\_ Western Kentucky University Consolidated Educational Buildings Revenue Bonds, Series Q, Dated December 1, 2003

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Board of Regents of Western Kentucky University, a public body corporate and educational institution and agency of the Commonwealth of Kentucky (the "Issuer") of \$ \_\_\_\_\_ of Western Kentucky University Consolidated Educational Buildings Revenue Bonds, Series Q, dated December 1, 2003 (the "Bonds") pursuant to Sections 162.340 to 162.380, inclusive, of the Kentucky Revised Statutes, as amended (the "Act"), and a Basic Resolution dated as of August 15, 1960, supplemented on July 28, 1971 (the "Resolution") and the Series Q Resolution, dated October 31, 2003 (the "Series Q Resolution"). We have examined the law and the transcript of proceedings pursuant to which the Bonds have been authorized and issued, and such other matters as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the opinion of Deborah T. Wilkins, Esq., as General Counsel to the Issuer, representations of the Issuer contained in the Resolution and Series Q Resolution and in the transcript of proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Issuer is a duly created and validly existing public body corporate and educational institution and agency of the Commonwealth of Kentucky, with full power to execute and deliver the Resolution and Series Q Resolution and perform the agreements on its part contained therein and issue the Bonds.

2. The Resolution and Series Q Resolution have been duly adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer.

3. The Bonds have been duly authorized, executed and delivered by the Issuer and constitute valid and binding special obligations of the Issuer payable solely from the sources provided therefor in the Resolution and Series Q Resolution.

4. The Bonds and any additional parity bonds heretofore and hereafter issued and outstanding under the terms of the Resolution are and will be payable from and constitute a paramount charge upon the defined Revenues (student registration fees) derived by the Issuer from the operation of its Consolidated Educational Buildings Project, which consists of all educational buildings and appurtenant facilities of the Issuer now in existence and hereafter acquired. As further security for the Bonds and any parity bonds heretofore or hereafter issued pursuant to the Resolution, there is created and granted by Sections 162.200 and 162.350 of the Kentucky Revised Statutes, as amended, a statutory mortgage lien upon the Consolidated Educational Buildings Project of the Issuer.

5. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest, including original issue discount, on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

6. Interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

7. The Issuer has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and to the exercise of judicial discretion in accordance with general equitable principles.

Very truly yours,

## APPENDIX E

### Book Entry Only System

The Series Q Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series Q Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, each as hereinafter defined, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Series Q Bonds under the Resolution and Series Resolution.

The following information about the book-entry only system applicable to the Series Q Bonds has been supplied by DTC. Neither the University nor the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Series Q Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series Q Bond certificate will be issued for in the aggregate principal amount of the Series Q Bonds and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series Q Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Q Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Q Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations

providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Q Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Q Bonds, except in the event that use of the book-entry system for the Series Q Bonds is discontinued.

To facilitate subsequent transfers, all Series Q Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series Q Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Q Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series Q Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series Q Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series Q Bond documents. For example, Beneficial Owners of Series Q Bonds may wish to ascertain that the nominee holding the Series Q Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series Q Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series Q Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series Q Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series Q Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series Q Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Trustee or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.



DTC may discontinue providing its services as depository with respect to the Series Q Bonds at any time by giving reasonable notice to the University or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series Q Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series Q Bond certificates will be printed and delivered.

NEITHER THE UNIVERSITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE SERIES Q BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED SERIES Q BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES Q BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES Q BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Series Q Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Series Q Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Series Q Bonds.

The University cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Series Q Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

---

THIS PAGE INTENTIONALLY  
LEFT BLANK

---

**APPENDIX F**

**Form of Continuing Disclosure Agreement**

**CONTINUING DISCLOSURE AGREEMENT**

---

Relating to:

\$ \_\_\_\_\_  
WESTERN KENTUCKY UNIVERSITY  
CONSOLIDATED EDUCATIONAL BUILDINGS  
REVENUE BONDS, SERIES Q

---

Dated as of: December 1, 2003

TABLE OF CONTENTS

	Page
RECITALS .....	1
Article 1. The Undertaking .....	1
Article 2. Operating Rules .....	1
Article 3. Termination, Amendment and Enforcement.....	2
Article 4. Definitions .....	3
Article 5. Miscellaneous .....	5

This Continuing Disclosure Agreement (the "Agreement") dated as of December 1, 2003 by and between the Western Kentucky University (the "Issuer") and Branch Banking and Trust Company, Wilson, North Carolina (the "Trustee") under a bond resolution adopted by the Issuer on October 31, 2003 (the "Series Q Resolution"), is executed and delivered in connection with the issuance of the Issuer's Consolidated Educational Buildings Revenue Bonds, Series Q (the "Bonds"). Capitalized terms used in this Agreement which are not otherwise defined in the Series Q Resolution or the Resolution, as defined in the Series Q Resolution, shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

## ARTICLE I

### THE UNDERTAKING

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the Holders of the Bonds, and is being executed and delivered solely to assist the Purchasers in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with fiscal 2004, by no later than 9 months after the end of the respective fiscal year, but in any event shall provide Audited Financial Statements of the Issuer as soon as practicable, and within 15 business days, if possible, after the final publication date of such Audited Financial Statements, to each NRMSIR and the SID.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements of the Issuer, when and if available, to each NRMSIR and the SID.

Section 1.4. Notices of Material Events. (a) If a Material Event occurs, the Issuer shall provide, in a timely manner, a Material Event Notice to (i) either the MSRB or each NRMSIR, (ii) the SID, and (iii) the Trustee.

(b) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Series Q Resolution or the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide a Material Event Notice hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement.

Section 1.5. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

## ARTICLE II

### OPERATING RULES

Section 2.1. References to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents previously

either (i) provided to each NRMSIR existing at the time of such reference and the SID, or (ii) filed with the SEC. If such a document is the Official Statement, it also must be available from the MSRB.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in the Issuer's sole determination, subject to technical and economic feasibility, the Issuer shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the Issuer's information and notices.

Section 2.5. Fiscal Year. Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer's current fiscal year is July 1 - June 30, and the Issuer shall promptly notify (i) each NRMSIR, (ii) the SID and (iii) the Trustee of each change in the Issuer's fiscal year.

### ARTICLE III

#### TERMINATION, AMENDMENT AND ENFORCEMENT

Section 3.1. Termination. (a) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance pursuant to Section 10.02 of the Resolution, prior redemption or payment in full of all of the Bonds.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (i) delivers to the Trustee an opinion of Peck, Shaffer & Williams LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and Trustee, to the effect that those portions of the Rule which require the provisions of this Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (ii) delivers copies of such opinion to each NRMSIR and the SID.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the Holders of the Bonds, (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Peck, Shaffer & Williams LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above and, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of Peck, Shaffer & Williams LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the Holders of the Bonds, or (ii) the Holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of Holders of bonds pursuant to Article VIII of the Resolution as in effect on the date of this Agreement, and (5) the Issuer shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(b) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall inure solely to the benefit of the Holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement.

(b) Except as provided in this subsection (b), the provisions of this Agreement shall create no rights in any person or entity. The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The Holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Holders of Bonds for purposes of this subsection (b) unless and until the respective Holder exercises any rights pursuant to this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State.

#### ARTICLE IV

#### DEFINITIONS

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

"Annual Financial Information" means the financial information or operating data with respect to the Issuer, for each fiscal year of the Issuer, as set forth under the heading "OPERATIONS" in the Official Statement and Audited Financial Statements, if available, or Unaudited Financial Statements.

"Audited Financial Statements" means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by state law. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to each NRMSIR and the SID, and shall include a reference to the specific federal or state law or regulation describing such accounting basis.

"GAAP" means generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board.

"Material Event" means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls (except in the case of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms under which the redemption is to occur are set forth in detail in the Official Statement and the only open issue is which Bonds will be redeemed in the case of a partial redemption, provided notice of the redemption is given to the bondholders and the public; see Exchange Act Release No. 23856, Dec. 3, 1986);
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities; and
- (xi) rating changes.

"Material Event Notice" means written or electronic notice of a Material Event.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to § 15B(b)(1) of the Securities Exchange Act of 1934.

"NRMSIR" shall mean any nationally recognized municipal securities information repository, as such term is used in the Release.

"Official Statement" means the "final official statement", as defined in paragraph (f)(3) of the Rule, relating to the Bonds.

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof.



"Release" means Securities and Exchange Commission Release No. 34-34961.

"SEC" means the United States Securities and Exchange Commission.

"SID" means the state information depository, as such term is used in the Release, if and when a SID is created for the State. As of the date of this Agreement, there is no SID in the State.

"State" means the Commonwealth of Kentucky.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

## ARTICLE V

### MISCELLANEOUS

Section 5.1. Duties, Immunities and Liabilities of Trustee. Article V of the Resolution is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Resolution.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

### **WESTERN KENTUCKY UNIVERSITY**

By: \_\_\_\_\_  
Chair

### **BRANCH BANKING AND TRUST COMPANY, as Trustee**

By: \_\_\_\_\_

Title: \_\_\_\_\_

## OFFICIAL TERMS AND CONDITIONS OF BOND SALE

Re: Western Kentucky University Consolidated Educational Buildings Revenue Bonds, Series Q, dated December 1, 2003, in the principal amount of \$11,130,000\*

The Treasurer of the Board of Regents and the President of Western Kentucky University (the "University"), Bowling Green, Kentucky will until November 20, 2003, at 10:00 A.M., C.S.T., receive in the office of Chief Financial Officer and Treasurer, Western Kentucky University, WAB 311, 1 Big Red Way, Bowling Green, Kentucky 42101, sealed, competitive bids for the purchase of the above-identified Bonds (the "Series Q Bonds"). To be considered, a bid for the purchase of said Bonds must be submitted on an Official Bid Form and must be delivered to such office no later than the date and hour indicated. Electronic bids may also be received via PARITY, as described below. Proposals for the purchase of the Bonds will be considered by the Treasurer and President and awarded on that date.

### DESCRIPTION AND MATURITIES OF BONDS

The Series Q Bonds will be issued only as fully registered bonds in the denomination of \$5,000 principal amount or any multiple of \$5,000 within a single maturity (as designated by the Purchasers), will bear interest payable semiannually on May 1 and November 1 of each year to maturity (first interest payment date, May 1, 2004), and will mature on the dates and in the principal amounts, as follows:

<u>Maturity Date</u> <u>May 1</u>	<u>Principal Amount*</u>	<u>Maturity Date</u> <u>May 1</u>	<u>Principal Amount*</u>
2005	\$435,000	2015	\$585,000
2006	445,000	2016	605,000
2007	455,000	2017	630,000
2008	465,000	2018	660,000
2009	475,000	2019	685,000
2010	490,000	2020	715,000
2011	505,000	2021	750,000
2012	525,000	2022	785,000
2013	540,000	2023	820,000
2014	560,000		

\*The principal maturities are subject to change as provided in the Series Q Resolution pursuant to which the Series Q Bonds will be issued.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series Q Bonds. The Series Q Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series Q Bond certificate will be issued for each maturity of the Series Q Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

Purchases of the Series Q Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Series Q Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Q Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Q Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series Q Bonds, except in the event that use of the book-entry system for the Series Q Bonds is discontinued.

The Series Q Bonds shall be lettered and numbered from R-1 upward, or such numbering shall be made in such other appropriate manner as may be determined by Branch Banking and Trust Company, Wilson, North Carolina, the Trustee, Bond Registrar, Transfer Agent, Payee Bank and Depository Bank.

The person in whose name any Series Q Bond is registered on the Record Date (April 15 or October 15) with respect to an interest payment date shall be entitled to receive the interest payable on such interest payment date.

The Series Q Bonds maturing on and after May 1, 2014, shall be subject to redemption by the Board of Regents of the University (the "Board") prior to maturity, in whole or in part, in the inverse order of their maturities (less than all of a single maturity to be selected by lot), on any date, on or after May 1, 2013, at a redemption price equal to the principal amount of the Series Q Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

#### AUTHORITY AND PURPOSE OF BONDS

These Bonds are issued in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky including Sections 162.340-162.380, and 58.010-58.140 of the Kentucky Revised Statutes, and under and pursuant to the terms of a Resolution adopted by the Board on August 15, 1960, supplemented on July 28, 1971 (the "Resolution") and the Series Q Resolution adopted by the Board on October 31, 2003 (the "Series Q Resolution") authorizing these Bonds, being issued for the purpose of (i) paying the budgeted costs of the (a) the Downing University Center Renovation and (b) the Materials Characterization Building, (ii) making the required deposit in the debt service reserve fund, and (iii) paying the costs of issuing the Series Q Bonds.

## SECURITY

These Series Q Bonds, together with all outstanding bonds issued for the Consolidated Educational Buildings Project, as defined in the Resolution, and any additional parity bonds which may hereafter be issued and outstanding under the terms of the Resolution and any subsequent Resolutions, are and will be payable from and will constitute a pledge, charge and lien upon the Revenues (student registration fees) to be derived by the University from the operation of its Consolidated Educational Buildings Project. The Consolidated Educational Buildings Project is described generally as all of the educational buildings and appurtenant facilities of the University at Bowling Green, Kentucky.

As further security for the Bonds, a statutory mortgage lien upon the Project is created and granted by the Series Q Resolution pursuant to Sections 162.350 and 162.200 of the Kentucky Revised Statutes, in favor of the Series Q Bonds and all parity bonds, including those heretofore issued and those hereafter issued.

## BIDDING CONDITIONS AND RESTRICTIONS

The Public offering of the Series Q Bonds is made up on the following specific conditions and provisions:

A. A minimum price is required for the entire issue of not less than \$10,907,400 (98% of par), plus accrued interest from the date of the Bonds (December 1, 2003) to the date of delivery, payable in Federal Funds.

B. The successful bidder will be required to deposit, with Branch Banking and Trust Company, Wilson, North Carolina, by federal wire transfer, ABA No. 053101121, the amount of 2% of the par amount of Bonds awarded, representing the good faith deposit, by the close of business on November 21, 2003. The amount of the good faith deposit, without interest, will be deducted from the purchase price at the time of delivery of the Series Q Bonds.

C. The determination of the best bid will be made on the basis of the lowest net interest cost calculated by computing the total interest payable on the Bonds from December 1, 2003, through the Final Maturity Date, plus discount or less premium, as set forth in the Official Bid Form, for exactly \$11,130,000 of Series Q Bonds under the terms and conditions therein specified. Upon determination of the lowest net interest cost, the Board shall immediately proceed to adjust such principal amounts of the Series Q Bonds to determine the maturities of its final bond issue. The successful bidder will be required to accept the final bond issue as so computed, whether the principal amount has been increased or decreased by up to \$1,100,000, and to pay the percentage purchase price based upon the aggregate amount of the final bond issue.

D. Bidders must state an interest rate or rates in multiples of 1/8, 1/10 or 1/20 of 1%, or both.

E. There is no limit on the number of different rates which may be specified in any bid.

F. All Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

G. Interest rates must be on an ascending scale, in that the interest rate for Bonds of any maturity may not be less than the interest rate stipulated for any preceding maturity.

H. Bidders may require that a portion of the Series Q Bonds be term bonds maturing on one or more dates (the "Term Bonds"); provided, however, that such Term Bonds will be subject to mandatory redemption by lot at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on May 1 of the years and in the principal amounts set forth in the maturity schedule above.

I. The right to reject bids for any reason deemed advisable by the Treasurer of the Board and the President of the University and the right to waive any possible informalities, irregularities, or defects in any bid which, in the judgment of the Treasurer of the Board and the President of the University, with the advice of the Financial Advisor, shall be minor or immaterial, is expressly reserved.

J. Bids must be made on forms which, together with a Preliminary Official Statement, may be obtained from the Financial Advisor, First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40602 or P.O. Box 554, Frankfort, Kentucky 40602, Attention Mr. R. Strand Kramer, Jr. (502) 875-4611. Bids must be enclosed in sealed envelopes marked "Bid for Western Kentucky University Consolidated Educational Buildings Revenue Bonds, Series Q, dated December 1, 2003," and bids must be received by the Treasurer prior to the date and hour set for the sale. It is also possible to submit a bid by the delivery (including by facsimile) of a signed bid form to the Financial Advisor or University officials prior to the sale and completing the bid by telephone prior to the deadline for submitting bids. Bids may alternatively be submitted electronically via PARITY. For further information about PARITY, potential bidders may contact the Financial Advisor or Dalcomp at 40 West 23rd Street, 5th Floor, New York, NY 10010, tel: (212) 404-8102.

K. The purchasers of the Bonds shall pay the CUSIP Service Bureau charge for the assignment of CUSIP numbers, which numbers will be printed on the Bonds at no expense or cost to the purchasers. Neither the failure to print a CUSIP number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchasers thereof to accept delivery of and pay for the Bonds.

L. Delivery will be made at the Depository Trust Company, New York, New York, at no additional cost or expense to the purchasers. The Board will pay for the printing of the Bonds, which will contain the opinion of Bond Counsel. Delivery is expected on December 4, 2003.

M. Upon wrongful refusal of the purchasers to take delivery of and pay for the Bonds in Federal Funds when tendered for delivery, the good faith deposit shall be forfeited by such purchasers, and such amount shall be deemed liquidated damages for

such default; provided, however, if the Bonds are not ready for delivery and payment within forty-five (45) days from the date of sale herein provided for, said purchasers shall be relieved of any liability to accept the Bonds hereunder. However, it is contemplated that the Bonds will be delivered on a date during such period as may be designated by representatives of the Board, and the purchasers will be required to accept delivery of and pay for the Bonds on any designated date within such 45 day period upon notice being given at least five (5) business day prior to the designated delivery date.

N. If the successful bidder desires to obtain insurance guaranteeing the payment of the principal and/or interest on the Bonds, the University agrees that it will cooperate with the successful bidder in obtaining such insurance, but all of the expenses and charges in connection therewith shall be borne by such bidder and the University shall not be liable to any extent therefor. The University has applied for a rating on the Series Q Bonds from Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and will pay the fees associated therewith.

O. The successful bidder shall promptly advise the Financial Advisor to the Board of Regents of (i) the reoffering price for each maturity of the Series Q Bonds, and (ii) the principal amount sold to the public of each principal maturity of the Series Q Bonds on the reoffering date.

P. Bidders are advised that First Kentucky Securities Corporation, of Frankfort, Kentucky, has been employed as Financial Advisor in connection with the issuance of these Series Q Bonds. Their fee for services rendered with respect to the sale of the Series Q Bonds is contingent upon the issuance and delivery of the Series Q Bonds. They may submit a bid for the purchase of the Series Q Bonds at the time of the advertised public sale of the Series Q Bonds, either individually or as members of a syndicate organized to submit a bid for the purchase of the Series Q Bonds.

The Board of Regents has agreed in the Series Q Resolution to provide or cause to be provided, in accordance with the requirements of Rule 15c2-12, as amended and interpreted from time to time (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), (i) on or prior to 270 days after the end of each fiscal year, certain annual financial information and operating data, including audited financial statements for the preceding fiscal year, generally consistent with the information contained in the Official Statement, and (ii) timely notice of the occurrence of certain material events with respect to the Series Q Bonds.

The purchaser's obligation to purchase the Series Q Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Series Q Bonds, in form and substance reasonably satisfactory to the purchaser, evidence that the Board of Regents has made the limited continuing disclosure undertaking set forth above for the benefit of the holders of the Series Q Bonds.

The Board of Regents shall provide to the successful purchaser a final Official Statement in accordance with the Rule. Arrangements have been made with the printer, upon submission of completion text, to print a reasonable quantity of final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC or Municipal Securities

Rulemaking Board Delivery Requirements, which Official Statements will be provided at the expense of the Board.

The Board of Regents will furnish to the purchasers the customary No Litigation Certificate and the final, approving Legal Opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, without expense to the purchasers.

Concurrently with the delivery of the Series Q Bonds, the Treasurer of the Board of Regents will certify that, to the best of his knowledge, the Official Statement did not, as of its date, and does not, as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading in any material respect.

#### TAX EXEMPTION

In the opinion of Bond Counsel for the Series Q Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series Q Bonds is excludable from gross income for Federal income tax purposes and interest on the Series Q Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series Q Bonds. The University has covenanted to comply with certain restrictions designed to ensure that interest on the Series Q Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series Q Bonds being includable in gross income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series Q Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series Q Bonds may adversely affect the tax status of the interest on the Series Q Bonds.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series Q Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series Q Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Series Q Bonds has rendered an opinion that interest on the Series Q Bonds is excludable from gross income for Federal income tax purposes and that interest on all Series Q Bonds is excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series Q Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and

extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series Q Bonds on the tax liabilities of the individual or entity.

For example, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Similarly, tax-exempt interest may also increase the amount of any environmental tax owed under Section 59 of the Code, which is based on the alternative minimum taxable income of any corporation subject to that tax. Ownership or disposition of the Series Q Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, and increasing the federal tax liability of certain individual recipients of social security or Railroad Retirement benefits, under Section 86 of the Code. Ownership of any Series Q Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Series Q Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series Q Bonds.

**The University has NOT designated the Series Q Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.**

The Board reserves the right to amend the Resolution authorizing the Series Q Bonds without obtaining the consent of the owners of the Series Q Bonds (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Series Q Bonds shall be exempt from Federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the security of the owners of the Series Q Bonds) to eliminate or reduce any restrictions concerning the project financed by the Series Q Bonds, the investment of the proceeds of the Series Q Bonds, or the application of such proceeds or of the revenues of the project financed by the Series Q Bonds. The purchasers of the Series Q Bonds will be deemed to have relied fully upon these covenants and undertakings on the part of the Board as part of the consideration for the purchase of the Series Q Bonds. To the extent that the Board obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in the Resolution authorizing the Series Q Bonds would not subject interest on the Series Q Bonds to Federal income taxation or Kentucky income taxation, the Board is not required to comply with such covenants and requirements.

If, prior to the delivery of the Series Q Bonds, any event shall occur which alters the tax-exempt status of the Series Q Bonds, the purchaser shall have the privilege of voiding the purchase contract by giving immediate written notice to the Board of Regents, whereupon the



amount of the good faith deposit of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.

Bond Counsel has reviewed the Official Statement with regard to all matters pertaining to the legality and tax exemption of the Series Q Bonds, including statements concerning the Board and the purpose and security of the Series Q Bonds; but Bond Counsel has not reviewed any of the financial statements or other financial information in the Official Statement, and expresses no opinion thereon and assumes no responsibility in connection therewith.

/s/ Elizabeth W. Esters  
Secretary, Board of Regents,  
Western Kentucky University

**OFFICIAL BID FORM**

\$11,130,000\*  
 WESTERN KENTUCKY UNIVERSITY  
 CONSOLIDATED EDUCATIONAL BUILDINGS REVENUE BONDS  
 SERIES Q  
 DATED DECEMBER 1, 2003

Subject to the terms and conditions set forth in the Official Terms and Conditions of Sale of Bonds, providing for the sale of \$11,130,000\* of Western Kentucky University Consolidated Educational Buildings Revenue Bonds, Series Q, dated December 1, 2003 (the "Bonds"), and in accordance with the notice of sale of the Bonds as advertised, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for said \$11,130,000 principal amount of Bonds the sum of \$\_\_\_\_\_ (not less than \$10,907,400), plus accrued interest from December 1, 2003, to the date of delivery, at the following annual interest rates:

SCHEDULE OF PRINCIPAL AMOUNTS AND INTEREST RATES

<u>Maturity</u> <u>May 1</u>	<u>Principal</u> <u>Amount</u>	<u>Serial Bond</u> <u>Rate</u>	<u>Term*</u> <u>Bond</u> <u>Rate</u>	<u>Maturity</u> <u>May 1</u>	<u>Principal</u> <u>Amount</u>	<u>Serial Bond</u> <u>Rate</u>	<u>Term*</u> <u>Bond</u> <u>Rate</u>
2005	\$435,000	_____	_____	2015	\$585,000	_____	_____
2006	445,000	_____	_____	2016	605,000	_____	_____
2007	455,000	_____	_____	2017	630,000	_____	_____
2008	465,000	_____	_____	2018	660,000	_____	_____
2009	475,000	_____	_____	2019	685,000	_____	_____
2010	490,000	_____	_____	2020	715,000	_____	_____
2011	505,000	_____	_____	2021	750,000	_____	_____
2012	525,000	_____	_____	2022	785,000	_____	_____
2013	540,000	_____	_____	2023	820,000	_____	_____
2014	560,000	_____	_____				

\* Bidders may elect to structure the maturities to include term bonds with mandatory sinking fund redemptions. To bid Term Bonds, put interest rate in Term Bond Rate column.

We understand that this bid may be accepted for as much as \$12,230,000 of Bonds and for as little as \$10,030,000 of Bonds, at the same price per \$1,000 of Bonds as the price bid per \$1,000 of Bonds by the undersigned with the variation in such amount being adjusted as determined by the Board of Regents at the time of acceptance of the best bid.

We understand that the Board of Regents will furnish the final, approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky. We agree that if we are the successful bidder, immediately available funds in the amount of 2% of the par amount of Bonds awarded, payable to the Western Kentucky University, will be deposited in Branch Banking and Trust Company, Wilson, North Carolina, by federal wire transfer, ABA No. 053101121, prior to the

end of the business day on November 21, 2003, in accordance with the Notice of Bond Sale and the Official Terms, with the understanding that the amount thereof, without interest, will be deducted from the purchase price of the Bonds when tendered to us for delivery. If we are the successful bidder, we agree to accept and make payment for the Bonds in accordance with the terms of sale.

Respectfully submitted,

\_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Total interest cost from December 1, 2003,  
to final maturity  
Less premium bid or plus discount, if any  
Net interest cost  
Net interest cost (%)

\$ \_\_\_\_\_  
\$ \_\_\_\_\_  
\$ \_\_\_\_\_  
\_\_\_\_\_

The above computations of net interest cost and of average interest rate or cost, submitted for information only and are not part of this Bid.

ACCEPTANCE OF BID WITH ADJUSTMENT OF MATURITY AMOUNTS

Accepted by the Board of Regents of Western Kentucky University, with the change in maturities of Bonds being as follows:

<u>Maturity</u> <u>May 1</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>May 1</u>	<u>Principal</u> <u>Amount</u>
2005	_____	2015	_____
2006	_____	2016	_____
2007	_____	2017	_____
2008	_____	2018	_____
2009	_____	2019	_____
2010	_____	2020	_____
2011	_____	2021	_____
2012	_____	2022	_____
2013	_____	2023	_____
2014	_____		

Accepted this \_\_\_ day of \_\_\_\_\_, 2003.

**BOARD OF REGENTS OF WESTERN  
KENTUCKY UNIVERSITY**

By \_\_\_\_\_  
Chairman

