
MURRAY STATE UNIVERSITY
A COMPONENT UNIT OF THE
COMMONWEALTH OF KENTUCKY
FINANCIAL STATEMENTS
JUNE 30, 2015



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Independent Auditors' Report

Board of Regents and Audit Committee
Murray State University
Murray, Kentucky

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Murray State University, (the University), a component unit of the State of Kentucky, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Murray State University as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As discussed in Note 14 to the financial statements, in 2015, the University implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 19 and the Pension Plan Information on pages 69 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2015, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

RubinBrown LLP

October 2, 2015

MURRAY STATE UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Murray State University (MSU) (University) for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. The financial statements and related notes and this discussion and analysis are the responsibility of management.

The University is a comprehensive public institution of higher learning located in western Kentucky and primarily serves students in Kentucky, Illinois, Missouri, Tennessee and Indiana. The University has study centers in four other cities where it offers a diverse range of degree programs from associate to doctoral levels, is composed of four academic colleges and two schools. The University contributes to the region and state through related research and public service programs. The University is a charter member of the Ohio Valley Conference and a Division I member of the NCAA. The University serves as a residential, regional university offering core programs in the liberal arts, humanities, sciences and selected high-quality professional programs for approximately 11,200 students. For the 2014-15 academic year, tuition and fees increased by \$132 per semester for full time resident undergraduate students. Tuition and fees at the University continues to be less than the national average.

Murray State University consistently ranks among the nation's top public universities and has been recognized for the quality and value of its academic programs. Once again, *U.S. News & World Report's Best Colleges* has recognized the University among the top schools in the country. The University's streak of top rankings was extended to 25 consecutive years with the release of the 2016 *U.S. News Best Colleges* list. The University is at ninth place among the top public regional universities in the South and continues to be the top-ranked public regional university in Kentucky in the Regional Universities-South category, which contains both private and public schools.

Also recognized in the Best for Veterans category by *U.S. News*, the University is seventh among public regional universities in the South and is the highest ranked public regional Kentucky university. In addition, the University is recognized for its undergraduate teaching, ranking sixth in the southern region. MSU is the only Kentucky university in the *U.S. News* regional ranking to achieve a spot on the "Best - A Strong Commitment to Undergraduate Teaching" list.

In addition to the *U.S. News & World Report's* rankings, MSU is ranked a "2015 Military Friendly School" by *Victory Media* and listed for the sixth time in the *Chronicle of Higher Education's* "Great Colleges to Work For." The 2015 *Washington Monthly* college guide and rankings listed the University at 44th among 214 master's universities in the South in the "Best Bang for the Buck" category, which recognizes the economic value students receive per dollar spent on their educations.

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Management's Discussion And Analysis (*Continued*)

Financial Highlights

- The University's financial position dramatically changed this fiscal year in relation to GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions —an amendment of GASB Statement No. 27 (GASB 68)*, with assets of \$371.3 million, deferred outflows of \$12.4 million, liabilities of \$347.8 million, and deferred inflows of \$12.1 million. Net position, which represent the University's residual interest in assets and deferred outflows after liabilities and deferred inflows are deducted, were \$23.8 million or 6% of total assets and deferred outflows. Net position decreased by \$216.8 million) from fiscal year 2014 to 2015. This decrease in net position was the result of implementing GASB Statement No. 68, which reduced net position by 233.6 million in 2015.
- Fiscal operations were in accordance with the annual operating budget of approximately \$163.2 million. The University continued to be a strong employer for the region and employed 4,448 individuals, including 612 faculty and 1,124 staff members and 2,712 students. These totals include 1,373 regular and full time faculty and staff.
- Total operating state appropriations for fiscal year 2015 increased by \$19,300 from fiscal year 2014 but remained at approximately \$48 million.
- The University secured funding from general receipts bonds in April 2015 totaling \$27.9 million for the construction of a new Franklin Residence Hall. This facility will be approximately 114,000 square feet with approximately 380 beds. Construction is scheduled to be completed the summer of 2016 for occupancy in August 2016.
- The University invests approximately 96 percent of its endowment funds with the Murray State University Foundation, Inc. (Foundation). The value of these funds is as follows:

Historical Value	\$17.6 million
Market Value	\$19.6 million

These funds experienced an unrealized loss of \$1,113,672 in fiscal year 2015. This allowed for most program spending to remain constant during the fiscal year 2015. The Foundation operated with a 4.5% cap on endowment spending for the fiscal year 2015.

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Management's Discussion And Analysis (*Continued*)

- The construction of the new Breathitt Veterinary Center (BVC), with a scope of \$36.5 million, began in 2015. This will be a state-of-the-art veterinary diagnostic center located in Hopkinsville, Kentucky. The new BVC is scheduled for completion in the summer of 2016. The project was authorized for \$4 million in the 2012 Commonwealth's legislative session and \$36.5 million in the 2014 legislative session.
- The construction of an Engineering and Physics building, with a scope of \$36.9 million, began in 2015. This is the final stage of a three building science complex and is scheduled for completion in the fall of 2016. This project was authorized for \$36.9 million in the 2014 Commonwealth's legislative session with \$5 million of this authorization to be funded by private donor dollars.
- The University Strategic Plan-Achievement, Endeavor and Hope: The Murray State Plan was approved by the Board of Regents on June 5, 2015. This plan focuses on the four pillars of academic quality, student success, community engagement and research activities. The Strategic Plan represents a living document which will be reviewed annually with progress toward the measures, objectives and pillars measured and changed based on suggestions from those individuals at the ground level undertaking the work.

Using the Financial Statements

The University's financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to the Financial Statements. These financial statements and accompanying notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements.

These financial statements provide an entity-wide perspective and focus on the financial condition, results of operations and cash flows of the University as a whole.

Financial statements have also been included for the MSU Foundation, a component unit, in accordance with the requirements of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Financial statements for this entity consist of Statements of Financial Position and Statements of Activities. These statements are prepared in accordance with the appropriate Financial Accounting Standards Board (FASB) pronouncements.

MURRAY STATE UNIVERSITY

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Management's Discussion And Analysis (*Continued*)

Statements of Net Position

The Statement of Net Position present a financial picture of the University's financial condition at the end of the 2015 and 2014 fiscal years by reporting assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position. Net position, the difference between total assets plus deferred outflows less total liabilities and deferred inflows, are an important indicator of the current financial condition, while the change in net position is an indicator of whether the overall financial position has improved or declined during the year.

Assets

Total assets at the end of the fiscal year 2015 were \$371.3 million, of which capital assets, net of depreciation, represented the largest portion. Capital assets totaled approximately \$183.6 million or 49 percent of total assets and were primarily comprised of University-owned land, buildings, equipment, and library holdings. Cash and cash equivalents amounted to \$143.9 million or 39 percent of total assets. Total assets increased by \$43.4 million during the 2015 fiscal year. This increase in gross total assets is due primarily to the following items:

- \$32.1 million - Increase in cash and cash equivalents. This increase was the result of a \$27.9 million general obligation bond sale for the construction of a new Franklin Hall.
- \$9.1 million - Increase in net capital assets. Primarily due to a \$17.1 million net increase in construction-in-progress projects including \$6.6 million for the new Breathitt Veterinary Center, \$2.6 million for the new Franklin Hall, \$2.1 million for the new Engineering and Physics building, and an additional \$1.9 million for Hester Hall to fully complete renovations for opening in 2015, less \$10.4 million in current year depreciation.
- \$2.0 million - Increase in accounts receivable. This increase in accounts receivable was the result of \$1.7 million increase in unrestricted, education and general receivables. The \$1.7 million increase was attributed to an increase of 5% in student tuition, an average increase of 4% in housing which was a blend of increases in occupancy and in housing rates, and an increase of about \$774,000 due to a delay in payments from foreign governments for international tuition and fees.

Total assets increased by \$4.6 million during the 2014 fiscal year due to the following:

- \$4.8 million - Increase in net capital assets. Primarily due to a \$14.6 million increase in construction-in-progress projects including \$7.3 million in Hester Hall renovations, and \$1.3 million for the new Breathitt Veterinary Center; less \$9.5 million in current year depreciation.
- \$2.0 million - Increase in restricted investments. \$1.7 million of this increase was due to the increase in market value of endowments, with an additional \$225,000 increase in restricted reserve and spendable receivables related to these endowments.

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Management's Discussion And Analysis (*Continued*)

- (\$1.8 million) - Decrease in cash. This decrease in cash was the result of \$3.6 million increase in cash spent on capital purchases funded in prior years. This was offset by an increase of \$1.6 million in Auxiliary cash.

Deferred Outflows of Resources

A new section of the Statement of Net Position added in 2014 in compliance with GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement required that the deferred bond refunding loss, previously reported as part of the "Long-term debt" lines, be reported instead as a deferred outflow of resources in fiscal year 2014. GASB 65 also required that we restate this deferred outflow for all prior years reported within these financial statements. Deferred outflows consisted of bond refunding loss from the refunding of housing and dining bond series M, N, O, P, and Q which totaled \$2.3 million for 2015, \$2.5 million for 2014 and restated as \$2.7 million for 2013. Deferred outflows also consisted of \$10 million for 2015 related to reporting requirements specified in GASB 68. This standard does not require a restatement of previous years; therefore, no deferred outflow related to pensions is reported for 2014 or 2013.

Liabilities

Total liabilities at the end of the 2015 fiscal year were \$347.8 million, an increase of \$258.0 million. This change was due to the following:

- \$233.6 million - Increase in net pension liability. GASB 68 required the reporting of the pension liability for the first time in fiscal year 2015. This represents the University's proportionate share of the net pension liability for the Kentucky state retirement plans to which the University makes contributions.
- \$22.9 million - Increase in long-term debt. This increase is primarily the result of the new 2015 general obligation bonds for the construction of a new Franklin Hall.
- \$1.4 million - Increase in accounts payable. This increase is attributed to the net \$1.3 million increase in plant accounts payable related to the new Breathitt Veterinary Center, Stewart Stadium turf replacement, new Franklin Hall, and Engineering and Physics building.

Total liabilities at the end of the 2014 fiscal year were \$89.8 million, a decrease of \$500,000. This change was due to the following:

- (\$3.6 million) - Decrease in debt payable for current year payments on bonds, notes, and capital leases.
- \$1.9 million - Increase in accounts payable attributed primarily to the increase in payables for construction and renovation of \$1.3 million.

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Management's Discussion And Analysis (*Continued*)

- \$725,000 - Increase in unearned revenues. \$172,000 in current unrestricted funds and \$553,000 in restricted funds primarily due to a new \$450,000 grant award for internship and professional programs.
- \$398,000 - Increase in accrued payroll due mainly to timing differences in payroll payments.

Deferred Inflows of Resources

A new section of the Statement of Net Position added in 2015 in compliance with GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement requires that certain items are no longer to be reported as a liability. For 2015, this consisted of \$10 million for deferred inflows of resources related to pensions as specified in GASB 68, and \$2 million from State capital 2014-2016 appropriations related to the new Breathitt Veterinary Center (BVC) project which will be replaced by permanent funding in 2016.

Net Position

Net position which represents total equity, of the University was divided into three major categories, defined as follows:

- Invested in capital assets, net of related debt - This category represents the institution's equity in property, buildings, equipment, library holdings and other plant assets owned by the University, less related depreciation and outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted - This category represents those assets which are subject to externally imposed restrictions governing their use and includes classifications of nonexpendable and expendable.
 - Restricted nonexpendable net position - Restricted nonexpendable net position consist solely of permanent endowments owned by the University. The corpus, as specified by the donor, is invested in perpetuity and may not be expended.
 - Restricted expendable net position - Restricted expendable net position consist of those assets that may be expended by the University, but must be spent for purposes as defined by the donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

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Management's Discussion And Analysis (Continued)

- **Unrestricted** - This category represents the net position held by the University that has no formal restrictions. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the unrestricted net position has been designated for various programs and initiatives, capital projects and working capital requirements.

Condensed Statements of Net Position

	June 30, 2015	June 30, 2014	June 30, 2013 (Restated)
Assets			
Current assets	\$ 87,921,560	\$ 85,004,479	\$ 84,448,484
Noncurrent assets	99,747,979	68,357,845	69,100,899
Capital assets	183,642,281	174,526,454	169,768,630
Total assets	371,311,820	327,888,778	323,318,013
Deferred Outflows	12,385,586	2,515,426	2,708,574
Liabilities			
Current liabilities	26,267,195	24,504,802	20,783,959
Noncurrent liabilities	321,532,369	65,287,203	69,474,146
Total liabilities	347,799,564	89,792,005	90,258,105
Deferred Inflows	12,051,145	—	—
Net position			
Invested in capital assets, net of related debt	123,222,276	117,117,865	117,493,949
Restricted for			
Nonexpendable	20,453,677	21,452,081	19,793,944
Expendable			
Scholarships, research, instruction and other	6,426,806	5,812,240	6,107,393
Loans	4,598,682	4,843,824	4,832,714
Capital	—	—	14,851,538
Debt service	2,298,843	1,553,637	1,671,296
Unrestricted	(133,153,587)	89,832,552	71,017,648
Total net position	\$ 23,846,697	\$ 240,612,199	\$ 235,768,482

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position, which are generally referred to as the activities statement or income statement, present the revenues earned and expenses incurred and income or loss from operations for the current and prior fiscal years. Activities are reported as either operating or non-operating. Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Position.

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Management's Discussion And Analysis (Continued)

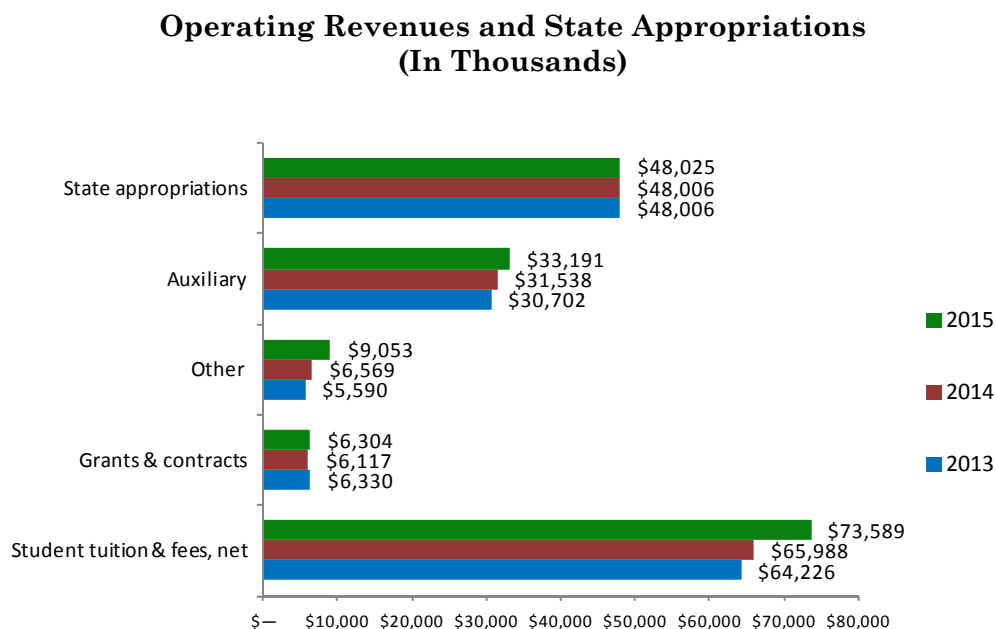
The financial statements are prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. A public university's dependency on state appropriations will result in reported operating losses. The Governmental Accounting Standards Board requires state appropriations to be classified as nonoperating revenues. The utilization of long-lived capital assets is reflected in the financial statements as depreciation, which expenses the costs of an asset over its expected useful life.

Revenues

Total operating revenues, which exclude state appropriations, for the 2015 fiscal year were \$122.1 million, including student tuition and fees, net of related discounts and allowances, of \$73.6 million, operating grants and contracts revenues of \$6.3 million, sales, services and other revenues of \$9.1 million, and auxiliary services net revenue of \$33.2 million. During 2015, operating revenues increased by \$11.9 million. This increase is comprised primarily of an increase of \$7.6 million from net student tuition and fees, \$2.5 million from sales, services, and other revenues, and \$1.7 million increase from auxiliary services.

The University received \$48 million in state appropriations for operations, for both 2015 and 2014. State appropriations are required to be classified as nonoperating revenues; however, these funds were used to support University operating activities.

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



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Management's Discussion And Analysis (*Continued*)

Expenses

Total operating expenses for the 2015 fiscal year were \$185.2 million. Academic affairs, which include instruction, research, libraries and academic support, represent the largest portion of the operating expenses totaling \$77.2 million or 42 percent. Student affairs, which include student services, financial aid and auxiliary services, was \$54.1 million or 29 percent and other expenses which include public service, institutional support, depreciation and operation and maintenance amounted to \$53.9 million or 29 percent. Depreciation for all areas of the University is reported as an operating expense and was not allocated to each program group, except for auxiliary enterprises.

Operating expenses increased for the year ended June 30, 2015, by \$6.6 million. The primary reasons for increases in operating expenses are as follows:

- \$3.7 million - Increase in overall operating expenses as the result of the adoption of GASB 68. This expense represents the effect of recognizing the University's proportionate share of liability, deferred outflows and deferred inflows of resources related to Kentucky state pension plans. The University's proportionate expenses were \$1.3 million for the Kentucky Employee Retirement System and \$2.4 million for the Kentucky Teachers' Retirement System.
- \$2.4 million - Increase in instructional expenses including a \$2.2 million increase in educational and general fund salaries and benefits. \$1.2 million of this increase was for salaries and wages, and \$1.0 million for fringe benefits including health and retirement contributions.
- \$838,000 - Increase in depreciation expenses associated with the increase in capital assets for fiscal year 2015.

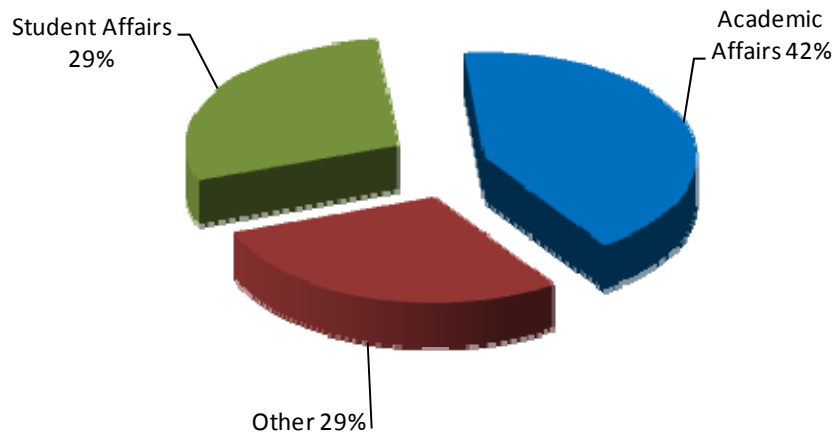
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Management's Discussion And Analysis (*Continued*)

Operating expenses by type are reflected in the following chart:

**University Operating Expenses
Year Ended June 30, 2015**



The net loss from operations for the year ended June 30, 2015, was \$63.1 million. Nonoperating revenues, net of expenses, of \$71.4 million, insurance reimbursements of \$654,000, capital gifts of \$588,000 and endowment gifts of \$35,000 resulted in an increase in net position of \$13.9 million for the year ended June 30, 2015. This increase in net position is the result of an increase in operating revenues of \$11.9 million and an increase in state capital appropriations of \$4.3 million.

The net loss from operations for the year ended June 30, 2014, was \$68.4 million. Nonoperating revenues, net of expenses, of \$73.1 million, insurance reimbursements of \$40,000, capital gifts of \$36,000 and additions to endowments of \$5,600 resulted in an increase in net position of \$4.8 million for the year ended June 30, 2014. This increase in net position is the result of an increase in operating revenues of \$3.4 million and an increase in investment income of \$1.3 million.

MURRAY STATE UNIVERSITY
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Management's Discussion And Analysis (*Continued*)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2015	2014	2013
Operating revenues			
Student tuition and fees, net	\$ 73,588,701	\$ 65,988,011	\$ 64,226,109
Grants and contracts	6,304,331	6,117,059	6,330,336
Other	9,053,462	6,569,393	5,590,166
Auxiliary, net	33,191,335	31,538,445	30,701,678
Total operating revenues	<u>122,137,829</u>	<u>110,212,908</u>	<u>106,848,289</u>
Operating expenses			
Instruction	65,098,722	61,028,117	58,527,594
Other educational and general	86,433,802	86,079,615	81,403,150
Depreciation	8,919,737	8,244,719	8,431,901
Auxiliary enterprises	23,331,199	21,947,340	21,477,661
Auxiliary depreciation	1,440,540	1,277,967	1,264,334
Total operating expenses	<u>185,224,000</u>	<u>178,577,758</u>	<u>171,104,640</u>
Operating loss	<u>(63,086,171)</u>	<u>(68,364,850)</u>	<u>(64,256,351)</u>
Nonoperating revenues			
State appropriations	48,025,100	48,005,800	48,005,800
Other nonoperating revenues	23,418,862	25,120,252	23,702,981
Total nonoperating revenues	<u>71,443,962</u>	<u>73,126,052</u>	<u>71,708,781</u>
Other revenues			
State capital appropriations and other	5,551,754	82,515	3,017,644
Increase in net assets	13,909,545	4,843,717	10,470,074
Net position, beginning of year	240,612,199	235,768,482	225,298,408
Restatement of beginning net position for pension liability	(230,675,047)	—	—
Net position, beginning of year (restated)	<u>9,937,152</u>	<u>235,768,482</u>	<u>225,298,408</u>
Net position, end of year	<u>\$ 23,846,697</u>	<u>\$ 240,612,199</u>	<u>\$ 235,768,482</u>

Statements of Cash Flows

The Statements of Cash Flows provide a summary of the sources and uses of cash by defined categories. The principal purposes of the Statements of Cash Flows are to provide information about the University's cash receipts and payments during the years and to help assess the University's ability to generate future net cash flows and meet obligations as they become due, as well as its need for external financing.

MURRAY STATE UNIVERSITY

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Management's Discussion And Analysis (*Continued*)

For the year ended June 30, 2015:

The net cash used in operating activities reflects the net cash used for general operations of the University, which decreased by \$6.1 million during 2015. This decrease in cash used was primarily due to increases in net tuition and fees and decreases in payments to suppliers offset by increases in payments for wages and fringes.

The cash flows from noncapital financing activities decreased by (\$1.1 million) during 2015. This change was primarily due to the decreases in endowment investments. The change in endowment proceeds invested with MSU Foundation was (\$455,000). The decrease in endowment income, which represents the increase of unrealized losses in the market value of endowments, was (\$1.5 million). Also, there was an increase in non-operating grants and contracts of \$964,000 from increases in Pell grants, increases in KEES funds, and a new grant for the acquisition of an MRI analyzer.

The net cash flows provided by/(used in) capital and related financing activities represent cash used for the acquisition, construction and renovation of capital assets, changed from (\$18.1 million) used during 2014 to \$10.1 million provided during 2015, a \$28.2 million change. \$27.9 million of this increase is due to the 2015 issuance of Series A general receipt bonds issued for the construction of a new Franklin Hall. Also contributing to the increase were a \$4.3 million increase in state capital appropriations received for the new BVC and Engineering and Physics buildings offset by a \$3.3 million increase in cash used for capital construction costs, primarily contributed to those same two projects.

The cash flows provided by investing activities represent the cash activities of investments, which increased by \$796,000 for 2015. This increase was primarily the result of increases in investment interest receipts, which were up \$1.7 million. This increase was partially offset by a (\$914,000) decrease in purchases of investments related to additional cash used to set up a \$909,000 investment pool related to the 2015 general obligation bond. These funds will be used towards the first two semi-annual interest payments on the bond obligation.

For the year ended June 30, 2014:

The net cash used in operating activities reflects the net cash used for general operations of the University, which decreased by \$211,000 during 2014. This decrease in cash used was primarily due to increases in net tuition and fees offset by increases in payments for wages and fringes.

The cash flows from noncapital financing activities, increased by \$1.8 million during 2014. This change was primarily due to the increases in endowment investments. The change in endowment proceeds invested with MSU Foundation was \$754,000. The increase in endowment income, which represents the increase of unrealized gains in the market value of endowments, was \$458,000. Also, there was an increase in non-operating grants and contracts of \$627,000.

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Management's Discussion And Analysis (*Continued*)

The net cash flows provided by/(used in) capital and related financing activities represent cash used for the acquisition, construction and renovation of capital assets, changed from \$4.7 million provided during 2013 to (\$18.1 million) used during 2014, a (\$22.8 million) change. Of this decrease (\$15.6 million) is due to the 2013 issuance of Series A general receipt bonds issued for Hester Hall renovations, Campus Courts Sprinklers, and several other projects costing less than \$600,000 each. Also contributing to the decrease were a \$3.3 million increase in purchases of capital assets, primarily consisting of increases in construction-in-process projects including Hester Hall, and a \$2.0 million capital appropriation for Breathitt Veterinary Center that was received in 2013 and not in 2014.

The cash flows provided by investing activities represent the cash activities of investments, which decreased by (\$571,000) for 2014. This decrease was primarily the result of decreases in investment receipts, which were down (\$978,000) and decreases in proceeds from sales of investments, which were down (\$583,000). These decreases were partially offset by an \$994,000 increase in interest receipts on investments which were a result of reported gains on interest from the Office of Financial Management based on cash balances held in Frankfort.

Condensed Statements of Cash Flows

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash provided/(used by):			
Operating activities	\$ (49,741,490)	\$ (55,799,306)	\$ (56,009,942)
Noncapital financing activities	70,466,385	71,598,909	69,835,004
Capital and related financing activities	10,071,879	(18,094,311)	4,679,273
Investing activities	<u>1,300,696</u>	<u>504,301</u>	<u>1,074,972</u>
Net increase in cash	<u>32,097,470</u>	<u>(1,790,407)</u>	<u>19,579,307</u>
Cash and cash equivalents, beginning of year	<u>111,840,942</u>	<u>113,631,349</u>	<u>94,052,042</u>
Cash and cash equivalents, end of year	<u>\$ 143,938,412</u>	<u>\$ 111,840,942</u>	<u>\$ 113,631,349</u>

Capital Assets and Debt Administration

The University had a \$16.9 million increase in capital assets, before accumulated depreciation, during the fiscal year ended June 30, 2015. This change is primarily due to \$6.6 million spent in 2015 for construction of the new BVC, \$2.6 million in construction for the new Franklin Hall, \$2.1 million for construction of the Engineering and Physics building, and an additional \$1.9 million for Hester Hall renovation completion.

Construction in progress increased \$3.2 million in 2015. This increase was the result of the above mentioned construction and renovation projects, offset by placing the Hester Hall renovations in service with a cost of \$9.2 million, and the Bioenergy Demonstration Center construction in service at the equine instructional facility center for \$595,000.

MURRAY STATE UNIVERSITY

A Component Unit of the Commonwealth of Kentucky

Management's Discussion And Analysis (*Continued*)

Buildings increased \$10.2 million in 2015, primarily due to placing the Hester Hall renovations in service at \$9.0 million (\$0.2 million went to equipment assets) and the Bioworks Demo Center construction at \$514,000 (\$80,000 went to equipment assets). Also contributing to this increase was the completion of the College Courts fire sprinkler system upgrades costing \$565,000.

Capital assets as of June 30, 2015, and changes during the year are as follows:

	Balance June 30, 2015	Net Change 2014-15
Land	\$ 9,728,587	\$ (238,028)
Construction in progress	17,845,247	3,209,672
Museum and collectibles	676,085	18,600
Buildings	277,508,611	10,202,343
Non-building improvements	15,372,571	673,450
Equipment	30,024,869	2,268,729
Software	1,932,019	—
Library holdings	30,338,613	795,143
Livestock	165,750	—
Accumulated depreciation	(199,950,071)	(7,814,082)
Total	<u>\$ 183,642,281</u>	<u>\$ 9,115,827</u>

Debt as of June 30, 2015, and changes during the year are as follows:

	Balance June 30, 2015	Net Change 2014-15
General receipts bonds	\$ 79,650,000	\$ 22,850,000
Bond discount	(213,387)	17,012
Bond premium	2,113,115	1,832,952
City of Murray	8,464,999	(325,000)
Master lease payable	2,126,827	(842,843)
Capital leases	—	(629,000)
Total	<u>\$ 92,141,554</u>	<u>\$ 22,903,121</u>

MURRAY STATE UNIVERSITY

A Component Unit of the Commonwealth of Kentucky

Management's Discussion And Analysis (*Continued*)

Infrastructure Assets

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

Additional information for Capital Assets and Debt can be found in Notes 7 and 11, respectively, to the financial statements.

Economic Factors Affecting Future Periods

- In 2015, the Commonwealth's Annual General Fund receipts rose for the fifth consecutive fiscal year, and finished 5.3 percent above 2014 collections. Revenues picked up momentum as 2015 progressed, which makes prospects for growth in 2016 more positive.
- The economic outlook for 2016 remains positive, with estimated General Fund growth to be 1.0 percent over 2015 revenues. Offsetting the positive growth outlook is the need to commit funds to stabilizing the financial needs of the two state pension funds, which are among the most underfunded pensions in the country. This along with covering the costs of expanded Medicaid will likely leave little funding for anything else.

It is anticipated that the robust performance of the Commonwealth's revenue budget will shield Higher Education from any further cuts in 2016.

- MSU has extended the five minute response (5MR) contract with the Tennessee Valley Authority (TVA) which was set to expire on August 31, 2015. This contract allows TVA to conserve and redirect energy during crisis situations by requiring the University to shut down power to the main campus within five minutes of contact from TVA. There are backup generators in place to ensure vital areas, such as student housing and dining areas, remain with power. This contract represents a potential savings for the University of \$325,000 annually for the two year extension through September 30, 2017.

MURRAY STATE UNIVERSITY

A Component Unit of the Commonwealth of Kentucky

Management's Discussion And Analysis (*Continued*)

- Through in-house research, the University has determined that there is a deferred maintenance (DM) backlog of \$51,645,000 at June 30, 2014. This resulted in an aggressive multi-year plan to reduce this backlog through a combination of an annual allocation of university funds restricted to deferred maintenance projects, capital renewal funding from State resources, funding from potential energy savings projects, and the use of MSU reserves as appropriate. Approximately \$800,000 was allocated in 2015; funding for deferred maintenance will exceed \$1 million for 2016.
- The campus library needs have significantly grown and evolved in the past two decades. The University has evaluated numerous options to address the library needs including a detailed analysis of constructing a new library. Due to funding limitations, it has been determined that the most cost effective and practical solution is to renovate the existing Waterfield Library and expand the space by about 10,000 square feet to meet the current and future needs. The preliminary cost estimate for the Waterfield renovation and expansion project was determined in 2015 to be \$19,000,000. Progress has been made on the library study and analysis and the project will be included in the 2016-22 Capital Plan.
- The University provides health insurance to employees through a self-funded program. As reflected in national trends, the costs of health claims continue to be a major expense for the University. To help manage these costs, the University is proceeding with a full health plan and wellness program redesign for 2016. Plan design changes include a tobacco premium surcharge and a wellness premium discount.
- The overtime changes as outlined in the Department of Labor's proposed overtime regulations would have a significant impact on University financial resources. The proposed salary threshold of \$50,440 would impact more than 200 positions currently classified as being exempt from the overtime regulations. Challenges being considered include the issue of salary compression and the administrative burden this change would cause.
- The Commonwealth of Kentucky funded the construction of new Engineering and Physics Building at a total costs to not exceed \$36.9 million. The Commonwealth has budgeted to fund \$31.9 million of the total scope of the project with the University contributing up to \$5 million from future fundraising efforts.
- Madisonville Community College (MCC) is constructing a new \$20 million Postsecondary Education Center on their campus in Madisonville, Kentucky. MCC has worked closely with Murray State University in regard to the fundraising and development of this building since 50% of this building will be exclusively leased for university educational space. MCC will use the remaining 50% for their educational purposes. MCC will receive \$15 million from the state when \$5 million is raised by MCC, which is estimated to be accomplished by December 31, 2015. The facility will be 'home' to Murray State University Madisonville Campus.

MURRAY STATE UNIVERSITY

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Management's Discussion And Analysis (*Continued*)

- The Jones Chemistry Building's annual inspection revealed approximately 80 fume hoods were deemed inoperable due to improper air handling which resulted in an instructional emergency. The University, construction companies, architects and design firms have worked diligently over the summer to address the issue. Later in the summer, the Jones Chemistry Building began to exhibit significant moisture issues as well. Total cost of the repairs and renovation are estimated to be between one million and two million dollars.
- In July 2015, significant moisture issues and the discovery of hidden water damages were identified in the Biology Building. The University is working with construction companies, architects, design firms and consultants to identify the source of the problem. To date, no comprehensive solution has been determined, although we are close to identifying several interrelated causes. Total cost of the repairs and renovation are estimated to be between one and two million dollars.
- The University reached a historical enrollment of 11,200 students in fiscal year 2015. In fiscal year 2016 enrollment has been stable with a slight, 1.5 percent decrease. During fiscal year 2015 a new enrollment management model has been developed focusing on tuition rate structures, discounting, and scholarship models and recruitment initiatives. Procedures are being developed for implementation in the fall of 2016.
- The University is analyzing possible minimum wage increases at the federal and state level. Increases in minimum wage could impact compression and cause significant budgetary constraints. However, a multi-year increase in minimum wage is being considered even if not required by law.

Contacting the University's Financial Management

This financial report is designed to provide a general overview of the University's finances and to show the University's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Vice President for Finance and Administrative Services, 322 Sparks Hall, Murray, KY 42071.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

STATEMENTS OF NET POSITION

Page 1 of 2

	June 30,	
	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 74,197,070	\$ 73,091,123
Accounts receivable, net	8,911,720	6,927,627
Inventories	2,169,852	2,190,429
Loans to students, net	728,720	759,587
Prepaid expenses	1,914,198	2,035,713
Total Current Assets	87,921,560	85,004,479
Noncurrent Assets		
Restricted cash and cash equivalents	69,741,342	38,749,819
Restricted investments	26,679,991	26,063,588
Loans to students, net	3,326,646	3,544,438
Capital assets	383,592,351	366,662,443
Accumulated depreciation	(199,950,070)	(192,135,989)
Total Noncurrent Assets	283,390,260	242,884,299
Total Assets	371,311,820	327,888,778
Deferred Outflows of Resources		
Bond refunding loss	2,322,279	2,515,426
Deferred outflows related to pension contributions	10,063,307	—
Total Deferred Outflows of Resources	12,385,586	2,515,426

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

STATEMENTS OF NET POSITION

Page 2 of 2

	June 30,	
	2015	2014
Liabilities		
Current Liabilities		
Accounts payable	\$ 10,175,383	\$ 8,760,247
Accrued payroll	6,425,029	6,376,748
Self-insured health liability	617,000	660,000
Interest payable	862,884	698,240
Unearned revenue	3,330,293	3,371,383
Deposits - current portion	318,402	318,679
Long-term debt - current portion	4,538,204	4,319,505
Total Current Liabilities	26,267,195	24,504,802
Noncurrent Liabilities		
Deposits	348,300	368,275
Long-term debt	87,603,350	64,918,928
Net pension liability, state pension plans	233,580,719	—
Total Noncurrent Liabilities	321,532,369	65,287,203
Total Liabilities	347,799,564	89,792,005
Deferred Inflows of Resources		
Outside support, state project funding	2,000,000	—
Deferred inflows related to net pension liability	10,051,145	—
Total Deferred Inflows of Resources	12,051,145	—
Net Position		
Net investment in capital assets	123,222,276	117,117,865
Restricted for:		
Nonexpendable:		
Endowment	20,453,677	21,452,081
Expendable:		
Scholarships, research, instruction and other	6,426,806	5,812,240
Loans	4,598,682	4,843,824
Debt service	2,298,843	1,553,637
Unrestricted	(133,153,587)	89,832,552
Total Net Position	\$ 23,846,697	\$ 240,612,199

MURRAY STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

Page 1 of 2

Assets

	June 30,	
	2015	2014
Cash and cash equivalents	\$ 2,766,505	\$ 4,845,590
Accounts receivable	398,003	422,068
Receivable from annuitant	654,973	—
Investments	98,543,931	95,136,425
Real estate held for investment	2,243,586	1,269,086
Prepaid and other current assets	81,238	55,598
Contributions receivable, net	1,426,462	1,684,176
Property and equipment	4,453,200	4,564,313
Total Assets	\$ 110,567,898	\$ 107,977,256

MURRAY STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

Page 2 of 2

Liabilities And Net Assets

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Liabilities		
Accounts payable	\$ 97,576	\$ 72,122
Amount due to related parties	295,699	324,380
Accrued expenses	50,316	56,482
Deferred revenue	102,339	51,178
Assets held for others	25,555,399	25,936,345
Capital lease obligation	207,795	260,089
Annuities payable	5,840,584	4,691,876
Refundable advances	350,593	370,560
Total Liabilities	<u>32,500,301</u>	<u>31,763,032</u>
Net Assets		
Unrestricted	14,326,704	13,607,485
Temporarily restricted	24,411,079	24,823,940
Permanently restricted	39,329,814	37,782,799
Total Net Assets	<u>78,067,597</u>	<u>76,214,224</u>
Total Liabilities and Net Assets	<u>\$ 110,567,898</u>	<u>\$ 107,977,256</u>

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**
Page 1 of 2

	For The Years Ended June 30,	
	2015	2014
Operating Revenues		
Tuition and fees	\$ 116,401,368	\$ 106,385,210
Less: Discounts and allowances	(42,812,667)	(40,397,199)
Net tuition and fees	73,588,701	65,988,011
Federal grants and contracts	4,583,464	4,377,944
State grants and contracts	1,242,360	1,422,318
Private grants and contracts	478,507	316,797
Total grants and contracts	6,304,331	6,117,059
Sales and services of educational activities	3,825,514	3,789,277
Other operating revenues	5,227,948	2,780,116
Total sales, services, and other revenues	9,053,462	6,569,393
Auxiliary enterprises revenue	33,853,864	32,299,250
Less: Discounts and allowances	(662,529)	(760,805)
Net auxiliary revenue	33,191,335	31,538,445
Total Operating Revenues	122,137,829	110,212,908
Operating Expenses		
Instruction	65,098,722	61,028,117
Research	1,977,827	1,769,162
Public service	7,873,887	8,297,342
Libraries	2,877,268	3,330,269
Academic support	7,252,704	7,218,512
Student services	16,085,691	15,345,898
Institutional support	21,011,951	19,798,424
Operation and maintenance of plant	16,122,820	18,880,515
Student financial aid	13,231,654	11,439,493
Depreciation	8,919,737	8,244,719
Auxiliary enterprises	23,331,199	21,947,340
Auxiliary depreciation	1,440,540	1,277,967
Total Operating Expenses	185,224,000	178,577,758
Operating Loss	(63,086,171)	(68,364,850)

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**
Page 2 of 2

	Ended June 30,	
	2015	2014
Nonoperating Revenues (Expenses)		
State appropriations	\$ 48,025,100	\$ 48,005,800
Restricted student fees (revenues are pledged as security for the City of Murray debt agreement)	710,791	687,292
Federal grants and contracts	14,109,439	13,493,170
State grants and contracts	7,725,635	7,382,767
Local and private grants and contracts	511,173	506,299
Gifts	1,230,421	1,295,049
Investment income	1,285,586	3,802,141
Interest on capital asset-related debt	(1,587,708)	(1,679,830)
Loss on deletion and disposal of capital assets	(394,605)	(179,436)
Bond amortization	(171,870)	(187,200)
Nonoperating Revenues (Expenses), Net	71,443,962	73,126,052
Income Before Other Revenues, Expenses		
Gains and Losses	8,357,791	4,761,202
State Capital Appropriations	4,274,360	—
Insurance Proceeds	654,206	40,451
Capital Gifts	587,920	36,483
Additions to Permanent Endowments	35,268	5,581
Change in Net Position	13,909,545	4,843,717
Net Position - Beginning of Year (as previously reported)	240,612,199	235,768,482
Restatement of beginning net position for pension liability	(230,675,047)	—
Net Position - Beginning of Year (As Restated)	9,937,152	235,768,482
Net Position - End of Year	\$ 23,846,697	\$ 240,612,199

MURRAY STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenues, Gains And Other Support				
Contributions	\$ 750	\$ 1,445,141	\$ 1,585,289	\$ 3,031,180
Revenues from operations of the				
Frances E. Miller Memorial Golf Course	431,222	—	—	431,222
Fees	443,159	33,187	—	476,346
Investment return, net	1,811,100	1,044,499	23,125	2,878,724
Other	—	173,079	76,565	249,644
Change in value of annuities payable	—	—	(137,964)	(137,964)
Net assets released from restrictions	3,108,767	(3,108,767)	—	—
Total Revenues, Gains And Other Support	5,794,998	(412,861)	1,547,015	6,929,152
Expenses And Losses				
Payments made on behalf of Murray State University	3,108,767	—	—	3,108,767
Frances E. Miller Memorial Golf Course	461,782	—	—	461,782
General and administrative	1,505,230	—	—	1,505,230
Total Expenses And Losses	5,075,779	—	—	5,075,779
Change in Net Assets	719,219	(412,861)	1,547,015	1,853,373
Net Assets - Beginning of Year	13,607,485	24,823,940	37,782,799	76,214,224
Net Assets - End of Year	\$ 14,326,704	\$ 24,411,079	\$ 39,329,814	\$ 78,067,597

MURRAY STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues, Gains And Other Support				
Contributions	\$ 121,098	\$ 2,356,651	\$ 2,011,885	\$ 4,489,634
Revenues from operations of the Frances E. Miller Memorial Golf Course	394,189	—	—	394,189
Fees	424,624	66,007	—	490,631
Investment return, net	3,515,104	6,399,006	16,713	9,930,823
Other	—	257,083	233,894	490,977
Change in value of annuities payable	—	—	(181,196)	(181,196)
Net assets released from restrictions	2,651,227	(2,651,227)	—	—
Total Revenues, Gains And Other Support	7,106,242	6,427,520	2,081,296	15,615,058
Expenses And Losses				
Payments made on behalf of Murray State University	2,651,227	—	—	2,651,227
Frances E. Miller Memorial Golf Course	456,688	—	—	456,688
General and administrative	1,541,554	—	—	1,541,554
Total Expenses And Losses	4,649,469	—	—	4,649,469
Change In Net Assets	2,456,773	6,427,520	2,081,296	10,965,589
Change in Donor Restrictions	—	(52,540)	52,540	—
Net Assets - Beginning Of Year	11,150,712	18,448,960	35,648,963	65,248,635
Net Assets - End Of Year	\$ 13,607,485	\$ 24,823,940	\$ 37,782,799	\$ 76,214,224

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

STATEMENTS OF CASH FLOWS

Page 1 of 2

	For The Years Ended June 30,	
	2015	2014
Cash Flows From Operating Activities		
Tuition and fees	\$ 73,449,656	\$ 65,587,942
Grants and contracts	5,857,490	7,272,345
Payments for salaries, wages and fringes	(104,063,955)	(100,756,268)
Payments to suppliers	(29,373,611)	(32,158,891)
Payments for student financial aid	(13,231,654)	(11,439,493)
Loans issued to employees	(4,695)	(25,170)
Collections of loans to employees	1,707	21,130
Loans issued to students	(649,876)	(737,345)
Collections of loans to students	898,535	668,940
Sales and services of educational activities	2,557,609	3,923,136
Other operating revenues	5,124,618	2,681,705
Auxiliary revenues:		
Food service	12,569,524	12,312,692
Housing	14,304,484	13,112,346
Bookstore	5,888,148	5,938,537
Other	261,729	189,179
Auxiliary payments:		
Payments for salaries, wages and fringes	(8,081,510)	(7,459,358)
Payments to suppliers	(15,029,252)	(14,667,153)
Payments for student financial aid	(220,437)	(263,580)
Net Cash Used in Operating Activities	(49,741,490)	(55,799,306)
Cash Flows From Noncapital Financing Activities		
State appropriations	48,025,100	48,005,800
Endowment proceeds forwarded to		
MSU Foundation for investment	(780,510)	(325,416)
Grants and contracts	22,346,247	21,382,235
Endowment income	184,264	1,647,227
Gifts for other than capital purposes	714,159	887,116
Agency transactions	(22,875)	1,947
Net Cash Provided by Noncapital Financing Activities	70,466,385	71,598,909
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt	27,871,242	—
Restricted student fees pledged for debt service	710,791	687,292
Insurance proceeds	654,206	40,451
State capital appropriations	4,274,819	4,844
Purchases of capital assets	(16,244,106)	(12,978,876)
Principal paid on capital debt and leases	(4,946,842)	(3,597,850)
Interest paid on capital debt and leases	(2,248,231)	(2,250,172)
Net Cash Provided by (Used in) Capital and Related Financing Activities	10,071,879	(18,094,311)

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

STATEMENTS OF CASH FLOWS

Page 2 of 2

	For The Years Ended June 30,	
	2015	2014
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	\$ 4,286	\$ 1,003
Purchases of investments	(918,584)	(4,389)
Investment receipts	2,214,994	507,687
Net Cash Provided by Investing Activities	1,300,696	504,301
Net Increase (Decrease) in Cash and Cash Equivalents	32,097,470	(1,790,407)
Cash and Cash Equivalents - Beginning of Year	111,840,942	113,631,349
Cash and Cash Equivalents - End of Year	\$ 143,938,412	\$ 111,840,942
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents	\$ 74,197,070	\$ 73,091,123
Restricted cash and cash equivalents	69,741,342	38,749,819
Total Cash and Cash Equivalents	\$ 143,938,412	\$ 111,840,942
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (63,086,171)	\$ (68,364,850)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	10,360,277	9,522,686
Bad debt	707,487	1,033,461
Pension expense, proportionate share	3,746,377	—
Changes in assets and liabilities:		
Accounts and loans receivable, net	(1,735,434)	126,922
Inventories	20,577	78,673
Prepaid expenses	121,515	111,153
Accounts payable	157,527	517,648
Self-insured health liability	(43,000)	69,862
Accrued payroll	48,281	398,351
Deposits	2,623	(18,516)
Unearned revenue	(41,549)	725,304
Net Cash Used in Operating Activities	\$ (49,741,490)	\$ (55,799,306)
Supplemental Disclosure of Cash Flow Information		
Gifts of capital assets	\$ 587,920	\$ 36,483
Accounts payable incurred for capital asset purchases	4,048,895	879,296
Changes in fair value of investments	(1,113,672)	1,647,227

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. Summary of Significant Accounting Policies

Nature of Operations

Murray State University (University) is a state-supported institution of higher education located in Murray, Kentucky, and is accredited by the Southern Association of Colleges and Schools. The University awards graduate and undergraduate degrees from five colleges and two schools and serves a student population of approximately 11,200. The University is a component unit of the Commonwealth of Kentucky and is included in the general purpose financial statements of the Commonwealth.

Reporting Entity

In accordance with the provisions of Governmental Accounting Standards Board (GASB), certain organizations are to be reported as component units of a primary government based on the nature and significance of that organization's relationship to the primary government. Application of this statement results in including Murray State University Foundation, Inc. (the Foundation) as a discretely presented component unit of the University. The Foundation is a private nonprofit organization that reports under generally accepted accounting principles set forth by Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial report for these differences.

Basis of Accounting and Financial Statement Presentation

The University prepares its financial statements as a business type activity in conformity with applicable pronouncements of the GASB.

For financial reporting purposes, the University is considered a special purpose government engaged only in business type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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.

MURRAY STATE UNIVERSITY

A Component Unit of the Commonwealth of Kentucky

Notes To Financial Statements (*Continued*)

Restricted Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments that are externally restricted are classified as restricted assets. These assets are used to make debt service payments, maintain sinking or reserve funds, purchase or construct capital or other noncurrent assets or for other restricted purposes.

Investments

The University accounts for its investments at fair value. Fair value is determined using quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net position.

Assets held by the Foundation represent those gifts and donations made directly to the University, which are held by the Foundation for investment purposes. The net appreciation and income of donor restricted endowments are available to the University for expenditure to the extent permitted by Kentucky law and the spending policy of the Foundation. The recognition of gifts, donations and endowment pledges are accounted for by the University in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB 33) and are recognized when all applicable eligibility requirements are met.

Accounts Receivable

Accounts receivable consists of tuition and fee charges, other operational activities and auxiliary enterprise services and amounts due from component units. Accounts receivable also include amounts due from the federal government, state and local governments or private sources, for nonexchange type agreements defined in accordance with GASB No. 33 or 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.

Inventories

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

Capital Assets

All capital assets, as defined by University policy, are recorded at cost at the date of acquisition or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to functional expense categories. Assets under capital leases are amortized over the estimated useful life of the asset or the lease term, whichever is shorter. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Notes To Financial Statements (*Continued*)

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

Asset	Estimated Life
Buildings	40 years
Nonbuilding improvements	8-20 years
Equipment	5-15 years
Library holdings	10 years
Livestock	12 years
Software	8 years

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of borrowing. Total interest capitalized was \$825,167 and \$662,551 for the years ended June 30, 2015 and 2014, respectively.

The University owns historical collections housed throughout the campus that it does not capitalize, including artifacts in Wrather Museum. These collections adhere to the University's policy to (a) maintain them for public exhibition, education or research; (b) protect, keep unencumbered, care for and preserve them and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at time of acquisition rather than capitalized.

Compensated Absences

For employees participating in the Kentucky Teachers Retirement System (KTRS), vacation pay is accrued at year end for financial statement purposes. The liability and expense incurred are included at year end with accrued payroll, and as a component of compensation and benefit expense. Sick leave benefits are expected to be realized as paid time off or used to purchase service credits upon retirement. These are recognized as expense when the time off occurs or when service credit payments are incurred. No liability is accrued for such benefits employees have earned while participating in the KTRS plan, but not yet realized. For employees participating in optional retirement plans (ORP), sick time is accrued as it is earned.

Unearned Revenue

Unearned revenue includes amounts for tuition and fees, international program fees and certain auxiliary activities received prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from state capital appropriations and grant and contract sponsors for which eligibility requirements have not been fully satisfied or that have not yet been earned. Such amounts are recognized in the period to which the service relates or the grant/contract requirements have been met.

Deferred Outflow of Resources and Deferred Inflow of Resources

In addition to assets, financial statements may report a separate section for deferred outflows of resources. Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period and so will not be recognized as an outflow of resources until then. Deferred outflows of resources related to refunding long-term debt and certain pension contributions are reported in the statement of net position. The deferred bond refunding amount results from the difference in the carrying value of refunded debt and its reacquisition price, and is amortized over the shorter of the life of the refunded or refunding debt. The pension contributions represent contributions made to the plan between the measurement date of the pension obligations and the end of the fiscal year.

In addition to liabilities, financial statements may report a separate section for deferred inflows of resources. Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period and so will not be recognized as inflow of resources until then. Deferred inflows of resources include state reimbursements as well as certain changes in pension obligations that are amortized over future periods.

Net Position

The University's net position is classified as follows:

Net investment in capital assets: 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 net investment in capital assets.

Restricted net position - nonexpendable: Nonexpendable restricted net position 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.

Restricted net position - expendable: Restricted expendable net position include resources in which the University is legally or contractually obligated to spend in accordance with time or purpose restrictions imposed by external third parties.

MURRAY STATE UNIVERSITY

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Notes To Financial Statements (*Continued*)

Unrestricted net position: Unrestricted net position represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments, auxiliary enterprises and other sources. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the Board of Regents to meet current expenses or for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Release of Restricted Net Position

When an expense is incurred for which both restricted and unrestricted net position are available, the University's policy is to allow each departmental unit the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of discounts and allowances, (2) federal, state and local grants and contracts (excluding Pell and similarly funded federal and state grants for student financial aid) and (3) sales and services of auxiliary enterprises, net of discounts and allowances.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions. In a nonexchange transaction, the University receives value without directly giving equal value back, such as a gift or grant for which there is no return requirement. Additionally, certain significant revenues relied upon for operations, such as state appropriations, Pell and similarly funding federal and state grants for student financial aid, investment income and endowment income, are recorded as nonoperating revenues, in accordance with GASB No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities - an Amendment of GASB Statement 34*.

Tuition Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of discounts and allowances. Discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is payable by students. Certain grants, including federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues, while Pell grants are recorded as nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a discount and allowance. Financial aid expense represents payments made to students.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes To Financial Statements (*Continued*)

Income Taxes

The University is a component of the Commonwealth of Kentucky and is not subject to federal income tax as described in section 115 of the Internal Revenue Code. However, the University is subject to federal income tax on any unrelated business taxable income.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the KERS and KTRS plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by KERS and KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions. The accompanying financial statements include estimates for items such as allowances for doubtful accounts and loans receivable, self-insurance liabilities and other accrued liabilities. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2014 presentation have been reclassified to conform to the presentation used in 2015.

2. Accounts Receivable

Accounts receivable as of June 30 consisted of:

	<u>2015</u>	<u>2014</u>
Current accounts receivable:		
Student tuition and fees	\$ 8,604,939	\$ 6,796,938
Grants and contracts	1,343,054	1,140,582
Auxiliary fees	2,414,144	1,969,833
MSU and Racer Foundations	295,699	324,381
Employee computer and bicycle loans	11,376	14,464
Outside sales	850,938	573,902
Capital construction receivable - vendors	53,835	118,011
Allowance for doubtful accounts	(4,662,265)	(4,010,484)
	<u> </u>	<u> </u>
Total current accounts receivable	<u>\$ 8,911,720</u>	<u>\$ 6,927,627</u>

3. Inventories

Inventories as of June 30 consisted of:

	<u>2015</u>	<u>2014</u>
University bookstore - resale	\$ 1,583,854	\$ 1,567,270
Physical plant - supplies	324,575	351,489
Food services - resale and supplies	186,703	181,342
Art supplies	44,562	43,085
CFSB concessions	13,017	14,267
Central stores - supplies	17,141	32,976
	<u> </u>	<u> </u>
Total inventories	<u>\$ 2,169,852</u>	<u>\$ 2,190,429</u>

4. Loans Receivable

Student loans made through the Federal Perkins Loan Program (Program) comprise substantially all of the loans receivable at June 30, 2015 and 2014. The Program provides for service cancellation of a loan at rates of 12.5% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts cancelled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. The allowance for uncollectible loans at June 30, 2015 and 2014 was \$232,784 and \$234,016, respectively.

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

Loans receivable as of June 30 consisted of:

	<u>2015</u>	<u>2014</u>
Current loans receivable:		
University loan programs	\$ 52,069	\$ 66,682
Federal nursing program	91,807	85,761
Federal Perkins program	584,844	607,144
Total current loans receivable, net	<u>728,720</u>	<u>759,587</u>
Noncurrent loans receivable:		
University loan programs	15,158	—
Federal nursing program	391,872	369,864
Federal Perkins program	2,919,616	3,174,574
Total noncurrent loans receivable, net	<u>3,326,646</u>	<u>3,544,438</u>
Total loans receivable, net	<u>\$ 4,055,366</u>	<u>\$ 4,304,025</u>

5. Deposits, Investments and Investment Income

Deposits

At June 30, 2015 and 2014, the carrying amounts of the University's bank balances and deposits were \$143,938,412 and \$111,840,942, respectively.

Currently the University maintains its deposits, outside of those held by the Commonwealth of Kentucky, in noninterest-bearing accounts at FDIC-insured institutions. All accounts are insured up to \$250,000.

The University also maintains cash deposits with the Commonwealth of Kentucky, as overseen by the State Investment Commission (Commission). The Commission is charged with the oversight of the Commonwealth's investment programs pursuant to KRS 42.500. The Commonwealth's investments are categorized into two distinct classifications or "pools." The Short-Term Pool consists primarily of General Fund cash balances and provides liquidity for the remaining pools. The Intermediate-Term Pool represents Agency fund investments, state held component unit and fiduciary fund accounts held for the benefit of others by the state. Shares of each pool represent a divisible interest in the underlying securities and are not federally insured or guaranteed by the U.S. Government, Federal Deposit Insurance Corporation or any federal agency. However, all such investments in excess of FDIC are required to be fully collateralized by the U.S. Treasury and/or U.S. agency securities or other similar investments as provided by KRS 41.240. The pools have not been approved by the Securities and Exchange Commission. The University's shares within the pools may indirectly expose it to risks associated with fixed income investments; however, specific information about any such transactions is not available to the University.

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk other than compliance with the provisions of state law.

Cash and cash equivalents as of June 30 consisted of:

	<u>2015</u>	<u>2014</u>
Depository accounts:		
Local bank deposits, collateral held as a pledge in the University's name	\$ 7,482,275	\$ 5,533,185
Cash on hand	96,192	62,942
Foreign currency deposits	192,218	143,985
State Investment Pool - collateral required by KRS 41.240	<u>136,167,727</u>	<u>106,100,830</u>
 Total deposits	 <u>\$ 143,938,412</u>	 <u>\$ 111,840,942</u>

Cash and cash equivalents as presented in the statements of net position captions as of June 30 include:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents, current	\$ 74,197,070	\$ 73,091,123
Restricted cash and cash equivalents	<u>69,741,342</u>	<u>38,749,819</u>
 Total deposits	 <u>\$ 143,938,412</u>	 <u>\$ 111,840,942</u>

Investments

Investments carried at fair value as of June 30 consisted of:

	<u>2015</u>	<u>2014</u>
Money market funds restricted for debt service purposes	\$ 2,376,993	\$ 1,462,696
Restricted assets held by the Foundation	<u>24,302,998</u>	<u>24,600,892</u>
 Total investments	 <u>\$ 26,679,991</u>	 <u>\$ 26,063,588</u>

Restricted investments for debt service purposes are comprised of amounts invested for sinking fund and debt service reserves. Investments in U.S. Government securities and the collateral for repurchase agreements are registered in the name of Murray State University or held in the University's name by its agents and trustees. The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in equity securities.

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

University investments held by the Foundation are comprised of private donations received directly by the University and state endowment matching funds. These consist of endowment funds, as well as expendable restricted funds. Assets held by the Foundation are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

The assets in the Foundation investment pool are invested as of June 30 as follows:

	<u>2015</u>	<u>2014</u>
Percentage of pool invested in:		
Certificates of deposit and money market mutual funds	7%	9%
Mutual funds	25%	21%
Equity securities	39%	51%
Fixed income securities	28%	18%
Other	1%	1%
Total investments	<u>100%</u>	<u>100%</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not, within its investment policy, formally limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The money market mutual funds are investments with a maturity of less than one year because they are redeemable in full immediately. In addition, the funds held in the State Investment Pool have a maturity of less than one year because they are redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires investments to be in compliance with state statute. The University has no further policy that would limit its investment choices. Credit ratings for the money market mutual funds and State Investment Pool are not available and are therefore, considered unrated.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The University places no limit on the amount that may be invested in any one issuer. The University does not hold more than 5% of its investments with a single issuer.

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

Investment Income

Investment income for the years ended June 30 consisted of:

	<u>2015</u>	<u>2014</u>
Assets held by the University:		
Interest income	\$ 993,420	\$ 1,240,085
Assets held by MSU Foundation:		
Investment income endowment funds	1,407,238	914,829
Net increase/(decrease) in fair value of endowment investments	<u>(1,115,072)</u>	<u>1,647,227</u>
 Total investment income	 <u>\$ 1,285,586</u>	 <u>\$ 3,802,141</u>

6. Endowments

Changes in endowment assets for the years ended June 30 are as follows:

	<u>2015</u>	<u>2014</u>
Endowment assets, beginning of year	\$ 21,452,081	\$ 19,793,944
Investment return		
Net appreciation (depreciation)	(1,113,672)	1,651,842
 Contributions	 <u>115,268</u>	 <u>6,295</u>
 Endowment assets, end of year	 <u>\$ 20,453,677</u>	 <u>\$ 21,452,081</u>

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

7. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2015
Land	\$ 9,966,615	\$ —	\$ 63,971	\$ (302,000)	\$ 9,728,586
Construction in progress	14,635,575	18,145,159	(13,953,434)	(982,053)	17,845,247
Museum and collectibles	657,485	18,600	—	—	676,085
Total capital assets not being depreciated	<u>25,259,675</u>	<u>18,163,759</u>	<u>(13,889,463)</u>	<u>(1,284,053)</u>	<u>28,249,918</u>
Buildings	267,306,268	—	13,135,943	(2,933,600)	277,508,611
Nonbuilding improvements	14,699,121	—	673,450	—	15,372,571
Equipment	27,756,140	2,657,367	80,070	(468,709)	30,024,868
Library holdings	29,543,470	962,635	—	(167,491)	30,338,614
Livestock	165,750	—	—	—	165,750
Software	1,932,019	—	—	—	1,932,019
Total other capital assets	<u>341,402,768</u>	<u>3,620,002</u>	<u>13,889,463</u>	<u>(3,569,800)</u>	<u>355,342,433</u>
Total capital assets before depreciation	<u>366,662,443</u>	<u>21,783,761</u>	<u>—</u>	<u>(4,853,853)</u>	<u>383,592,351</u>
Less accumulated depreciation:					
Buildings	134,597,096	6,998,155	—	(1,945,596)	139,649,655
Improvements other than buildings	9,244,873	700,660	—	—	9,945,533
Equipment	21,055,434	1,715,014	—	(441,484)	22,328,964
Library holdings	25,740,743	693,154	—	(159,116)	26,274,781
Livestock	64,916	11,792	—	—	76,708
Software	1,432,927	241,502	—	—	1,674,429
Total accumulated depreciation	<u>192,135,989</u>	<u>10,360,277</u>	<u>—</u>	<u>(2,546,196)</u>	<u>199,950,070</u>
Capital assets, net	<u>\$ 174,526,454</u>				<u>\$ 183,642,281</u>

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2014
Land	\$ 9,913,707	\$ 21,465	\$ 35,000	\$ (3,557)	\$ 9,966,615
Construction in progress	9,198,858	13,971,977	(7,288,753)	(1,246,507)	14,635,575
Museum and collectibles	657,485	—	—	—	657,485
Total capital assets not being depreciated	<u>19,770,050</u>	<u>13,993,442</u>	<u>(7,253,753)</u>	<u>(1,250,064)</u>	<u>25,259,675</u>
Buildings	260,468,360	223,815	7,006,115	(392,022)	267,306,268
Nonbuilding improvements	14,619,792	—	79,329	—	14,699,121
Equipment	27,258,659	1,278,475	168,309	(949,303)	27,756,140
Library holdings	30,378,043	202,476	—	(1,037,049)	29,543,470
Livestock	165,750	—	—	—	165,750
Software	1,932,019	—	—	—	1,932,019
Total other capital assets	<u>334,822,623</u>	<u>1,704,766</u>	<u>7,253,753</u>	<u>(2,378,374)</u>	<u>341,402,768</u>
Total capital assets before depreciation	<u>354,592,673</u>	<u>15,698,208</u>	<u>—</u>	<u>(3,628,438)</u>	<u>366,662,443</u>
Less accumulated depreciation:					
Buildings	128,631,472	6,318,377	—	(352,753)	134,597,096
Improvements other than buildings	8,578,121	666,752	—	—	9,244,873
Equipment	20,339,880	1,588,355	—	(872,801)	21,055,434
Library holdings	26,029,379	696,550	—	(985,186)	25,740,743
Livestock	53,766	11,150	—	—	64,916
Software	1,191,425	241,502	—	—	1,432,927
Total accumulated depreciation	<u>184,824,043</u>	<u>9,522,686</u>	<u>—</u>	<u>(2,210,740)</u>	<u>192,135,989</u>
Capital assets, net	<u>\$ 169,768,630</u>				<u>\$ 174,526,454</u>

8. Accounts Payable

Accounts payable at June 30 consisted of:

	2015	2014
Current accounts payable:		
Vendors	\$ 7,926,479	\$ 6,634,869
Payroll benefits and withholdings	2,170,457	2,027,901
MSU Foundation	59,996	59,802
Loans	18,451	37,675
Total accounts payable	<u>\$ 10,175,383</u>	<u>\$ 8,760,247</u>

9. University Health Self-Insurance Program

The University maintains a self-insurance program for employees' health insurance. For the fiscal year ended June 30, 2015, the University paid approximately 85% of total plan expenses for permanent full-time employees and their families. The University's contribution to cover claims paid under the plan for years ended June 30, 2015 and 2014, totaled \$10,636,903 and \$9,473,960, respectively. Stop loss and administrative fees are disclosed in the chart below. The University's stop-loss insurance limits its exposure for claims to \$125,000 per individual.

Changes in the liability for self-insurance for the years ended June 30 are as follows:

	<u>2015</u>	<u>2014</u>
Liability, beginning of year	\$ 660,000	\$ 590,137
Accruals for current year claims and changes in estimate (includes employee and employer contributions)	12,540,590	11,313,184
Administrative and stop-loss fees	(1,449,503)	(1,333,416)
Claims paid	<u>(11,134,087)</u>	<u>(9,909,905)</u>
Liability, end of year	<u>\$ 617,000</u>	<u>\$ 660,000</u>

10. Unearned Revenue

Unearned revenue as of June 30 consisted of:

	<u>2015</u>	<u>2014</u>
Current unearned revenue:		
Prepaid tuition and fees	\$ 2,425,959	\$ 2,288,148
Grants and contracts	804,970	1,030,397
Auxiliary enterprises	<u>99,364</u>	<u>52,838</u>
Total current unearned revenue	<u>\$ 3,330,293</u>	<u>\$ 3,371,383</u>

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

11. Revenue Bonds, Notes Payable and Capital Leases

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2015:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-Term Portion
Bonds payable	\$ 56,800,000	\$ 26,000,000	\$ (3,150,000)	\$ 79,650,000	\$ 3,230,000	\$ 76,420,000
Less bond discounts	(230,399)	—	17,012	(213,387)	(17,012)	(196,375)
Plus bond premiums	280,163	1,944,208	(111,257)	2,113,114	111,256	2,001,858
Bonds payable, net of discounts and premiums	56,849,764	27,944,208	(3,244,245)	81,549,727	3,324,244	78,225,483
City of Murray payable	8,789,999	—	(325,000)	8,464,999	340,000	8,124,999
Master lease notes payable	2,969,670	—	(842,842)	2,126,828	873,960	1,252,868
Capital leases	629,000	—	(629,000)	—	—	—
Total bonds, notes and capital leases	<u>\$ 69,238,433</u>	<u>\$ 27,944,208</u>	<u>\$ (5,041,087)</u>	<u>\$ 92,141,554</u>	<u>\$ 4,538,204</u>	<u>\$ 87,603,350</u>

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2014:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-Term Portion
Bonds payable	\$ 59,280,000	\$ —	\$ (2,480,000)	\$ 56,800,000	\$ 3,150,000	\$ 53,650,000
Less bond discounts	(247,411)	—	17,012	(230,399)	(17,012)	(213,387)
Plus bond premiums	298,837	—	(18,674)	280,163	18,674	261,489
Bonds payable, net of discounts and premiums	59,331,426	—	(2,481,662)	56,849,764	3,151,662	53,698,102
City of Murray payable	9,095,000	—	(305,001)	8,789,999	325,000	8,464,999
Master lease notes payable	3,782,521	—	(812,851)	2,969,670	842,843	2,126,827
Capital leases	629,000	—	—	629,000	—	629,000
Total bonds, notes and capital leases	<u>\$ 72,837,947</u>	<u>\$ —</u>	<u>\$ (3,599,514)</u>	<u>\$ 69,238,433</u>	<u>\$ 4,319,505</u>	<u>\$ 64,918,928</u>

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Notes To Financial Statements (*Continued*)

Maturity Information

A schedule of the mandatory principal and interest payments (excluding bond discounts) is presented below:

Years Ending June 30	Bonds	Notes	Total Principal	Interest	Total Payments
2016	\$ 3,230,000	\$ 1,213,960	\$ 4,443,960	\$ 3,035,883	\$ 7,479,843
2017	3,650,000	1,266,247	4,916,247	3,058,870	7,975,117
2018	3,765,000	721,620	4,486,620	2,918,756	7,405,376
2019	3,925,000	395,000	4,320,000	2,789,722	7,109,722
2020	4,120,000	415,000	4,535,000	2,651,244	7,186,244
2021-2025	21,395,000	2,265,000	23,660,000	10,918,332	34,578,332
2026-2030	22,330,000	2,580,000	24,910,000	5,999,224	30,909,224
2031-2035	17,235,000	1,735,000	18,970,000	1,978,902	20,948,902
Total	\$ 79,650,000	\$ 10,591,827	\$ 90,241,827	\$ 33,350,933	\$ 123,592,760

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Notes To Financial Statements (*Continued*)

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Original Issue	Balance Due June 30, 2015	Interest Expense, Current Year	Bonds/Notes/ Leases Maturing 2015-2016
General Receipts Bonds Payable				
Series A 2007 bonds dated July 31, 2007, with an interest rate of 4.00% to 4.50%; final principal payment date September 1, 2027; Richmond Hall	\$ 14,550,000	\$ 10,785,000	\$ 480,041	\$ 630,000
Series A 2009 bonds dated April 22, 2009, with an interest rate of 2.50% to 4.20%; final principal payment date September 1, 2028; completion of Richmond Hall and various projects under \$600,000	7,665,000	6,105,000	235,085	340,000
Series A 2011 bonds dated July 12, 2011, with an interest rate of 2.00% to 4.50%; final principal payment date September 1, 2031; renovation of Elizabeth Hall	7,645,000	6,775,000	249,550	300,000
Series B 2011 refunding bonds dated July 26, 2011, with an interest rate of 2.00% to 3.75%; final principal payment date September 1, 2021; refunding of Housing and Dining bonds series M, N and O	4,670,000	2,700,000	72,570	505,000
Series C 2011 refunding bonds dated July 12, 2011, with an interest rate of 2.00% to 4.00%; final principal payment date September 1, 2027; refunding of Housing and Dining bonds series P and Q	15,620,000	12,265,000	423,394	825,000
Series A 2013 bonds dated May 29, 2013, with an interest rate of 2.00% to 4.00%; final principal payment date September 1, 2033; renovation of Hester Hall, College Courts sprinklers, and various projects under \$600,000	15,635,000	15,020,000	429,190	630,000
Series A 2015 bonds dated March 31, 2015, with an interest rate of 3.00% to 5.00%; final principal payment date March 31, 2035; Franklin Hall construction	26,000,000	26,000,000	200,692	—
Total general receipts bonds payable	<u>91,785,000</u>	<u>79,650,000</u>	<u>2,090,522</u>	<u>3,230,000</u>
Bonds payable before discount	91,785,000	79,650,000	2,090,522	3,230,000
Less bond discount	—	(213,387)	—	(17,012)
Plus bond premium	—	2,113,114	—	111,256
Total bonds payable	<u>\$ 91,785,000</u>	<u>\$ 81,549,727</u>	<u>\$ 2,090,522</u>	<u>\$ 3,324,244</u>

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Notes To Financial Statements (*Continued*)

	Original Issue	Balance Due June 30, 2015	Interest Expense, Current Year	Bonds/Notes/ Leases Maturing 2015-2016
City of Murray Payable				
Agreement dated April 17, 2012, with interest of 1.00% to 3.50%; final principal payment due June 1, 2033; Wellness Center refunding of the December 30, 2002 issue.	\$ 9,250,000	\$ 8,464,999	\$ 230,672	\$ 340,000
Master Lease Payable				
Campus energy performance upgrade - Master lease dated February 10, 2005, with interest of 3.94%; final principal payment due August 10, 2017	6,707,876	1,667,417	74,669	647,517
Energy savings projects - Master lease dated June 29, 2010, with interest of 2.85%; final principal payment due June 29, 2017	1,500,000	459,410	17,011	226,443
Total master lease payable	\$ 8,207,876	\$ 2,126,827	\$ 91,680	\$ 873,960
Capital Leases				
University of Kentucky dated June 25, 1998, with interest rate at 5.14%; final principal payment due January 1, 2017; Crisp Center	\$ 2,200,000	\$ —	\$ —	\$ —
Less: Capitalized Interest	—	—	(825,167)	—
Total All Bond Issues, Notes Payable and Capital Leases	\$ 111,442,876	\$ 92,141,553	\$ 1,587,707	\$ 4,538,204

The revenue bond indentures require the University to make deposits to sinking and reserve funds in annual amounts to meet the principal and interest payments due within the next 12 months, as well as maintain a reserve balance as a percentage of outstanding balances. As of June 30, 2015 and 2014, the sinking fund and reserve fund requirements have been funded as required.

Capital Leases

The University leases certain equipment and facilities, under capital lease agreements. The recorded cost of these assets and accumulated depreciation thereon were as follows:

	2015	2014
Capital lease assets, at cost	\$ —	\$ 2,200,000
Less accumulated depreciation	—	(1,870,000)
Net book value	\$ —	\$ 330,000

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Notes To Financial Statements (*Continued*)

The above represented a single capital lease for the University. The lessor was notified in April 2014 that the University wished to no longer lease this property. Per the lease agreement the leased assets remained in possession of the University through June 30, 2014 with the lessor taking possession on July 1, 2014. No payments were made in the current fiscal year and no future payments will be made on this lease by the University.

12. Deposits

The deposits held as of June 30 consisted of:

	<u>2015</u>	<u>2014</u>
Current:		
Horse stall rentals	\$ 18,060	\$ 16,850
Racer card declining balances	37,558	38,166
Housing deposits	171,269	149,273
Agency account balances	91,515	114,390
Total current deposits	<u>318,402</u>	<u>318,679</u>
Noncurrent:		
Housing deposits	<u>348,300</u>	<u>368,275</u>
Total deposits	<u>\$ 666,702</u>	<u>\$ 686,954</u>

Noncurrent housing deposit additions were \$162,350 and \$154,950 for the years ended June 30, 2015 and 2014, respectively. Noncurrent housing deposit deductions were \$182,325 and \$169,350 for the years ended June 30, 2015 and 2014, respectively.

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Notes To Financial Statements (*Continued*)

13. Unrestricted Net Position

The University's designations of unrestricted net position at June 30 consisted of:

	<u>2015</u>	<u>2014</u>
Unrestricted net position		
Allocated for:		
Prior year carryovers for:		
Plant reserves	\$ 10,020,977	\$ 7,626,286
Board designated projects	7,135,818	6,350,688
Capital projects	4,318,618	1,861,841
Renovation and maintenance	7,500,557	5,487,999
Departmental operations	28,002,889	24,484,337
Encumbrances	1,223,102	1,451,867
Working capital	9,683,372	7,535,083
Revenue contingency	2,401,255	2,400,290
General contingency	29,511,382	31,974,161
Self insurance	617,000	660,000
Total unrestricted net position before pensions adjustment	<u>100,414,970</u>	<u>89,832,552</u>
Pension adjustments, KERS non-hazardous	(75,652,054)	—
Pension adjustments, KERS hazardous	(1,004,929)	—
Pension adjustments, KTRS	<u>(156,911,574)</u>	<u>—</u>
Total unrestricted net position	<u>\$ (133,153,587)</u>	<u>\$ 89,832,552</u>

14. Pension Plans

a) General Information about the Pension Plans

Plan Descriptions

Kentucky Retirement Systems. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) (Systems) administers the Kentucky Employees Retirement System (KERS, listed herein as KERS-nh for “non-hazardous and KERS-h for “hazardous”), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan, and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630. KERS-nh and KERS-h are cost-sharing multiple-employer defined benefit pension plans that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. KRS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/about/Publications/Pages/default.aspx>

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Notes To Financial Statements (*Continued*)

Kentucky Teachers Retirement System. Under the provisions of Kentucky Revised Statute Section 161.250, the Board of Trustees (the Board) of Kentucky Teachers' Retirement Systems (KTRS) administers the Kentucky Teachers' Retirement System (KTRS). All employees required to hold a degree and occupying full-time positions, defined as seven-tenths (7/10) of normal full-time service on a daily or weekly basis, are required by state law to participate in the Kentucky Teachers Retirement System (KTRS) or an optional retirement plan, as allowed by KRS 161.567. KTRS, is a cost sharing, multiple-employer, public employee retirement system. KTRS issues a publicly available financial report that can be obtained at http://ktrs.ky.gov/05_publications/index.htm

Benefits Provided

KERS-nh, members before 9/1/2008. Benefits are available with completion of 27 years of service or attainment of age 65 and 4 years of service. Reduced benefits are available at 6.5% per year for the first five years, and 4.5% for the next five years before age 65 or 27 years of service with the attainment of age 55 and 5 years of service or any age with 25 years of service.

The annual retirement allowance is equal to 1.97% of the average of the five highest years of compensation multiplied by service for members that do not have 13 months credit for 1/1/1998-1/1/1999. The allowance is equal to 2.00% of final compensation multiplied by service for members that have 13 months credit from 1/1/1998-1/1/1999. The allowance is equal to 2.20% of final compensation multiplied by service for members that have 20 or more years of service, including 13 months from 1/1/1998-1/1/1999 and retired by 1/1/2009.

KERS-nh, members on and after 9/1/2008. Benefits are available with attainment of age 65 and five years of service, or attainment of age 57 and age plus years of service are greater than or equal to 87. Reduced benefits are available at 6.5% per year for the first five years, and 4.5% for the next five years before age 65 or age plus years of service are greater than or equal to 87 with the attainment of age 60 and 10 years of service.

The annual retirement allowance is equal to the average of the last complete five years of service multiplied by an increasing percent based on service at retirement plus 2.00% for each year of service over 30. The increasing percent based on service at retirement is 1.10% for 10 years of service or less, 1.30% for 10 to 20 years of service, 1.50% for 20 to 26 years of service, and 1.75% for 26 to 30 years of service.

KERS-nh, Other benefits. If the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit. Disability benefits are also provided at various levels depending on participation dates and circumstances.

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Insurance benefits are available for members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003 and before September 1, 2008 are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Upon termination of employment, a refund of member contributions and accumulated interest is available to the member.

Active member accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1981; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter. For employees participating prior to September 1, 2008, the interest paid is set by the Board of Trustees and will not be less than 2.0%, for employees participating on or after September 1, 2008 but before January 1, 2014, interest will be credited at a rate of 2.5%. For employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4.0%.

KERS-h, members before 9/1/2008. Benefits are available with completion of 20 years of service or attainment of age 55 and five years of service. Reduced benefits are available at 6.5% per year for the first five years, and 4.5% for the next five years before age 55 or 20 years of service with the attainment of age 50 and 15 years of service.

The annual retirement allowance is equal to 2.49% of the average of the three highest years of compensation multiplied by years of service.

KERS-h, members on and after 9/1/2008. Benefits are available with completion of 25 years of service or attainment of age 60 and 5 years of service. Reduced benefits are available at 6.5% per year for the first five years, and 4.5% for the next five years before age 60 or 25 years of service with the attainment of age 50 and 15 years of service.

The annual retirement allowance is equal to an increasing percent, based on service at retirement, of the average of the three highest years of compensation multiplied by years of service for members participating prior to 1/1/2014. The increasing percent is as follows: 1.30% for 10 years or less, 1.50% for 10 to 20 years, 2.25% for 20 to 25 years, and 2.50% for 25 years or more.

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Notes To Financial Statements (*Continued*)

For members participating on or after 1/1/2014: Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 8.00% and 7.50% of creditable compensation respectively into an account. This account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

KERS-h, Other benefits. If the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit. Disability benefits are also provided at various levels depending on participation dates and circumstances.

For both KERS-nh and KERS-h, monthly retirement allowances are increased July 1 each year by one and one-half percent (1.5%). The Kentucky General Assembly has the authority to increase, suspend or reduce Cost of Living Adjustments (COLA). HB 265 of 2012 eliminated the July 1, 2012 and July 1, 2013 COLAs for all retirees. SIB of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Hazardous duty members are also eligible for an additional contribution for dependents based upon hazardous service only. Members participating on or after July 1, 2003 and before September 1, 2008 are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$15 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Upon termination of employment, a refund of member contributions and accumulated interest is available to the member.

Active member accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1981; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter. For employees hired prior to September 1, 2008, the interest paid is set by the Board of Trustees and will not be less than 2.0%, for employees hired on or after September 1, 2008, interest will be credited at a rate of 2.5%.

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Notes To Financial Statements (*Continued*)

KTRS, members before 7/1/2008. Benefits are available with completion of 27 years of service or attainment of age 55 and five years of service. The annual retirement allowance for non-university members is equal to 2.0% of final average salary multiplied by service before July 1, 1983, plus 2.5% of final average salary multiplied by service after July 1, 1983. For individuals who become members of the Retirement System on or after July 1, 2002 and have less than 10 years of service at retirement, the retirement allowance is 2.0% of final average salary multiplied by service. If, however, they have 10 or more years, they receive a benefit percentage of 2.5% for all years of service up to 30 years. For members retiring on or after July 1, 2004, the retirement allowance formula is 3.0% of final average salary for each year of service credit earned in excess of 30 years.

The annual retirement allowance for university members is equal to 2.0% of final average salary multiplied by all years of service. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

KTRS, members on and after 7/1/2008. Benefits are available with completion of 27 years of service, attainment of age 60 and five years of service or attainment of age 55 and 10 years of service. The annual retirement allowance for non-university members is equal to 1.7% of final average salary if service is 10 years or less. 2.0% of final average salary if service is greater than 10 years and no more than 20 years. 2.3% of final average salary if service is greater than 20 years but no more than 26 years. 2.5% of final average salary if service is greater than 26 years but no more than 30 years. 3.0% of final average salary for years of service greater than 30 years.

The annual retirement allowance for university members is equal to 1.5% of final average salary if service is 10 years or less. 1.7% of final average salary if service is greater than 10 years and no more than 20 years. 1.85% of final average salary if service is greater than 20 years but less than 27 years. 2.0% of final average salary if service is greater than or equal to 27 years.

For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

KTRS, Other benefits. Disability benefits are provided for employees totally and permanently incapable of being employed as a teacher and under age 60 but after completing 5 years of service. The disability allowance is equal to the greater of the service retirement allowance or 60% of the member's final average salary. The disability allowance is payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. After the disability entitlement period has expired and if the member remains disabled, he will be retired under service retirement. The service retirement allowance will be computed with service credit given for the period of disability retirement. The allowance will not be less than \$6,000 per year. The service retirement allowance will not be reduced for commencement of the allowance before age 60 or the completion of 27 years of service.

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Any member who ceases to be in service is entitled to receive his contributions with allowable interest. A member who has completed five years of creditable service and leaves his contributions with the System may be continued in the membership of the System after separation from service, and file application for service retirement after the attainment of age 60.

A separate Life Insurance fund has been created as of June 30, 2000 to pay benefits on behalf of deceased KTRS active and retired members.

A surviving spouse of an active member with less than 10 years of service may elect to receive an annual allowance of \$2,880 except that if income from other sources exceeds \$6,600 per year the annual allowance will be \$2,160. A surviving spouse of an active member with 10 or more years of service may elect to receive an allowance which is the actuarial equivalent of the allowance the deceased member would have received upon retirement. The allowance will commence on the date the deceased member would have been eligible for service retirement and will be payable during the life of the spouse. If the deceased member is survived by unmarried children under age 18 the following schedule of annual allowances applies:

<u>Number of Children</u>	<u>Annual Allowance</u>
1	\$2,400
2	4,080
3	4,800
4+	5,280

The allowances are payable until a child attains age 18, or age 23 if a full-time student. If the member has no eligible survivor, a refund of his accumulated contributions is payable to his estate.

The retirement allowance of each retired member and of each beneficiary shall be increased by 1.50% each July 1.

Contributions

KERS-nh. Per KRS 61.565 and KRS 61.752, contribution requirements of the active employees and the participating employers are established and may be amended by the KRS Board. Employees are required to contribute five percent of their annual pay. The participating employers' contractually required contribution rate for the year ended June 30, 2015, was 38.77 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the University were \$4,316,235 and \$3,912,372 for the years ended June 30, 2015 and 2014, respectively.

KERS-h. Per KRS 61.565 and KRS 61.752, contribution requirements of the active employees and the participating employers are established and may be amended by the KRS Board. Employees are required to contribute 8% of their annual pay. The participating employers' contractually required contribution rate for the year ended June 30, 2015, was 26.34% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the University were \$139,672 and \$183,317 for the years ended June 30, 2015 and 2014, respectively.

The University's overall contributions, which include pension, medical, and life insurance contributions, to KERS for the years ended June 30, 2015 and 2014 were \$5,601,392 and \$4,250,881, respectively, and were equal to the required contributions.

KTRS. Per KRS 161.250, contribution requirements of the active employees and the participating employers are established and may be amended by the KTRS Board. Employees are required to contribute 7.68% of their annual pay. The participating employers' contractually required contribution rate for the year ended June 30, 2015, was 15.36% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the University were \$5,607,399 and \$5,519,075 for the years ended June 30, 2015 and 2014, respectively.

The University's overall contributions, which include pension, medical, and life insurance contributions, to KTRS for the fiscal years ended June 30, 2015 and 2014 were \$6,399,154 and \$6,176,040, respectively.

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b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015 the University reported a liability of \$233,580,719 for its proportionate shares of the net pension liability in the plans. The net pension liability for KTRS and KERS plans were measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for all plans. The University's proportions of the net pension liabilities were based on projections of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the University's proportion was 0.710400 percent for KTRS, 0.882259% for KERS-nh, and 0.405301% for KERS-h.

For the year ended June 30, 2015, the University recognized pension expense of \$3,746,377. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ —	\$ 1,729,639
Net difference between projected and actual earnings on investments	—	8,321,506
Contributions subsequent to the measurement date	10,063,307	—
Total	<u>\$ 10,063,307</u>	<u>\$ 10,051,145</u>

In the year ending June 30, 2016, \$10,063,307, reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2016	\$ 2,426,304
2017	2,426,304
2018	2,426,304
2019	2,426,304
2020	345,929
	<u>\$ 10,051,145</u>

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Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	KERS	KTRS
Inflation	3.5%	4.0%
Salary increases	4.5%, including inflation	4.0% to 8.2%, including inflation
Investment rate of return	7.75%	7.50%

Mortality rates for KERS were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

Mortality rates for KTRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of one year for females.

The actuarial assumptions used in the June 30, 2014 valuations were based on the results of actuarial experience study for the period July 1, 2005 – June 30, 2008 for KERS and July 1, 2005 – June 30, 2010 for KTRS. As a result of the actuarial experience studies, the expectation of life after disability was adjusted in the July 30, 2014 actuarial valuations to more closely reflect actual experience.

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For KERS the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KERS's investment consultant, are summarized in the following table:

KERS:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non-U.S. Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

For KTRS the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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A Component Unit of the Commonwealth of Kentucky

Notes To Financial Statements (*Continued*)

KTRS:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45%	6.40%
Non-U.S. Equity	17%	6.50%
Fixed Income	24%	1.60%
High Yield Bonds	4%	3.10%
Real Estate	4%	5.80%
Alternatives	4%	6.80%
Cash	2%	1.50%
Total	<u>100%</u>	

Discount rate. For KERS the discount rate used to measure the total pension liability was 7.75% for both nonhazardous and hazardous. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS The discount rate used to measure the TPL as of the Measurement Date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

MURRAY STATE UNIVERSITY

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Notes To Financial Statements (*Continued*)

Sensitivity of Murray State University's proportionate share of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rates of 7.75% for KERS and 5.23% for KTRS, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75% for KERS, 4.23% for KTRS) or 1-percentage-point higher (8.75% for KERS, 6.23% for KTRS) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
University's proportionate share - KERS-nh	\$ 89,049,025 6.75%	\$ 79,154,689 7.75%	\$ 70,233,956 8.75%
University's proportionate share - KERS-h	1,388,868 6.75%	1,035,001 7.75%	731,849 8.75%
University's proportionate share - KTRS	192,674,472 4.23%	153,391,029 5.23%	120,964,165 6.23%

Pension plan fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued KERS and KTRS financial reports.

KTRS Changes of assumptions. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

15. Component Units

Murray State University Foundation, Inc.

Murray State University Foundation, Inc. (Foundation) is a Kentucky nonprofit corporation formed to receive, invest and expend funds for the enhancement and improvement of the University. It is a legally separate, tax-exempt component unit of the University that manages certain endowments and investments on behalf of the University. The Foundation has a Board of Trustees separate from that of the University; however, the President and certain other officers of the University are also officers of the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statement package.

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

During the years ended June 30, 2015 and 2014, the Foundation made payments of \$3,108,767 and \$2,651,227, respectively, on behalf of the University from restricted sources. Accounts receivable at June 30, 2015 and 2014, from the Foundation were \$295,699 and \$324,380, respectively. Accounts payable to the Foundation as of June 30, 2015 and 2014 were not significant. Complete financial statements for the Foundation can be obtained from the MSU Foundation Office, 100 Nash House, Murray, Kentucky 42071.

Significant notes to the Foundation's financial statements are as follows:

a) Investments and Investment Return

Investments at June 30 consisted of:

	<u>2015</u>	<u>2014</u>
Money market mutual funds	\$ 2,576,243	\$ 4,597,389
Certificates of deposit	4,533,909	4,028,672
Equity securities	38,044,665	48,238,839
Cash value of life insurance policies	220,895	207,071
Mutual funds	24,426,858	20,047,816
Asset-backed bonds	2,389,241	200,250
Mortgage-backed bonds	3,193,967	1,371,708
Government bonds	16,158,901	10,021,623
Municipal bonds	430,987	434,790
Corporate bonds	6,121,057	5,470,351
Annuities	447,208	517,916
	<u>\$ 98,543,931</u>	<u>\$ 95,136,425</u>

Total investment return is comprised of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 1,620,888	\$ 1,386,047
Realized gains on investments reported at fair value	4,218,361	2,605,991
Unrealized gains on investments reported at fair value	(2,960,525)	5,938,785
	<u>\$ 2,878,724</u>	<u>\$ 9,930,823</u>

The Foundation's temporarily and permanently restricted net assets include various endowment funds established by donors.

b) Assets Held for Others

Assets held for others represent resources in the possession of, but not under the control of, the Foundation. Assets held for others as of June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Murray State University	\$ 24,294,607	\$ 24,592,501
Murray State University Alumni Association	1,215,400	1,297,960
Others	45,392	45,884
	<u>\$ 25,555,399</u>	<u>\$ 25,936,345</u>

c) Annuities and Trusts Payable

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from donors are recorded at fair value on the date of the gift. The Foundation has recorded a liability at June 30, 2015 and 2014 of \$1,282,093 and \$1,040,876, respectively, which represents the present value of the future gift annuity obligations. The liability has been determined using discount rates ranging from 1.2% to 7.0%.

The Foundation administers several charitable remainder unitrusts and annuity trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime), either in the form of a percentage of the fair value of the trust's assets (unitrust) or in the form of a specified dollar amount (annuity trust). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the future interest of the Foundation is recorded in the statement of activities as temporarily restricted contributions in the period the trust is established. Assets (investments) held in the charitable remainder trusts are recorded at fair value in the Foundation's statement of financial position. The present value of the estimated future payments were \$4,558,492 and \$3,651,000 at June 30, 2015 and 2014, respectively, which was calculated using discount rates ranging from 1.8% to 8%, and applicable mortality tables.

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

d) Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net position at June 30 is available for the following purposes:

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 12,612,123	\$ 14,560,634
Instruction and institutional support	11,131,793	9,732,155
Chairs and professorships	667,163	531,151
	<u>\$ 24,411,079</u>	<u>\$ 24,823,940</u>

Permanently restricted net assets at June 30 are restricted to:

	<u>2015</u>	<u>2014</u>
Investment in perpetuity, the income of which is expendable to support:		
Scholarships	\$ 28,873,018	\$ 27,694,545
Instruction and institutional support	7,610,187	7,372,831
Chairs and professorships	2,263,095	2,137,703
Operations of the Golf Course	191,890	191,733
Operating activities of the Foundation	391,624	385,987
	<u>\$ 39,329,814</u>	<u>\$ 37,782,799</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 1,438,093	\$ 1,446,813
Instruction and institutional support	1,670,674	1,204,414
	<u>\$ 3,108,767</u>	<u>\$ 2,651,227</u>

MURRAY STATE UNIVERSITY

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Notes To Financial Statements (*Continued*)

Murray State University Athletic Foundation, Inc.

Murray State University Athletic Foundation, Inc. (Racer Foundation) was a Kentucky nonprofit corporation formed to enhance the academic and athletic experience of the University student-athlete. The Racer Foundation had a Board of Directors separate from that of the University. The University did not control the timing or amount of receipts from the Racer Foundation, the majority of resources or income thereon that the Racer Foundation held and invested. The resources held by the Racer Foundation can only be used by, or for the benefit of, the University. The Racer Foundation was considered a component unit of the University. The Racer Foundation financial statements are not presented in the University's financial statements since they were not material to the University's financial statements.

In June 2014, the Murray State University Athletic Foundation, Inc. was dissolved. Assets, consisting of cash and real estate held for sale, were gifted to the Murray State University Foundation. Liabilities, consisting of payables to Murray State University, were written off as bad debt expense.

16. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, natural disasters and employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Commonwealth of Kentucky self insures workers' compensation benefits for all state employees, including University employees. Claims are administered by the Risk Management Services Corporation.

Claims and Litigation

The University is a defendant in various lawsuits. It is the opinion of management and its legal counsel, based in part on the doctrine of sovereign immunity and other statutory provisions, that the ultimate outcome of litigation will not have a material effect on the future operations or financial position of the University.

Commitments

The University has outstanding commitments under construction contracts of approximately \$75,349,102 and \$3,007,797 as of June 30, 2015 and 2014, respectively.

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

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.

Perkins Loan Program

The University participates in the Federal Perkins Loan Program, under which loans are provided to eligible students and repayments are made directly to the University to provide funding for future eligible participants in the program. Effective October 1, 2015, the Department of Education has stipulated that new loans may not be disbursed under the program (some limited exceptions to continue to award new loans have been made, but are not expected to be applicable for the University). Pursuant to GASB accounting standards, the University has recorded previous contributions from the Federal Government for this program as revenue (and related restricted net position) in the period that the funds were received. The closure of this program, while not certain or determinable at this point, could result in the University recording an obligation to refund previous Federal contributions received under this program to the Department of Education.

17. Natural Expense Classifications with Functional Classifications

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

Fund Classification	Year Ended June 30, 2015					
	Natural Classification					Total
	Compensation and Benefits	Operations	Utilities	Noncapitalized Equipment	Scholarships	
Instruction	\$ 57,581,464	\$ 6,146,296	\$ 180,559	\$ 1,190,403	\$ —	\$ 65,098,722
Research	1,466,925	455,398	270	55,234	—	1,977,827
Public service	5,895,890	1,735,418	190,241	52,338	—	7,873,887
Libraries	2,026,397	788,895	93	61,883	—	2,877,268
Academic support	4,532,006	2,385,405	86,895	248,398	—	7,252,704
Student services	10,028,910	5,858,511	61,867	119,925	16,478	16,085,691
Institutional support	18,997,644	1,765,466	69,346	179,495	—	21,011,951
Operations and maintenance	7,347,851	3,043,843	5,700,808	30,318	—	16,122,820
Financial aid	—	—	—	—	13,231,654	13,231,654
Depreciation	—	8,919,737	—	—	—	8,919,737
Auxiliary enterprises	8,081,510	12,337,468	2,841,207	71,014	—	23,331,199
Auxiliary depreciation	—	1,440,540	—	—	—	1,440,540
Total expenses	\$ 115,958,597	\$ 44,876,977	\$ 9,131,286	\$ 2,009,008	\$ 13,248,132	\$ 185,224,000

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

Fund Classification	Year Ended June 30, 2014					
	Natural Classification					
	Compensation and Benefits	Operations	Utilities	Noncapitalized Equipment	Scholarships	Total
Instruction	\$ 53,722,084	\$ 5,891,460	\$ 201,995	\$ 1,212,578	\$ —	\$ 61,028,117
Research	1,295,451	404,893	—	68,818	—	1,769,162
Public service	5,673,020	2,298,314	226,173	99,835	—	8,297,342
Libraries	1,916,065	1,339,653	96	74,455	—	3,330,269
Academic support	4,434,612	2,464,007	50,735	269,158	—	7,218,512
Student services	9,501,562	5,502,578	73,754	252,004	16,000	15,345,898
Institutional support	17,795,980	1,809,969	84,195	108,280	—	19,798,424
Operations and maintenance	7,158,150	6,024,036	5,682,214	16,115	—	18,880,515
Financial aid	—	—	—	—	11,439,493	11,439,493
Depreciation	—	8,244,719	—	—	—	8,244,719
Auxiliary enterprises	7,459,358	11,362,496	2,732,754	129,152	263,580	21,947,340
Auxiliary depreciation	—	1,277,967	—	—	—	1,277,967
Total expenses	<u>\$ 108,956,282</u>	<u>\$ 46,620,092</u>	<u>\$ 9,051,916</u>	<u>\$ 2,230,395</u>	<u>\$ 11,719,073</u>	<u>\$ 178,577,758</u>

18. Segment Information

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

Susan E. Bauernfeind Student Recreation and Wellness Center

The University entered into an agreement with the City of Murray, Kentucky on December 30, 2002, to finance the construction of a student recreation/wellness center. The University established a \$3.00 per credit hour student fee, effective for the Fall 2002 semester, to be designated as the Wellness Center Fee. A portion of the revenues from this fee will be used to fund all debt and debt related expenses according to the terms and provisions of the Memorandum of Agreement between the University and the City of Murray.

The City of Murray refinanced the original bonds in the spring of 2012 to take advantage of an overall decrease in net interest costs. The terms of original agreement between the University and the City of Murray remained unchanged, with the exception of changes in the amount of debt and interest payments.

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

Condensed financial information as of and for the years ended June 30 of the University's Wellness Center segment is as follows:

Wellness Center - Condensed Statements of Net Position

	<u>2015</u>	<u>2014</u>
Assets		
Current assets	\$ 629,198	\$ 534,758
Noncurrent assets	1,823,292	1,753,477
Capital assets, net of accumulated depreciation	<u>7,781,368</u>	<u>8,050,083</u>
Total assets	<u>10,233,858</u>	<u>10,338,318</u>
Deferred outflows of resources		
Bond refunding loss	<u>343,125</u>	<u>362,411</u>
Total deferred outflows of resources	<u>343,125</u>	<u>362,411</u>
Liabilities		
Current liabilities	35,106	35,161
Noncurrent liabilities	<u>8,464,999</u>	<u>8,789,999</u>
Total liabilities	<u>8,500,105</u>	<u>8,825,160</u>
Net position		
Net invested in capital assets	(340,507)	(377,506)
Restricted		
Expendable capital	1,046,921	982,318
Expendable debt service	741,524	735,967
Unrestricted	<u>628,940</u>	<u>534,790</u>
Total net position	<u>\$ 2,076,878</u>	<u>\$ 1,875,569</u>

Wellness Center - Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 110,030	\$ 88,541
Operating expenses	(430,482)	(549,526)
Depreciation expense	<u>(268,715)</u>	<u>(268,715)</u>
Operating loss	<u>(589,167)</u>	<u>(729,700)</u>
Nonoperating revenues	<u>790,476</u>	<u>1,090,734</u>
Change in net position	201,309	361,034
Net position, beginning of year	<u>1,875,569</u>	<u>1,514,535</u>
Net position, end of year	<u>\$ 2,076,878</u>	<u>\$ 1,875,569</u>

Wellness Center - Condensed Statements of Cash Flows

	<u>2015</u>	<u>2014</u>
Cash flows from:		
Operating activities	\$ (420,452)	\$ (460,688)
Noncapital financing activities	451,116	573,638
Capital and related financing activities	128,258	224,611
Investing activities	5,042	6,055
Net increase in cash	<u>163,964</u>	<u>343,616</u>
Cash, beginning of year	<u>2,288,267</u>	<u>1,944,651</u>
Cash, end of year	<u>\$ 2,452,231</u>	<u>\$ 2,288,267</u>

19. Risk and Uncertainties

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the investment amounts reported in the balance sheets.

20. Current Economic Conditions

The current economic environment presents the University with unprecedented circumstances and challenges which, in some cases, have resulted in declines in contributions, governmental support and grant revenue. The financial statements have been prepared using values and information currently available to the University.

MURRAY STATE UNIVERSITY

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION For The Year Ended June 30, 2015

Proportionate Share Of The Net Pension Liability

KERS-Non-Hazardous Pension Plan

	<u>June 30, 2014</u>
Actuarial Valuation Data	
University's proportion of the net pension liability	0.882259%
University's proportionate share of the net pension liability	\$ 79,154,689
University's covered-employee payroll	\$ 13,917,604
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	568.74%
Plan fiduciary net position as a percentage of the total pension liability	22.32%

KERS-Hazardous Pension Plan

	<u>June 30, 2014</u>
Actuarial Valuation Data	
University's proportion of the net pension liability	0.405301%
University's proportionate share of the net pension liability	\$ 1,035,001
University's covered-employee payroll	\$ 523,146
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	197.84%
Plan fiduciary net position as a percentage of the total pension liability	68.74%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION (Continued) For The Year Ended June 30, 2015

Proportionate Share Of The Net Pension Liability (Continued)

KTRS Pension Plan

	<u>June 30, 2014</u>
Actuarial Valuation Data	
University's proportion of the net pension liability	0.710400%
University's proportionate share of the net pension liability	\$ 153,391,029
University's covered-employee payroll	\$ 24,460,052
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	627.11%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

These schedules will ultimately present ten years of data when available.

Schedules of Murray State University Contributions

KERS-Non-Hazardous Pension Plan

	<u>June 30, 2015</u>
Fixed Year	
Contractually required contribution	\$ 4,316,235
Contributions in relation to the contractually required contribution	<u>(4,316,235)</u>
Contribution deficiency	<u>\$ —</u>
University's covered-employee payroll	\$ 13,917,604
Contributions as a percentage of covered-employee payroll	31.01%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION For The Year Ended June 30, 2015

Schedules of Murray State University Contributions (*Continued*)

KERS-Hazardous Pension Plan

	<u>June 30, 2015</u>
Fixed Year	
Contractually required contribution	\$ 139,672
Contributions in relation to the contractually required contribution	<u>(139,672)</u>
Contribution deficiency	<u>\$ —</u>
University's covered-employee payroll	\$ 523,146
Contributions as a percentage of covered-employee payroll	26.70%

KTRS Pension Plan

	<u>June 30, 2015</u>
Fixed Year	
Contractually required contribution	\$ 5,607,399
Contributions in relation to the contractually required contribution	<u>(5,607,399)</u>
Contribution deficiency	<u>\$ —</u>
University's covered-employee payroll	\$ 24,460,052
Contributions as a percentage of covered-employee payroll	22.92%

There were no changes to benefit terms or to assumptions in valuation for the plans year ended June 30, 2014.

These schedules will ultimately present ten years of data when available.