



Financial Statements

for

**MURRAY STATE UNIVERSITY
A COMPONENT UNIT OF THE
COMMONWEALTH OF KENTUCKY**

For the Year Ended June 30, 2021
with Report of Independent Auditors

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Report of Independent Auditors

Board of Regents
Murray State University
Murray, Kentucky

Secretary of Finance and Administration
Cabinet of the Commonwealth of Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Murray State University (the University), a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2021 and 2020, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Murray State University as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 24 and the pension and OPEB information on pages 78 - 85 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 1, 2021 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 the 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.

Dean Dotson Allen Ford, PLLC

Lexington, Kentucky
October 1, 2021

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis

June 30, 2021

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Murray State University (University) for the year ended June 30, 2021. 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. Founded in 1922, 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 three schools and enrolls students in 108 (66 percent) of the counties within the Commonwealth of Kentucky, 47 states and 43 countries. 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 9,400 students. For the 2021-22 academic year, tuition and fees increased \$42 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 31 consecutive years with the release of the 2022 *U.S. News Best Colleges* list. Murray State was ranked 25th in the "Best Regional Universities in the South" category and is the highest-ranked regional public university in Kentucky. Murray State also ranked 11th among peer institutions in the "Top Public Regional Universities in the South" category.

In addition to the *U.S. News & World Report's* rankings, the University is ranked a "Military Friendly School" by *Victory Media* and a "Best Bank for the Buck" by *Washington Monthly* as a best value for students seeking a college degree, and the top-ranked regional public university in Kentucky. *Forbes* has named the University as one of America's Top Colleges for 12 consecutive years. The University has also been recently recognized nationally for both quality and value by *Money Magazine*, *Niche* and the *Wall Street Journal/Times Higher Education*.

Employing approximately 1,100 faculty and staff, Murray State University was recognized nationally as one of Kentucky's best employers by *Forbes* as part of the publications "2021 Best Employers" list. Murray State University is ranked 13th among the 50 state employers which were recognized on the list and was the highest-ranked four-year public regional comprehensive university in Kentucky.

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2021

Financial Highlights

- The University implemented GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27* in 2015 and GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)* in 2018. The effects of implementing GASB Statement Nos. 68 and 75 are summarized in the following table. It is important to note that the implementation of these standards has no effect on past or current cash or cash equivalents.

	2021	2020	2019
Beginning net position, no pension/OPEB adjustment	\$ 342,851,693	\$ 342,200,196	\$ 336,973,098
Change in net position, no pension/OPEB adjustment	15,378,006	651,497	5,227,098
Ending net position before pension/OPEB adjustment	358,229,699	342,851,693	342,200,196
 Pension beginning adjustment	 (256,888,381)	 (277,924,133)	 (290,776,657)
Pension revenue/(expense) adjustment	39,372,567	21,186,735	13,691,790
OPEB revenue/(expense) adjustment	1,371,485	(150,983)	(839,266)
Total pension/OPEB adjustments	(216,144,329)	(256,888,381)	(277,924,133)
 Net position after pension/OPEB adjustments	 \$ 142,085,370	 \$ 85,963,312	 \$ 64,276,063

- In fiscal year 2021 the University had assets of \$450.3 million, deferred outflows of \$20.5 million, liabilities of \$261.2 million and deferred inflows of \$67.6 million. Net position, which represents the University's residual interest in assets and deferred outflows after liabilities and deferred inflows are deducted, was \$142.1 million or 30 percent of total assets and deferred outflows. Net position increased by \$56.1 million from fiscal year 2020 to 2021. This increase in net position was the result of a (\$40.7 million) net decrease in pension/OPEB related activity. Additionally, there was a \$15.6 million increase in nonoperating federal grants mostly from pandemic related funds, a (\$3.8 million) decrease in operational spending, \$2.2 million increase in investment income offset by a (\$6.2 million) decrease in operating revenue.
- Fiscal operations were in accordance with the annual operating budget of approximately \$144.5 million. The University continued to be a strong employer for the region and employed 2,825 individuals, including 523 faculty and 773 staff members and 1,529 students. These totals include 1,089 regular and full-time faculty and staff.
- Total originally enacted operating state appropriations for fiscal year 2021 decreased by \$1.9 million. This decrease was primarily due to a one-year funding source modification by the Commonwealth of \$1.1 million, which was ultimately funded by federal stimulus dollars received by the state and not the state General Fund. In addition, the University received an \$827,600 (2 percent) permanent funding reduction representing their required contribution to the performance funding pool for fiscal year 2021.

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Management's Discussion and Analysis, continued

June 30, 2021

- 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	\$18.5 million
Market Value	\$27.6 million

These funds experienced an unrealized gain of \$5.6 million in fiscal year 2021. This allowed for most program spending to remain constant during the year. The Foundation operated with a 4.0 percent cap on endowment spending for the fiscal year 2021.

- The University invested in a significant number of asset preservation campus enhancement projects in 2021 totaling \$14.5 million.
- The University experienced additional changes in the pension liability in fiscal year 2021. Overall adjustments related to pensions/OPEB were a (\$24.4 million) reduction to liabilities and a (\$19 million) reduction to operating expenses.

The University's portion of the liability reported by the Kentucky Employee Retirement System (KERS) resulted in a (\$22.9 million) reduction in pension liability and a (\$1.3 million) reduction in OPEB liability. The University's portion of the liability reported by the Teachers' Retirement System (TRS) resulted in a \$1.8 million increase in pension liability and a (\$2 million) reduction in OPEB liability.

Operating expenses decreased by (\$17 million) related to KERS pension adjustments and (\$0.5 million) related to TRS pension adjustments. Additionally, operating expenses decreased by (\$0.8 million) related to KERS OPEB adjustments and (\$0.7 million) related to TRS OPEB adjustments.

- The University's dining services were contracted to Sodexo Operations, LLC effective December 2018. The agreement is through June 2029 and encompasses all campus dining services as well as significant capital investments made by Sodexo. The Sodexo capital investments have supported the franchise venues Chick-fil-A, Steak 'n Shake, Einstein Bros. Bagels and Starbucks, all of which have been completed and are enhancements to the student experience.
- As a result of a Request for Proposal process, the University entered into a Service Agreement with Southeast Service Corporation (SSC) for custodial and grounds services for the Murray campus, effective April 2020. The agreement is through June 2025.

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2021

- Fiscal year 2021 enrollment trends were as follows:
- First-time freshmen were up 5.8 percent
 - First-time transfers were up 23.2 percent
 - First-time graduate students were up 15.6 percent
 - Overall headcount was up excluding high school dual credit 2 percent
 - Overall credit hours were up excluding high school dual credit 0.8 percent

All first-time enrollments were a positive trend. In addition, overall enrollments for regular students also trended upwards. The upward trend is due to the baccalaureate-degree seeking students (first to second year) retention rate of 81 percent, which is the highest of all public comprehensive universities in the state.

- The COVID-19 pandemic has created a financial strain on the University, beginning in fiscal year 2020 and has continued to do so in future periods. The initial signs of this stress started to occur March 2020, at which time the residence halls were officially closed and student "move-out" was completed shortly thereafter. On March 23, 2020 all classes were transitioned to an online/alternate format for Spring 2020 only. Several actions were implemented to minimize the financial impact of instructional changes, supplies, housing and dining credits, and other expenditures and lost revenue as they all related to managing the impact of the pandemic.

The University was directly granted the following federal stimulus funds from the institutional share portion:

\$3.1 million - **Coronavirus Aid, Relief and Economic Security Act of 2020 (CARES)**. These funds were fully expended in fiscal year 2020.

\$7.1 million - **Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA)**. These funds were fully expended in fiscal year 2021.

\$8.9 million - **American Rescue Plan Act of 2021 (ARP)**. \$3.9 million of these funds were expended through the end of fiscal year 2021.

The University was also granted the following federal stimulus funds for student emergency grants:

\$3.1 million - **Coronavirus Aid, Relief and Economic Security Act of 2020 (CARES)**. These funds were fully expended in fiscal year 2020.

\$3.1 million - **Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA)**. These funds were fully expended in fiscal year 2021.

\$9.1 million - **American Rescue Plan Act of 2021 (ARP)**. These funds have not yet been expended as of the end of fiscal year 2021.

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Management's Discussion and Analysis, continued

June 30, 2021

The University has received access to a total of \$37.4 million in federal stimulus funding to assist the University with unplanned expenditures to continue operations and manage the spread of COVID-19 and unplanned losses in revenues. This amount includes \$3 million of federal stimulus funds received through the Commonwealth of Kentucky.

Fiscal year 2022 projections are that approximately \$5.5 million of added expenditures and lost revenues related to the pandemic will have been incurred through fiscal year 2022 to be covered through University resources.

- The University entered into a pilot contract with a third-party online program manager, beginning in May 2020, to market and provide instructional design and student support for five graduate programs. This partnership has increased our enrollments in those programs by more than 260 students, including students that are outside of our traditional service region. The University is exploring the option to add additional graduate certificate programs to the agreement over the next year.

Performance Funding

The enacted 2017-18 Commonwealth of Kentucky budget included the implementation of the performance funding model. The fiscal year 2021 performance funding pool included a two percent contribution from the Universities' state appropriated funds after mandated programs were removed. The performance funding pool of \$15 million for the four-year institutions, which totaled \$827,600 from Murray State University. Murray State University did not obtain any funds from the performance funding model and thus, lost, the \$827,600 contributed.

The three basic components of the funding model include:

- Student Success: 35 percent of the model ties the distribution of allocable funding directly to degree production and progression toward a degree or credential;
- Course Completion: 35 percent of the model ties the distribution of resources to the number of credit hours awarded at each campus;
- Operational Support: 30 percent of the model ties the distribution of resources to campus services and infrastructure that support student learning and success.

Through Senate Bill 135, legislation was approved during the 2021 Special Session that eliminated the annual performance funding pool contribution from each public university. This legislation also requires any future performance fund pool amounts be funded by the General Assembly and not through permanent appropriation reductions from each university. Therefore, Murray State University did not experience an appropriation reduction for the performance funding pool for fiscal year 2022.

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Management's Discussion and Analysis, continued

June 30, 2021

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.

Statements of Net Position

The Statement of Net Position presents a financial picture of the University's financial condition at the end of the 2021 and 2020 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 2021 fiscal year were \$450.3 million, of which capital assets, net of depreciation, represented the largest portion. Capital assets totaled approximately \$233.6 million or 52 percent of total assets and were primarily comprised of University-owned land, buildings, equipment, and library holdings. Cash and cash equivalents amounted to \$163.4 million or 36 percent of total assets. Total assets increased by \$15.3 million during the 2021 fiscal year. This increase in gross total assets is due primarily to the following:

- \$6.8 million - Increase in cash and cash equivalents. Primarily due to funds received from the Higher Education Emergency Relief Fund II (HEERF II) authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) as a result of lost revenue.
- \$4.8 million - Increase in net accounts receivable. Primarily due to \$2.1 million to be received from HEERF funds awarded for institutional expenses, as well as \$1.5 million for grants and contracts and \$0.8 million for housing and dining fees and commissions.

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Management's Discussion and Analysis, continued

June 30, 2021

- \$6.3 million – Increase in restricted investments. This increase was related to an unrealized gain on assets held by the Foundation due to positive market performance and a rebalancing of the investment portfolio.
- (\$2.5 million) – Decrease in capitals assets, net of accumulated depreciation. This change is a result of the capitalization of \$8.5 million for several building repair and improvement projects completed during the fiscal year offset by current year depreciation of (\$11.5 million).

Total assets decreased by (\$5.2 million) during the 2020 fiscal year due to the following:

- (\$3.5 million) - Decrease in net capital assets. Primarily due to \$7 million in new additions to construction-in-progress (CIP), largely related to renovation and repairs to J. H. Richmond Residence Hall and Sodexo dining additions offset by \$10.5 million in current year depreciation.
- (\$0.9 million) - Decrease in net accounts receivable. Primarily due to a (\$0.8 million) decrease in grants and contracts receivables, \$0.3 million increase in student tuition and fees, and (\$0.4 million) decrease in revenues from the third-party dining services contract.
- (\$0.6 million) - Decrease in prepaid expenses. This change is the result of a decrease in insurance related prepaid expenses due to a change in workers' compensation insurance vendors.

Deferred Outflows of Resources

Deferred outflows of resources for fiscal year 2021 totaled \$20.5 million and \$28 million for fiscal year 2020. Deferred outflows consisted of the unamortized loss on debt refunding for housing and dining bond Series M, N, O, P, and Q and the 2007 general receipt bonds Series A and 2009 Series A which were \$1.8 million and \$2.1 million for fiscal years 2021 and 2020, respectively. Deferred outflows also consisted of \$18.7 million for fiscal year 2021 and \$25.9 million for fiscal year 2020, related to reporting requirements specified in GASB Statements No. 68 - *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27* and No. 75 - *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The (\$7.2 million) decrease from the prior year is primarily due to \$4.4 million related to KERS pension/OPEB as a result of current year amortization and decrease in contributions and \$2.9 million related to assumption changes for TRS pension/OPEB.

Liabilities

Total liabilities at the end of the fiscal year 2021 were \$261.2 million, a decrease of (\$28.4 million). This change was due to the following:

- (\$24.4 million) – Decrease in net pension/OPEB liability. This represents the University's proportionate share of the net pension/OPEB liability for the Kentucky state retirement plans to which the University makes contributions. The liability related to pensions decreased (\$21.1 million) and the liability related to OPEB decreased by (\$3.3 million).

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Management's Discussion and Analysis, continued

June 30, 2021

- (\$1.1 million) – Decrease in accounts payable. This decrease is related to housing and dining credits held as payable at the end of the previous fiscal year and applied to student accounts in fiscal year 2021.
- \$1.8 million – Increase in unearned revenue. This increase is primarily due to \$2.1 million received from HEERF funds for institutional expenses in which eligibility requirements will be satisfied in fiscal year 2022 and (\$0.2 million) decrease related to the custodial and grounds services contract.
- (\$4.5 million) – Decrease in long-term debt. This decrease is the result of the 2021 principal payments on bonds and notes payable.

Total liabilities at the end of the fiscal year 2020 were \$289.6 million, a decrease of (\$24 million). This change was due to the following:

- (\$18.9 million) – Decrease in net pension/OPEB liability. This represents the University's proportionate share of the net pension/OPEB liability for the Kentucky state retirement plans to which the University makes contributions. The liability related to pensions decreased (\$13.6 million) and the liability related to OPEB decreased by (\$5.3 million).
- (\$3.4 million) – Decrease in accounts payable. This decrease is due to accounts payables related to the 2019 renovation and construction projects including J. H. Richmond Residence Hall and Chick-fil-A.
- \$3.1 million – Increase in unearned revenue. This increase is primarily due \$1.8 million received from federal stimulus funds under the CARES Act for institutional expenses in which eligibility requirements have not yet been satisfied in addition to \$1 million related to the custodial and grounds services contract.
- (\$4.3 million) – Decrease in long-term debt. This decrease is the result of the 2020 principal payments on bonds and notes payable.

Deferred Inflows of Resources

Total deferred inflows of resources were \$67.6 million and \$87.5 million in fiscal years 2021 and 2020, respectively. Deferred inflows of resources related to pensions/OPEB as specified in GASB Statement Nos. 68 and 75 consisted of \$60.5 million in fiscal year 2021 and \$84 million in fiscal year 2020. This decrease of \$23.5 million was a result of a (\$34 million) decrease in TRS pension/OPEB deferred inflows primarily due to current year amortization offset by a \$10.5 million increase in KERS pension/OPEB deferred inflows related to changes in proportion and differences in employer contributions. Deferred inflows of resources related to the dining service management agreement with Sodexo Operations, LLC were \$7.1 million in fiscal year 2021 and \$3.5 million in fiscal year 2020. The increase of \$3.6 million from the prior fiscal year was a result of capital investments received offset by the amortization of revenue as earned in the current fiscal year.

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2021

Net Position

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

- Invested in capital assets, net of related debt - This category represents the institution's equity in property, buildings, equipment, library holdings and other plant assets owned by the University, less related depreciation 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.
- 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.

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Management's Discussion and Analysis, continued

June 30, 2021

Condensed Statements of Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Assets			
Current assets	\$ 124,739,069	\$ 111,465,152	\$ 108,932,836
Noncurrent assets	91,933,052	87,461,028	91,658,940
Capital assets	<u>233,655,275</u>	<u>236,141,853</u>	<u>239,660,043</u>
Total assets	<u>450,327,396</u>	<u>435,068,033</u>	<u>440,251,819</u>
Deferred Outflows	<u>20,531,106</u>	<u>28,005,023</u>	<u>42,402,028</u>
Liabilities			
Current liabilities	26,989,044	26,231,492	27,086,955
Noncurrent liabilities	<u>234,212,068</u>	<u>263,357,628</u>	<u>286,518,165</u>
Total liabilities	<u>261,201,112</u>	<u>289,589,120</u>	<u>313,605,120</u>
Deferred Inflows	<u>67,572,020</u>	<u>87,520,624</u>	<u>104,772,664</u>
Net Position			
Invested in capital assets, net of related debt	173,275,186	171,536,241	170,681,775
Restricted for			
Nonexpendable	28,464,071	22,741,965	22,517,317
Expendable			
Scholarships, research, instruction and other	4,083,593	5,166,678	7,183,574
Loans	2,438,834	2,959,167	3,646,465
Capital	13,035,626	15,424,874	14,567,160
Debt service	429,256	526,963	365,424
Unrestricted	<u>(79,641,196)</u>	<u>(132,392,576)</u>	<u>(154,685,652)</u>
Total net position	<u><u>\$ 142,085,370</u></u>	<u><u>\$ 85,963,312</u></u>	<u><u>\$ 64,276,063</u></u>

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2021

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.

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 non-operating 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

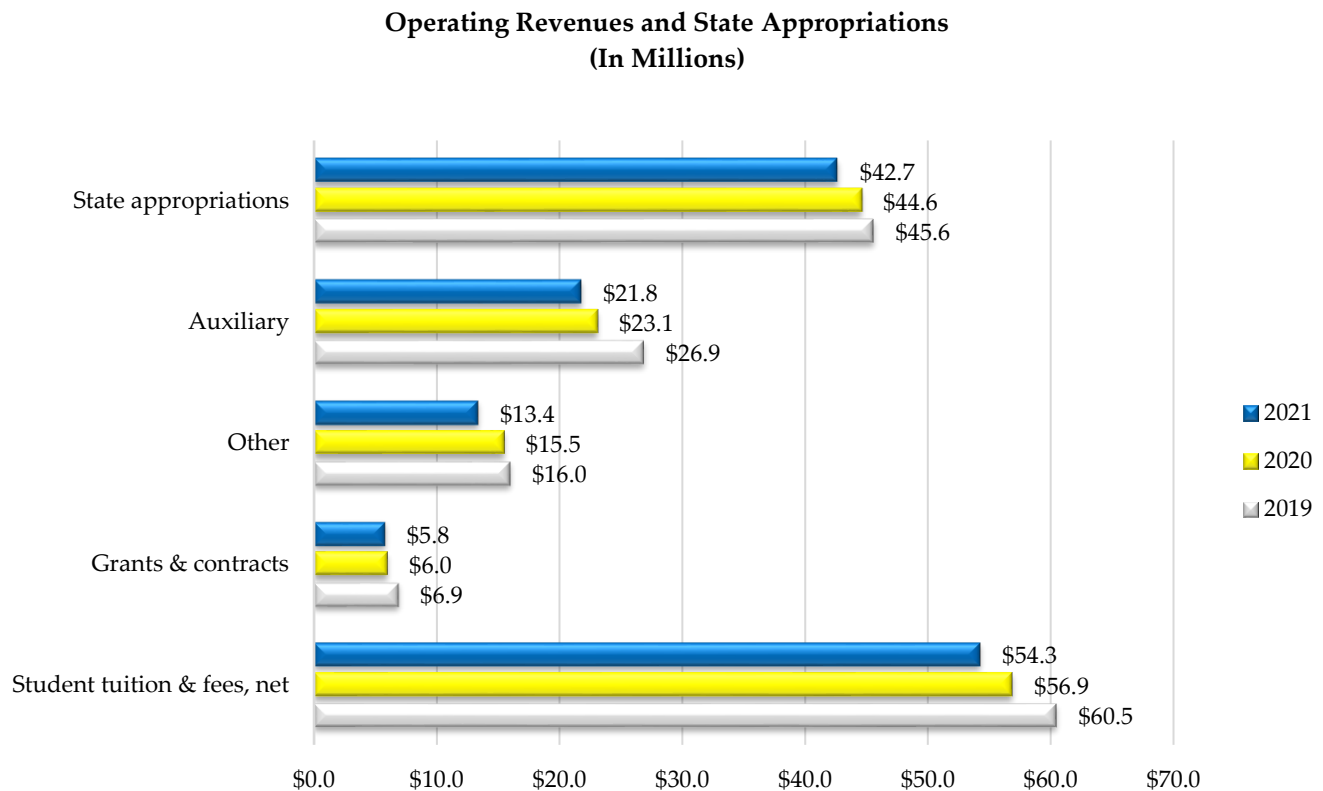
- Total operating revenues, which exclude state appropriations, for fiscal year 2021 were \$95.3 million, including student tuition and fees, net of related discounts and allowances, of \$54.3 million, operating restricted grants and contracts revenues of \$5.8 million, sales, services and other revenues of \$13.4 million, and auxiliary services net revenues of \$21.8 million.
- During fiscal year 2021, operating revenues decreased by (\$6.2 million). This decrease from the prior year is comprised of (\$2.6 million) in net tuition and fees, in addition to decreases of (\$0.2 million) in grants and contracts revenue, (\$2.1 million) in sales, services, and other operating revenues, and (\$1.3 million) in auxiliary services due to the effects of the COVID-19 pandemic.
- The University received \$42.7 million in state appropriations for operations for fiscal year 2021, and \$44.6 million for fiscal year 2020.

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2021

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



Expenses

Total operating expenses for fiscal year 2021 were \$134.6 million. Academic Affairs, which include instruction, research, libraries and academic support, represent the largest portion of the operating expenses totaling \$70.6 million or 52 percent. Student Support, which include student services, financial aid, athletics, and auxiliary enterprises, was \$50.3 million or 37 percent and other expenses which include public service, institutional support, depreciation, operation and maintenance and state pension/OPEB expenses amounted to \$13.7 million or 11 percent. Depreciation and pension/OPEB expense for all areas of the University, are reported as an operating expense and not allocated to each program group, except for auxiliary enterprises.

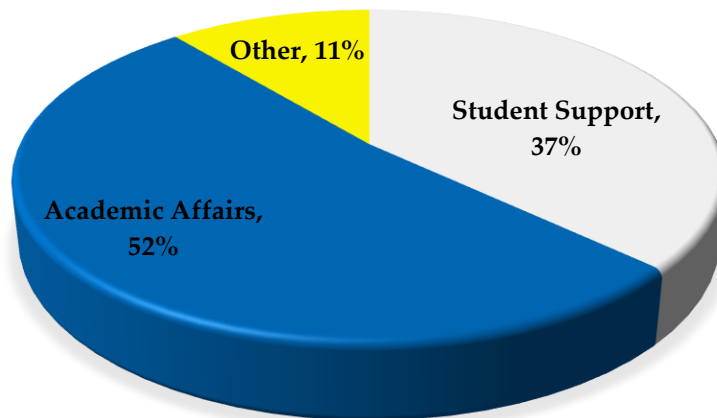
MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2021

Operating expenses by type are reflected in the following chart:

**University Operating Expenses
Year Ended June 30, 2021**



Operating expenses decreased for the year ended June 30, 2021, by (\$22.9 million). The primary reasons for the decrease in operating expenses are as follows:

- (\$17.5 million) - Decrease in overall operating expenses as the result of the University's proportionate share of expenses related to Kentucky state pension plans. The University's proportionate expenses related to pension for 2021 were (\$33.2 million) and (\$15.7 million) for 2020 resulting in a change of (\$17 million) for KERS and (\$0.5 million) for TRS.
- (\$1.5 million) - Decrease in overall operating expenses as the result of the University's proportionate share of expenses related to Kentucky state OPEB plans. The University's proportionate expenses related to OPEB were (\$1.4 million) in 2021 and \$0.1 million in 2020 resulting in a change of (\$0.8 million) for KERS and (\$0.7 million) for TRS.
- (\$2.4 million) - Decrease in student services related to travel restrictions and interruptions in Athletic operations as a result of the COVID-19 pandemic.

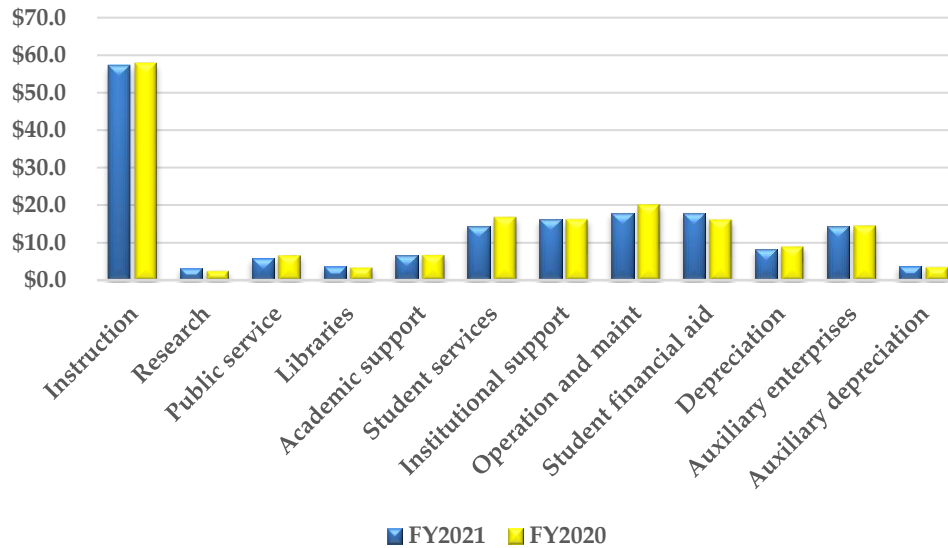
MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2021

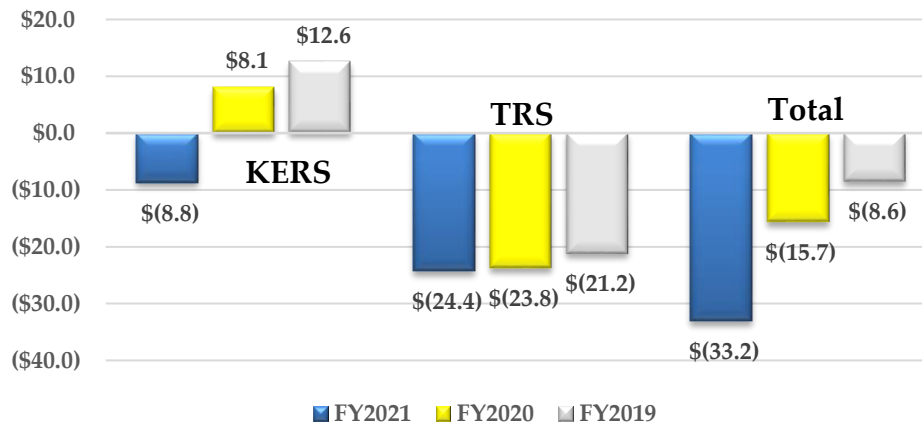
Operating expenses by program, excluding pension/OPEB, are reflected in the following chart:

University Operating Expenses
Excluding Pension/OPEB
(In Millions)



University's proportionate share of expenses related to Kentucky state pension plans:

University's Proportionate Share
(In Millions)



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The net loss from operations for the year ended June 30, 2021, was (\$39.3 million) including pension/OPEB adjustments. Nonoperating revenues, net of expenses, of \$94.6 million, in addition to state capital appropriations, other insurance proceeds, capital gifts, and additions to permanent endowments, resulted in an increase in net position of \$56.1 million for the year ended June 30, 2021. This increase in net position is primarily the result of \$40.7 million related to pension/OPEB adjustments. Additional contributing factors were an (\$6.2 million) decrease in overall operating revenue, offset by a (\$3.8 million) decrease in operational spending, \$15.6 million increase in nonoperating federal grants and contracts revenue mostly from pandemic related funds, and \$2.2 million increase in investment income.

The net loss from operations for the year ended June 30, 2020, was (\$55.9 million) including pension/OPEB adjustments. Nonoperating revenues, net of expenses, of \$77.6 million, state capital appropriations of \$1 million, and other insurance proceeds of \$0.6 million resulted in an increase in net position of \$23.5 million for the year ended June 30, 2020. This increase in net position is primarily the result of \$21 million related to pension/OPEB adjustments. Additional contributing factors were an (\$8.7 million) decrease in overall operating revenue, offset by a (\$3.2 million) decrease in operation spending, \$4.2 million increase in nonoperating federal grants and contracts revenue, and \$1 million increase in restricted student fee income.

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June 30, 2021

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues			
Student tuition and fees, net	\$ 54,314,322	\$ 56,894,223	\$ 60,456,045
Grants and contracts	5,776,539	5,979,202	6,886,581
Other	13,387,330	15,533,405	16,015,020
Auxiliary, net	21,848,614	23,148,502	26,928,253
Total operating revenues	<u>95,326,805</u>	<u>101,555,332</u>	<u>110,285,899</u>
Operating Expenses			
Instruction	57,210,365	57,728,949	61,064,980
Other educational and general	51,077,841	72,887,245	77,435,333
Depreciation	8,226,458	8,858,236	9,154,634
Auxiliary enterprises	14,284,085	14,521,531	18,599,020
Auxiliary depreciation	3,836,267	3,501,019	2,693,821
Total operating expenses	<u>134,635,016</u>	<u>157,496,980</u>	<u>168,947,788</u>
Operating loss	<u>(39,308,211)</u>	<u>(55,941,648)</u>	<u>(58,661,889)</u>
Nonoperating Revenues			
State appropriations	42,742,600	44,581,400	45,572,300
Other nonoperating revenues	51,852,971	31,127,146	27,485,929
Total nonoperating revenues	<u>94,595,571</u>	<u>75,708,546</u>	<u>73,058,229</u>
Other Revenues			
State capital appropriations and other	<u>834,698</u>	<u>1,920,351</u>	<u>3,683,282</u>
Increase in net assets	56,122,058	21,687,249	18,079,622
Net Position - Beginning of Year	<u>85,963,312</u>	<u>64,276,063</u>	<u>46,196,441</u>
Net Position - End of Year	<u>\$ 142,085,370</u>	<u>\$ 85,963,312</u>	<u>\$ 64,276,063</u>

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2021

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.

For the year ended June 30, 2021:

The net cash used in operating activities reflects the net cash used for general operations of the University, which increased by \$12.2 million during fiscal year 2021. This increase in cash used was largely due to decreases in cash provided by other operating activities of \$4 million, tuition and fees \$2.9 million, and grants and contracts of \$4.7 million.

The cash flows from noncapital financing activities increased by \$17.8 million during fiscal year 2021. This change was due to an increase of \$16.3 million in grants and contracts primarily due to pandemic related funds. Additional changes include a \$2.7 million increase in deferred revenues related to capital projects funded by the third party contractor for dining services, and offset by a (\$1.8 million) decrease in state appropriations.

The net cash used in capital and related financing activities which represents cash used for the acquisition, construction and renovation of capital assets, changed by \$4.7 million. The primary change in net cash used was a (\$4.6 million) decrease in cash used for purchases of capital assets.

The cash flows provided by investing activities represent the cash activities of investments, which decreased by (\$3.7 million) for fiscal year 2021. This decrease was primarily the result of a (\$3.8 million) decrease in investment earnings on cash accounts held by the Treasurer of the Commonwealth due to the impacts on the economic market related to the pandemic.

For the year ended June 30, 2020:

The net cash used in operating activities reflects the net cash used for general operations of the University, which increased by \$10.1 million during fiscal year 2020. This increase in cash used was largely due to a decrease in cash provided by sales and services of education activities of \$11.3 million. Decreases in cash used for payments for salaries, wages and fringes of (\$4.6 million) in addition to an increase in payments for student financial aid of \$3.5 million also contributed to this change.

The cash flows from noncapital financing activities increased by \$0.4 million during fiscal year 2020. This change was due to an increase of \$4.6 million in grants and contracts, a (\$3 million) decrease in deferred revenues related to capital projects funded by third party contractor for dining services, a (\$1 million) decrease in state appropriations, and (\$0.2 million) decrease in gifts and endowment income.

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June 30, 2021

The net cash flows used in capital and related financing activities represent cash used for the acquisition, construction and renovation of capital assets, changed by \$3 million. The primary change in net cash used was a (\$3.1 million) decrease in insurance proceeds for J.H. Richmond Residence Hall, as the final payment was received in fiscal year 2019.

The cash flows provided by investing activities represent the cash activities of investments, which decreased by (\$0.3 million) for fiscal year 2020. This decrease was primarily the result of a (\$0.3 million) decrease in investment earnings on cash accounts held by the Treasurer of the Commonwealth.

Condensed Statements of Cash Flows

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash Provided/(Used) By:			
Operating activities	\$ (72,549,856)	\$ (60,340,383)	\$ (50,285,029)
Noncapital financing activities	92,343,233	74,511,545	74,117,599
Capital and related financing activities	(13,912,746)	(18,587,314)	(15,574,361)
Investing activities	925,316	4,608,660	4,961,649
Net increase/(decrease) in cash	<u>6,805,947</u>	<u>192,508</u>	<u>13,219,858</u>
Cash and Cash Equivalents - Beginning of Year	<u>156,604,891</u>	<u>156,412,383</u>	<u>143,192,525</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 163,410,838</u></u>	<u><u>\$ 156,604,891</u></u>	<u><u>\$ 156,412,383</u></u>

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2021

Capital Assets and Debt Administration

The University had a \$9.1 million increase in capital assets, before accumulated depreciation, during the fiscal year ended June 30, 2021. This change is primarily due to the capitalization of several building repair and improvement projects completed during the fiscal year.

Capital assets as of June 30, 2021, and changes during the year are as follows:

	Balance June 30, 2021	Balance June 30, 2020	Net Change 2020-21
Land	\$ 10,886,463	\$ 10,886,463	\$ —
Construction in progress	1,934,088	2,361,005	(426,917)
Museum and collectibles	699,737	699,737	—
Buildings	403,231,303	394,753,349	8,477,954
Non-building improvements	18,507,858	18,507,858	—
Equipment	38,065,345	36,864,981	1,200,364
Software	1,932,019	1,932,019	—
Library holdings	10,265,620	10,462,789	(197,169)
Livestock	137,749	137,749	—
Accumulated depreciation	(252,004,907)	(240,464,097)	(11,540,810)
Total	<u>\$ 233,655,275</u>	<u>\$ 236,141,853</u>	<u>\$ (2,486,578)</u>

Debt as of June 30, 2021, and changes during the year are as follows:

	Balance June 30, 2021	Balance June 30, 2020	Net Change 2020-21
General receipts bonds	\$ 56,190,000	\$ 60,065,000	\$ (3,875,000)
Bond premium	1,860,858	2,016,102	(155,244)
City of Murray	6,145,000	6,580,000	(435,000)
Total	<u>\$ 64,195,858</u>	<u>\$ 68,661,102</u>	<u>\$ (4,465,244)</u>

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Management's Discussion and Analysis, continued

June 30, 2021

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 fiscal year 2021, Kentucky's General Fund receipts grew by 10.9 percent, the highest annual growth rate in 26 years. For the year, actual revenues exceeded the official estimate by \$1.1 billion with all eight major accounts exceeding the estimate. Vaccination progress, federal government aid to individuals and businesses, and the increasing consumer confidence have all contributed to an improved Kentucky economy which resulted in higher tax receipts.

The fiscal year end 2021 General Fund surplus was \$1.1 billion, the highest ever by a multiple of three. The revenue surplus will be deposited into Kentucky's Rainy-Day Fund, the Budget Reserve Trust Fund, bringing it up to nearly \$1.9 billion, or over 16 percent of General Fund spending. The \$1.9 billion balance is up from just \$303 million at the end of last year.

The National outlook incorporates all pandemic relief measures of 2020 and the \$1.9 trillion American Recovery Plan enacted in March 2021. Economic growth figures will continue to reflect positive momentum, as the US economy is poised for strong growth in fiscal year 2022. The overall unemployment rate is expected to continue to fall. If the economy continues to expand at this pace into the final quarter of the fiscal year, it could likely result in the most robust calendar-year growth since 1984 when the economy grew by 7.2 percent during the expansion period immediately following the 1981 recession.

Domestic business has been struggling to accommodate the surge in recent consumer demand, due in large part to supply-chain disruptions. The ongoing impact of supply chain disruptions are expected to resolve slowly over the forecast horizon. However, strong demand and constraints on supply have led to the anticipation of higher inflation across a number of metrics in the outlook periods.

The current official estimate, which is the enacted projections, for Kentucky's General Fund receipts for fiscal year 2022 is 7.6 percent less than actual fiscal year 2021 General Fund collections. During the forecast horizon, over 76 percent of general fund revenues are attributable to two tax accounts – individual income

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June 30, 2021

tax and the sales tax. In fiscal year 2021, both taxes grew robustly on an annual basis. Growth is expected to continue into fiscal year 2022 even though the fiscal year 2021 level of receipts established a high bar of comparison.

The above was reported in the 2021 (fourth quarter) annual edition of Commonwealth of Kentucky Quarterly Economic & Review Report.

- The University continues to prioritize asset preservation needs. These are being addressed through a combination of an annual budget allocation of university funds designated for deferred maintenance projects and one-time funding. With aging buildings and infrastructure, asset preservation will continue to be a funding priority for the University.
- The 2021-22 Budget of the Commonwealth authorized the University to issue \$12,200,000 of general receipts bonds to be used for a Historic Building Preservation Pool. A bond resolution for this issuance was approved by the Board of Regents on June 4, 2021, with expected issuance in January 2022. These bonds will be focused on preservation projects for Lovett Auditorium, Curris Center, Wrather Hall, Racer Arena, John W. Carr Hall, Waterfield Library, building automations systems and other asset preservation needs with any remaining bond proceeds.
- The University continues to provide 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. For plan year 2022, the second year in a row, the University will not increase the employee's share of premium. Details of funding amounts for the plan can be found in Note 9. Due to the self-funded nature of the program, excess claims risks are born by the University. The Segal Company (Sibson Consulting) provides guidance for all health and wellness programs.
- Early headcount enrollments for Fall 2021 indicates total headcount will be flat when compared to Fall 2020. The undergraduate enrollment is down cumulatively by 2.4 percent. Although the University has a slight dip in undergraduate enrollment, the graduate enrollment increased by 12 percent. The first-to-second year retention rate for all degree seeking students was approximately 79 percent for Fall 2020. Fall 2021 retention is expected to follow the decline in the national retention of five percentage points, due to the impact of the pandemic.
- The sizable state pension liability continues to be a primary risk element for the University. Due to the COVID-19 pandemic the employer contribution rate for the Kentucky Employee Retirement System Non-Hazardous plan (KERS-nh) continued at 49.47 percent through June 30, 2021. State legislation, through House Bill 8 (HB 8), provided multiple options for universities to continue participation at some level in the KERS-nh plan or exit participation. The Board of Regents voted on December 4, 2020 to remain a participant in KERS-nh for all current and future eligible employees. Under HB 8, KERS-nh employees will continue to be responsible for the normal cost that is based on a percentage of payroll. This employee contribution is 10.10 percent, effective July 1, 2021. Additionally, the University is responsible for a flat

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June 30, 2021

annual dollar amount that represents their amortized contribution toward the KERS-nh unfunded liability. For fiscal year 2022 this flat contribution towards the University's unfunded KERS-nh liability is approximately \$7.2 million.

- The Universities state performance funding model caps the maximum exposure of loss at 1 percent of appropriations for fiscal year 2020. This cap is a maximum of 2 percent for fiscal year 2021. However, through Senate Bill 135, legislation was approved during the 2021 Special Session that eliminated the annual performance funding pool contribution from each public university. This legislation also requires any future performance fund pool amounts be funded by the General Assembly and not through permanent appropriation reductions from each university. Therefore, Murray State University did not experience an appropriation reduction for the performance funding pool for fiscal year 2022.

Due to the hold-harmless provision of the original performance funding legislation, the University was not able to receive any funds from the 2022 performance funding pool. It is uncertain if the University will receive funds in future periods after 2022 due to the current metrics used to measure the allocation of funding.

- The University continued with the implementation of the previously developed Racer Restart for Spring and Fall 2021. As the COVID-19 situation continues to evolve with new information and data, Murray State's Racer Restart initiative is an evolving plan that can be altered at any time with updated information from state, local, and federal authorities. The University has continued to develop contingency plans for potential COVID-19 scenarios as new data and information becomes available. A Racer Restart website has also continued to be utilized and updated as a campus resource for the University's COVID-19 mitigation efforts, as well as providing updated information regularly: <https://www.murraystate.edu/racerrestart>.
- Over the last three years, the University has been studying student on-campus housing facilities and reviewing the best options to renovate or rebuild some of these facilities. Prior to the pandemic, the University was poised to begin an aggressive project to replace much of their traditional housing inventory. A Request for Qualification (RFQ) was issued to possible developers and responses narrowed down to three that would eventually be invited to participate in a Request for Proposal (RFP) to begin the project. Once the pandemic began to impact campus operations in March 2020, this project was placed on hold before the RFP was issued.

The University has restarted this project and engaged a third-party housing advisory firm to assist with determining current student housing demands and financial feasibility of an aggressive 3-5-year plan to replace approximately half of the on-campus housing inventory through a possible public/private partnership (P3) arrangement. At this time, the University is on the cusp of issuing an RFP to preselected developers to partner with the University through this plan. The University plans to have a developer under contract during Spring 2022 and construction beginning soon thereafter, with some early facility completion for occupancy for Fall 2023.

MURRAY STATE UNIVERSITY
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Statements of Net Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 106,219,970	\$ 97,925,392
Accounts receivable, net	13,642,110	8,844,982
Inventories	2,684,473	2,662,989
Loans to students, net	346,429	425,287
Prepaid expenses	1,846,087	1,606,502
Total Current Assets	124,739,069	111,465,152
Noncurrent Assets		
Restricted cash and cash equivalents	57,190,868	58,679,499
Restricted investments	33,202,415	26,882,734
Loans to students, net	1,539,769	1,898,795
Capital assets	485,660,182	476,605,950
Accumulated depreciation	(252,004,907)	(240,464,097)
Total Noncurrent Assets	325,588,327	323,602,881
Total Assets	450,327,396	435,068,033
Deferred Outflows of Resources		
Bond refunding loss	1,822,144	2,062,307
Deferred outflows related to pension/OPEB contributions	18,708,962	25,942,716
Total Deferred Outflows of Resources	\$ 20,531,106	\$ 28,005,023

See accompanying notes.

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Statements of Net Position, continued

June 30, 2021 and 2020

	2021	2020
Liabilities		
Current Liabilities		
Accounts payable	\$ 6,932,360	\$ 8,077,055
Accrued payroll	5,923,967	6,007,415
Self-insured health liability	628,117	615,499
Interest payable	695,640	735,987
Unearned revenue	7,851,312	6,011,887
Deposits - current portion	289,470	318,405
Long-term debt - current portion	4,668,178	4,465,244
Total Current Liabilities	26,989,044	26,231,492
Noncurrent Liabilities		
Deposits	301,478	361,953
Long-term debt	59,527,680	64,195,858
Net pension/OPEB liability, state pension plans	174,382,910	198,799,817
Total Noncurrent Liabilities	234,212,068	263,357,628
Total Liabilities	261,201,112	289,589,120
Deferred Inflows of Resources		
Deferred inflows related to dining contract	7,101,640	3,489,344
Deferred inflows related to net pension/OPEB liability	60,470,380	84,031,280
Total Deferred Inflows of Resources	67,572,020	87,520,624
Net Position		
Net investment in capital assets	173,275,186	171,536,241
Restricted for:		
Nonexpendable:		
Endowment	28,464,071	22,741,965
Expendable:		
Scholarships, research, instruction and other	4,083,593	5,166,678
Loans	2,438,834	2,959,167
Capital projects	13,035,626	15,424,874
Debt service	429,256	526,963
Unrestricted	(79,641,196)	(132,392,576)
Total Net Position	\$ 142,085,370	\$ 85,963,312

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

June 30, 2021 and 2020

Assets

	2021	2020
Assets		
Cash and cash equivalents	\$ 3,162,496	\$ 3,307,625
Accounts receivable	42,682	61,699
Investments	166,220,655	128,308,162
Real estate held for investment	2,552,957	2,552,957
Prepaid and other assets	48,138	39,093
Contributions receivable, net	853,640	979,628
Property and equipment, net	6,208,897	6,328,593
Total Assets	\$ 179,089,465	\$ 141,577,757

Liabilities And Net Assets

	2021	2020
Liabilities		
Accounts payable	\$ 415,672	\$ 107,820
Due to Murray State University (MSU)	114,788	257,746
Accrued expenses	64,664	56,743
Deferred revenue	66,522	54,008
Assets held for others	34,405,803	27,822,164
Capital lease obligation	24,698	50,202
Annuities and trusts payable	5,441,341	5,466,737
Other liabilities	320,726	323,819
Total Liabilities	40,854,214	34,139,239
Net Assets		
Without donor restrictions	28,872,854	22,207,010
With donor restrictions	109,362,397	85,231,508
Total Net Assets	138,235,251	107,438,518
Total Liabilities and Net Assets	\$ 179,089,465	\$ 141,577,757

See accompanying notes.

MURRAY STATE UNIVERSITY
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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

	For The Years Ended June 30,	
	2021	2020
Operating Revenues		
Tuition and fees	\$ 100,360,660	\$ 101,798,652
Less: Discounts and allowances	(46,046,338)	(44,904,429)
Net tuition and fees	54,314,322	56,894,223
Federal grants and contracts	5,146,941	4,815,317
State grants and contracts	486,725	820,584
Private grants and contracts	142,873	343,301
Total grants and contracts	5,776,539	5,979,202
Sales and services of educational activities	7,066,502	6,954,451
Other operating revenues	6,320,828	8,578,954
Total sales, services, and other revenues	13,387,330	15,533,405
Auxiliary enterprises	22,237,904	23,573,778
Less: Discounts and allowances	(389,290)	(425,276)
Net auxiliary revenue	21,848,614	23,148,502
Total Operating Revenues	95,326,805	101,555,332
Operating Expenses		
Instruction	57,210,365	57,728,949
Research	3,183,494	2,481,833
Public service	5,895,504	6,601,952
Libraries	3,581,551	3,439,148
Academic support	6,629,530	6,699,227
Student services	14,379,229	16,779,482
Institutional support	16,239,011	16,224,880
Operation and maintenance of plant	17,891,464	20,088,608
Student financial aid	17,867,499	16,119,747
Depreciation	8,226,458	8,858,236
State pension expense (benefit) GASB 68	(33,217,956)	(15,698,615)
State OPEB expense (benefit) GASB 75	(1,371,485)	150,983
Auxiliary enterprises	14,284,085	14,521,531
Auxiliary depreciation	3,836,267	3,501,019
Total Operating Expenses	134,635,016	157,496,980
Operating Loss	\$ (39,308,211)	\$ (55,941,648)

See accompanying notes.

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

Years ended June 30, 2020 and 2019

	Ended June 30,	
	2021	2020
Nonoperating Revenues (Expenses)		
State appropriations	\$ 42,742,600	\$ 44,581,400
Restricted student fees	2,147,840	1,600,701
Federal grants and contracts	31,617,048	16,053,394
State grants and contracts	9,849,199	9,441,939
Local and private grants and contracts	671,860	569,002
Gifts	2,786,994	1,336,768
Investment income	7,219,180	5,045,773
Interest on capital asset-related debt	(2,290,282)	(2,432,380)
Loss on deletion and disposal of capital assets	(63,948)	(309,552)
Bond amortization	(84,920)	(178,499)
Nonoperating Revenues (Expenses), Net	94,595,571	75,708,546
Income Before Other Revenues, Expenses		
Gains and Losses	55,287,360	19,766,898
State Capital Appropriations	1,549	1,020,213
Other Insurance Proceeds	136,872	561,909
Capital Gifts	555,470	259,005
Additions to Permanent Endowments	140,807	79,224
Change in Net Position	56,122,058	21,687,249
Net Position - Beginning of Year	85,963,312	64,276,063
Net Position - End of Year	\$ 142,085,370	\$ 85,963,312

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues, Gains/(Losses) And Other Support			
Contributions	\$ 200	\$ 4,702,523	\$ 4,702,723
Revenues from operations of the Frances E. Miller Memorial Golf Course	474,614	—	474,614
Fees and rental income	38,913	37,075	75,988
Investment return, net	8,043,063	22,961,851	31,004,914
Other	—	26,632	26,632
Change in value of annuities payable	—	(142,627)	(142,627)
Net assets released from restrictions	3,660,549	(3,660,549)	—
Total Revenues, Gains/(Losses) And Other Support	12,217,339	23,924,905	36,142,244
Expenses:			
Program services expenses:			
Support provided to MSU, including scholarships	4,347,259	—	4,347,259
Frances E. Miller Memorial Golf Course	581,397	—	581,397
Total Program Services Expense	4,928,656	—	4,928,656
Supporting services expenses:			
Management and general	416,855	—	416,855
Total Expenses	5,345,511	—	5,345,511
Transfers between Foundation fund groups	(205,984)	205,984	—
Change in Net Assets	6,665,844	24,130,889	30,796,733
Net Assets - Beginning of Year	22,207,010	85,231,508	107,438,518
Net Assets - End of Year	\$ 28,872,854	\$ 109,362,397	\$ 138,235,251

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues, Gains/(Losses) And Other Support			
Contributions	\$ 25	\$ 2,964,849	\$ 2,964,874
Revenues from operations of the Frances E. Miller Memorial Golf Course	405,901	—	405,901
Fees and rental income	45,601	31,330	76,931
Investment return, net	1,711,419	2,951,548	4,662,967
Other	—	20,325	20,325
Change in value of annuities payable	—	(338,263)	(338,263)
Net assets released from restrictions	3,431,851	(3,431,851)	—
Total Revenues, Gains/(Losses) And Other Support	5,594,797	2,197,938	7,792,735
Expenses:			
Program services expenses:			
Support provided to MSU, including scholarships	3,601,553	—	3,601,553
Frances E. Miller Memorial Golf Course	550,531	—	550,531
Total Program Services Expense	4,152,084	—	4,152,084
Supporting services expenses:			
Management and general	409,228	—	409,228
Fundraising	42,720	—	42,720
Total Supporting Services Expense	451,948	—	451,948
Total Expenses	4,604,032	—	4,604,032
Transfers between Foundation fund groups	(184,126)	184,126	—
Change in Net Assets	806,639	2,382,064	3,188,703
Net Assets - Beginning of Year	21,400,371	82,849,444	104,249,815
Net Assets - End of Year	\$ 22,207,010	\$ 85,231,508	\$ 107,438,518

See accompanying notes.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Tuition and fees	\$ 53,854,952	\$ 56,753,608
Grants and contracts	2,195,396	6,931,830
Payments for salaries, wages and fringes	(92,113,276)	(97,740,351)
Payments to suppliers	(31,925,432)	(30,631,012)
Payments for student financial aid	(17,867,499)	(16,119,747)
Loans issued to employees	—	(238)
Collections of loans to employees	4,943	—
Loans issued to students	(56,665)	(105,838)
Collections of loans to students	494,549	516,611
Sales and services of educational activities	7,074,134	6,972,250
Other operating revenues	32,556	4,059,648
Auxiliary revenues:		
Dining services	40	(256)
Housing	13,842,050	14,271,959
Bookstore	3,764,463	4,544,049
Contracted dining services	3,103,156	4,459,794
Other	144,439	206,429
Auxiliary payments:		
Payments for salaries, wages and fringes	(3,515,405)	(3,123,267)
Payments to suppliers	(11,582,257)	(11,335,852)
Net Cash Used in Operating Activities	(72,549,856)	(60,340,383)
Cash Flows From Noncapital Financing Activities		
State appropriations	42,742,600	44,581,400
Endowment proceeds forwarded to MSU Foundation for investment	(614,503)	(33,530)
Grants and contracts	44,207,499	27,916,938
Endowment income	729,493	390,175
Gifts for other than capital purposes	1,662,022	777,596
Agency transactions	3,826	(8,739)
Deferred inflows contracted dining services	3,612,296	887,705
Net Cash Provided by Noncapital Financing Activities	92,343,233	74,511,545
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt, net of discount	—	3,858,762
Restricted student fees	2,147,840	1,600,701
Insurance proceeds - other	136,872	561,909
State capital appropriations	7,476	1,021,421
Purchases of capital assets	(9,837,043)	(14,528,954)
Capital gifts	272,738	233,100
Principal paid on capital debt	(4,310,000)	(8,860,000)
Interest paid on capital debt	(2,330,629)	(2,474,253)
Net Cash Used in Capital and Related Financing Activities	\$ (13,912,746)	\$ (18,587,314)

See accompanying notes.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Statements of Cash Flows, continued

Years ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	\$ 513	\$ 30,264
Purchases of investments	(25)	(11,779)
Investment receipts	924,828	4,590,175
Net Cash Provided by Investing Activities	925,316	4,608,660
Net Increase in Cash and Cash Equivalents	6,805,947	192,508
Cash and Cash Equivalents - Beginning of Year	156,604,891	156,412,383
Cash and Cash Equivalents - End of Year	163,410,838	156,604,891
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents	106,219,970	97,925,392
Restricted cash and cash equivalents	57,190,868	58,679,499
Total Cash and Cash Equivalents	163,410,838	156,604,891
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (39,308,211)	\$ (55,941,648)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	12,062,725	12,359,255
Bad debt (recovery) expense	1,533,007	(109,817)
Net pension gain, proportionate share	(40,744,052)	(21,035,752)
Net in-kind expenses	467,929	130,742
Changes in assets and liabilities:		
Accounts and loans receivable, net	(4,359,244)	1,341,498
Inventories	(21,484)	79,532
Prepaid expenses	(239,585)	596,766
Accounts payable	(1,540,981)	1,314,863
Self-insured health liability	12,618	(100,663)
Accrued payroll	(83,448)	(269,682)
Deposits	(93,236)	56,610
Unearned revenue	(235,894)	1,237,913
Net Cash Used in Operating Activities	\$ (72,549,856)	\$ (60,340,383)
Supplemental Disclosure of Cash Flow Information		
Gifts of capital assets	\$ 282,732	\$ 25,905
Accounts payable incurred for capital asset purchases	396,287	4,669,554
Changes in fair value of investments	5,564,859	65,424

See accompanying notes.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

The University is a state-supported institution of higher education located in Murray, Kentucky, and is accredited by the Southern Association of Colleges and Schools. The University awards graduate and undergraduate degrees from four colleges and three schools and serves a student population of approximately 9,400. 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 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.

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.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

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

Inventory values are determined by an average cost method except in the case of Art supplies which are stated at the lower of cost (first-in, first-out method) or market value.

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* and are recognized when all applicable eligibility requirements are met.

Capital Assets

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

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

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

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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. There was not any interest capitalized for the years ended June 30, 2021 and 2020, 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

Vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are included 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 for Tier 1 employees hired prior to 9/1/2008 and Tier 2 employees hired after 9/1/2008 and before 12/31/2013 in the Kentucky Employee Retirement System (KERS). These are recognized as an expense when the time off occurs or when service credit payments are incurred. No liability is accrued for such benefits for Tier 3 employees hired after 12/31/2013 in KERS, employees participating in the Teachers' Retirement System (TRS), and employees with optional retirement plans (ORP).

Unearned Revenue

Unearned revenue includes amounts for tuition and fees, certain auxiliary activities, and contracted custodial and grounds services, received prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors and HEERF grants provided by the CARES and ARP Acts 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 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/OPEB 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 deferred outflow for pension/OPEB contributions represent contributions made to the plan between the measurement dates, which was the end of fiscal year 2020 and the end of fiscal year 2021.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

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 certain changes in pension/OPEB obligations that are amortized over future periods as well as amounts related to outsourcing campus dining operations.

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 and accumulated depreciation 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 consists 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 includes resources in which the University is legally or contractually obligated to spend in accordance with time or purpose restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents 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:

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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.

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 and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense, information about the fiduciary net position of the Kentucky Employees' Retirement System (KERS) and Teachers' Retirement System (TRS) 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 TRS. 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.

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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.

Subsequent Events

Subsequent events have been evaluated through October 1, 2021, the date the financial statements were available to be issued.

2. Accounts Receivable

Accounts receivable as of June 30 consisted of:

	<u>2021</u>	<u>2020</u>
Current accounts receivable:		
Student tuition and fees	\$ 8,753,900	\$ 8,297,652
Grants and contracts	4,998,767	1,306,533
Auxiliary fees	3,379,399	2,887,009
Auxiliary-contracted dining services	445,724	116,029
MSU Foundation	114,788	257,746
Outside sales	566,540	414,454
Other	250,000	—
Allowance for doubtful accounts	(4,867,008)	(4,434,441)
	<u>\$ 13,642,110</u>	<u>\$ 8,844,982</u>

3. Inventories

Inventories as of June 30 consisted of:

	<u>2021</u>	<u>2020</u>
University bookstore - resale	\$ 1,385,290	\$ 1,333,811
Physical plant - supplies	1,250,693	1,278,191
Art supplies	48,490	50,987
	<u>\$ 2,684,473</u>	<u>\$ 2,662,989</u>

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

4. Loans Receivable

Student loans made through the Federal Perkins Loan Program (Program) comprise substantially all of the loans receivable at June 30, 2021 and 2020. The Program provides for service cancellation of a loan at rates of 12.5 percent to 30 percent per year up to a maximum of 100 percent if the participant complies with certain provisions. Effective September 30, 2017, universities were no longer permitted to issue new loans under the Perkins program and the balances noted below are loans issued prior to this date.

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, 2021 and 2020 was \$219,027 and \$234,899, respectively.

Loans receivable as of June 30 consisted of:

	2021	2020
Current loans receivable:		
University loan programs	\$ 12,597	\$ 25,863
Federal nursing program	80,182	86,058
Federal Perkins program	253,650	313,366
Total current loans receivable, net	<u>346,429</u>	<u>425,287</u>
Noncurrent loans receivable:		
University loan programs	6,413	11,858
Federal nursing program	348,905	376,904
Federal Perkins program	1,184,451	1,510,033
Total noncurrent loans receivable, net	<u>1,539,769</u>	<u>1,898,795</u>
Total loans receivable, net	<u>\$ 1,886,198</u>	<u>\$ 2,324,082</u>

5. Deposits, Investments and Investment Income

Deposits

At June 30, 2021 and 2020, the carrying amounts of the University's bank balances and deposits were \$163,410,838 and \$156,604,891, respectively.

Currently the University maintains its deposits, outside of those held by the Commonwealth of Kentucky, in interest-bearing accounts at FDIC-insured institutions. All accounts are insured up to \$250,000. The deposits in these interest-bearing accounts are covered by an irrevocable, unconditional, and nontransferable letter of credit issued by Federal Home Loan Bank of Cincinnati.

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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. The Intermediate-Term Pool and the Limited Term Pool represent 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. The pools have not been approved by the Securities and Exchange Commission. The University's shares within the pools may indirectly expose it to risks associated with fixed income investments; however, specific information about any such transactions is not available to the University.

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

Current and non-current cash and cash equivalents as of June 30 consisted of:

	<u>2021</u>	<u>2020</u>
Depository accounts:		
Local bank deposits, letter of credit in the University's name	\$ 17,840,171	\$ 18,901,207
Cash on hand	24,496	15,168
State Investment Pool - collateral required by KRS 41.240	<u>145,546,171</u>	<u>137,688,516</u>
Total deposits	<u>\$ 163,410,838</u>	<u>\$ 156,604,891</u>

Current and non-current cash and cash equivalents as presented in the statements of net position captions as of June 30 include:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents, current	\$ 106,219,970	\$ 97,925,392
Restricted cash and cash equivalents	<u>57,190,868</u>	<u>58,679,499</u>
Total deposits	<u>\$ 163,410,838</u>	<u>\$ 156,604,891</u>

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

Investments

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

	<u>2021</u>	<u>2020</u>
Money market funds restricted for debt service purposes	\$ 300,344	\$ 300,830
Restricted assets held by the Foundation	<u>32,902,071</u>	<u>26,581,904</u>
Total investments	<u>\$ 33,202,415</u>	<u>\$ 26,882,734</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.

University investments held by the MSU 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 MSU Foundation are invested primarily in an investment pool managed by the MSU Foundation and are carried at fair value.

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

	<u>2021</u>	<u>2020</u>
Percentage of pool invested in:		
Certificates of deposit and money market mutual funds	0.5%	2.0%
Mutual funds	59.2%	63.1%
Fixed income securities	<u>40.3%</u>	<u>34.9%</u>
Total investments	<u>100.0%</u>	<u>100.0%</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.

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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 percent of its investments with a single issuer.

Investment Income

Investment income for the years ended June 30 consisted of:

	<u>2021</u>	<u>2020</u>
Assets held by the University:		
Interest income	\$ 244,496	\$ 4,136,006
Assets held by MSU Foundation:		
Investment income endowment funds	1,409,825	846,121
Net increase in fair value of endowment investments	<u>5,564,859</u>	<u>63,646</u>
Total investment income	<u><u>\$ 7,219,180</u></u>	<u><u>\$ 5,045,773</u></u>

6. Endowments

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

	<u>2021</u>	<u>2020</u>
Endowment assets, beginning of year	\$ 22,741,965	\$ 22,517,317
Investment return		
Net appreciation	5,564,859	65,424
Contributions increase	<u>157,247</u>	<u>159,224</u>
Endowment assets, end of year	<u><u>\$ 28,464,071</u></u>	<u><u>\$ 22,741,965</u></u>

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

7. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2021
Land	\$ 10,886,463	\$ —	\$ —	\$ —	\$ 10,886,463
Construction in progress	2,361,005	8,380,093	(8,477,954)	(329,056)	1,934,088
Museum and collectibles	699,737	—	—	—	699,737
Total capital assets not being depreciated	13,947,205	8,380,093	(8,477,954)	(329,056)	13,520,288
Buildings	394,753,349	—	8,477,954	—	403,231,303
Nonbuilding improvements	18,507,858	—	—	—	18,507,858
Equipment	36,864,981	2,067,881	—	(867,517)	38,065,345
Library holdings	10,462,789	33,755	—	(230,924)	10,265,620
Livestock	137,749	—	—	—	137,749
Software	1,932,019	—	—	—	1,932,019
Total other capital assets	462,658,745	2,101,636	8,477,954	(1,098,441)	472,139,894
Total capital assets before depreciation	476,605,950	10,481,729	—	(1,427,497)	485,660,182
Less accumulated depreciation:					
Buildings	189,546,653	9,740,442	—	—	199,287,095
Improvements other than buildings	12,872,156	368,497	—	—	13,240,653
Equipment	27,740,618	1,723,352	—	(302,538)	29,161,432
Library holdings	8,270,569	221,809	—	(219,377)	8,273,001
Livestock	102,083	8,625	—	—	110,708
Software	1,932,018	—	—	—	1,932,018
Total accumulated depreciation	240,464,097	12,062,725	—	(521,915)	252,004,907
Capital assets, net	<u>\$ 236,141,853</u>				<u>\$ 233,655,275</u>

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Notes to the Financial Statements

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2020
Land	\$ 10,442,742	\$ 443,721	\$ —	\$ —	\$ 10,886,463
Construction in progress	18,831,090	10,593,540	(23,508,045)	(3,555,580)	2,361,005
Museum and collectibles	694,737	5,000	—	—	699,737
Total capital assets not being depreciated	29,968,569	11,042,261	(23,508,045)	(3,555,580)	13,947,205
Buildings	372,556,320	—	23,508,045	(1,311,016)	394,753,349
Nonbuilding improvements	18,507,858	—	—	—	18,507,858
Equipment	35,864,174	1,674,538	—	(673,731)	36,864,981
Library holdings	10,681,965	25,327	—	(244,503)	10,462,789
Livestock	137,749	—	—	—	137,749
Software	1,932,019	—	—	—	1,932,019
Total other capital assets	439,680,085	1,699,865	23,508,045	(2,229,250)	462,658,745
Total capital assets before depreciation	469,648,654	12,742,126	—	(5,784,830)	476,605,950
Less accumulated depreciation:					
Buildings	180,881,584	9,689,114	—	(1,024,045)	189,546,653
Improvements other than buildings	12,329,614	542,542	—	—	12,872,156
Equipment	26,516,849	1,851,216	—	(627,447)	27,740,618
Library holdings	8,235,088	267,758	—	(232,277)	8,270,569
Livestock	93,458	8,625	—	—	102,083
Software	1,932,018	—	—	—	1,932,018
Total accumulated depreciation	229,988,611	12,359,255	—	(1,883,769)	240,464,097
Capital assets, net	\$ 239,660,043				\$ 236,141,853

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8. Accounts Payable

Accounts payable at June 30 consisted of:

	<u>2021</u>	<u>2020</u>
Current accounts payable:		
Vendors	\$ 5,092,976	\$ 5,989,551
Payroll benefits and withholdings	1,793,499	1,993,849
MSU Foundation	42,664	61,699
Loans	3,221	31,956
	<u> </u>	<u> </u>
Total current accounts payable	<u>\$ 6,932,360</u>	<u>\$ 8,077,055</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, 2021, the University paid approximately 87 percent 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, 2021 and 2020 totaled \$10,382,638 and \$10,556,911, respectively. Stop-loss insurance and administrative fees are disclosed in the chart below. The University's stop-loss insurance limits its exposure for claims to \$225,000 per individual for the calendar year.

The University self-insured program operates on a calendar year (January – December) basis and a true picture of the total plan years is not presented in this note.

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

	<u>2021</u>	<u>2020</u>
Liability, beginning of year	\$ 615,499	\$ 716,162
Accruals for current year claims and changes in estimate (includes employee and employer contributions)	11,984,324	12,000,892
Administrative and stop-loss fees	(811,301)	(845,897)
Claims paid	<u>(11,160,405)</u>	<u>(11,255,658)</u>
	<u> </u>	<u> </u>
Liability, end of year	<u>\$ 628,117</u>	<u>\$ 615,499</u>

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10. Unearned Revenue

Unearned revenue as of June 30 consisted of:

	<u>2021</u>	<u>2020</u>
Current unearned revenue:		
Prepaid tuition and fees	\$ 2,560,397	\$ 2,713,870
HEERF institutional funds	3,921,995	1,852,603
Custodial and grounds contract	774,194	967,742
Grants and contracts	567,992	458,000
Auxiliary enterprises	26,734	19,672
Total current unearned revenue	<u>\$ 7,851,312</u>	<u>\$ 6,011,887</u>

11. Revenue Bonds and Notes Payable

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2021:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-Term Portion
Bonds payable	\$ 60,065,000	\$ —	\$ (3,875,000)	\$ 56,190,000	\$ 4,075,000	\$ 52,115,000
Plus bond premiums	2,016,102	—	(155,244)	1,860,858	153,178	1,707,680
Bonds payable, net of discounts premiums	62,081,102	—	(4,030,244)	58,050,858	4,228,178	53,822,680
City of Murray payable	6,580,000	—	(435,000)	6,145,000	440,000	5,705,000
Total bonds and notes payable	<u>\$ 68,661,102</u>	<u>\$ —</u>	<u>\$ (4,465,244)</u>	<u>\$ 64,195,858</u>	<u>\$ 4,668,178</u>	<u>\$ 59,527,680</u>

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The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2020:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-Term Portion
Bonds payable	\$ 64,400,000	\$ 4,110,000	\$ (8,445,000)	\$ 60,065,000	\$ 3,875,000	\$ 56,190,000
Less bond discounts	(46,219)	—	46,219	—	—	—
Plus bond premiums	1,826,529	344,816	(155,243)	2,016,102	155,244	1,860,858
Bonds payable, net of discounts premiums	66,180,310	4,454,816	(8,554,024)	62,081,102	4,030,244	58,050,858
City of Murray payable	6,995,000	—	(415,000)	6,580,000	435,000	6,145,000
Total bonds and notes payable	<u>\$ 73,175,310</u>	<u>\$ 4,454,816</u>	<u>\$ (8,969,024)</u>	<u>\$ 68,661,102</u>	<u>\$ 4,465,244</u>	<u>\$ 64,195,858</u>

Maturity Information

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

Years Ending June 30	Bonds	Notes	Total Principal	Interest	Total Payments
2022	4,075,000	440,000	4,515,000	2,196,564	6,711,564
2023	4,185,000	450,000	4,635,000	2,049,026	6,684,026
2024	4,400,000	465,000	4,865,000	1,892,489	6,757,489
2025-2029	23,055,000	2,510,000	25,565,000	6,692,021	32,257,021
2030-2034	17,575,000	2,280,000	19,855,000	2,730,314	22,585,314
2035-2036	2,900,000	—	2,900,000	101,500	3,001,500
Total	<u>\$ 56,190,000</u>	<u>\$ 6,145,000</u>	<u>\$ 62,335,000</u>	<u>\$ 15,661,914</u>	<u>\$ 77,996,914</u>

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Long-term liability activity for the year ended June 30, 2021 was as follows:

	Original Issue	Balance Due June 30, 2021	Interest Expense, Current Year	Bonds and Notes Maturing 2021-2022
General Receipts Bonds Payable				
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	\$ 4,845,000	\$ 203,631	\$ 355,000
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, & O	4,670,000	110,000	4,767	110,000
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 & Q	15,620,000	6,970,000	279,161	985,000
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	11,045,000	349,967	715,000
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; Construct H. C. Franklin Hall	26,000,000	23,640,000	978,733	740,000
Series A 2016 bonds dated March 31, 2016, with an interest rate of 1.00% to 3.00%; final principal payment date September 1, 2027; Refunding of Series A 2007 bonds	8,310,000	5,885,000	138,036	785,000

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	Original Issue	Balance Due June 30, 2021	Interest Expense, Current Year	Bonds and Notes Maturing 2021-2022
Series A 2019 bonds dated July 23, 2019, with an interest rate of 2.00% to 5.00%; final principal payment date September 1, 2028; Refunding of Series A 2009 bonds	4,110,000	3,695,000	150,813	385,000
Total general receipts bonds payable	81,990,000	56,190,000	2,105,108	4,075,000
Plus bond premium	—	1,860,858	—	153,178
Total bonds payable	81,990,000	58,050,858	2,105,108	4,228,178
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	6,145,000	185,174	440,000
Total All Bond Issues and Notes Payable	\$ 91,240,000	\$ 64,195,858	\$ 2,290,282	\$ 4,668,178

The revenue bond indentures require the University to maintain a reserve balance as a percentage of outstanding balances. As of June 30, 2021 and 2020, the sinking fund and reserve fund requirements have been funded as required.

12. Deposits

The deposits held as of June 30 consisted of:

	2021	2020
Current:		
Horse stall rentals	\$ 9,405	\$ 13,035
Housing rental/pet deposits	1,025	300
Racer card declining balances	2,266	2,601
Housing deposits	172,372	171,507
Sodexo meal plans	1,650	32,036
Agency account balances	102,752	98,926
Total current deposits	289,470	318,405
Noncurrent:		
Housing deposits	301,478	361,953
Total deposits	<u>\$ 590,948</u>	<u>\$ 680,358</u>

Noncurrent housing deposit additions were \$24,278 and \$144,607 for the years ended June 30, 2021 and 2020, respectively. Noncurrent housing deposit deductions were \$84,753 and \$112,354 for the years ended June 30, 2021 and 2020, respectively.

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Notes to the Financial Statements

13. Service Concession Arrangement

The University contracted with a third-party to manage campus dining services starting in fiscal year 2019. This is currently the only service concession arrangement the University has. The term of the arrangement is ten years and five and a half months, commencing on December 15, 2018, and continuing through June 30, 2029. The arrangement provides the third-party the exclusive right to manage and operate dining services for the University's students, faculty, staff, employees, visitors and guests. The University receives 20 percent of net meal plan sales, 10 percent of retail, catering and camp sales and 40 percent of concession sales. The contract also includes Investment 1 - \$3 million in fiscal year 2019, Investment 2 - \$3.5 million and Investment 3 - \$1 million in fiscal year 2021. These investments are to be used for dining venue service renovations and will be amortized over the life of the contract. As of June 30, 2021, the University has received all \$7.5 million for Investments 1, 2, and 3. The contract also includes a \$1.5 million unrestricted fund contribution as well which was received in fiscal year ending June 30, 2020. Deferred Inflows, revenues which will be recognized in a future period, related to the contract are \$7.1 million and \$3.5 million as of June 30, 2021 and 2020, respectively.

14. Unrestricted Net Position

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

	2021	2020
Unrestricted net position		
Allocated for:		
Departmental operations	\$ 38,178,894	\$ 29,261,658
Encumbrances	233,835	220,946
Board designated projects	10,051,661	5,251,774
Capital projects	3,836,219	3,323,000
Renovation and maintenance	13,033,785	13,159,816
Plant reserves	7,644,069	11,697,208
Working capital	15,177,681	11,249,428
Revenue contingency	2,187,690	2,229,070
General contingency	45,530,299	47,487,407
Self-insurance	629,000	615,499
Total unrestricted net position before pension/OPEB adjustments	136,503,133	124,495,806
Pension/OPEB current year adjustments, KERS non-hazardous	(125,355,800)	(134,635,875)
Pension/OPEB current year adjustments, KERS hazardous	(1,651,888)	(1,050,426)
Pension/OPEB current year adjustments, TRS	(89,136,641)	(121,202,081)
Total unrestricted net position	\$ (79,641,196)	\$ (132,392,576)

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15. Pension Plans and Other Postemployment Benefits (OPEB)

a) General Information about the Pension/OPEB Plans

Plan Descriptions

Kentucky Public Pensions Authority. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement System (KERS, listed herein as KERS-nh for “non-hazardous” and KERS-h for “hazardous”) and the State Police Retirement System (SPRS). House Bill 484 and House Bill 9 transferred the governance of the County Employees Retirement System (CERS) to a separate board of trustees. Kentucky Public Pensions Authority (KPPA) provides administrative support to the CERS and KRS boards and is overseen by a third board of trustees composed of members from the CERS and KRS boards. Although the assets of the systems are invested as a whole, each system’s assets are accounted for separately, invested according to plan-specific asset allocation goals, and 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. Both KERS defined benefit plans include two funds, the pension fund which provides retirement benefits and the insurance fund which provides health insurance benefits. KRS issues a publicly available financial report that includes financial statements and required supplementary information for the pension and insurance funds that can be obtained at: <https://kyret.ky.gov/Publications/Pages/Annual-Reports.aspx>

Teachers’ Retirement System. Under the provisions of Kentucky Revised Statute Section 161.250, the Board of Trustees (the Board) of Teachers’ Retirement Systems (TRS) administers the Teachers’ Retirement System. All employees required to hold a degree and occupying full-time positions, defined as seven-tenths (7/10) of normal full-time service on a daily or weekly basis, are required by state law to participate in the TRS or an optional retirement plan, as allowed by KRS 161.567. TRS, is a cost sharing, multiple-employer defined benefit plan that includes three trusts, the Retirement Annuity Trust, the Health Insurance Trust, and the Life Insurance Trust. TRS issues a publicly available comprehensive financial report that can be obtained at <https://trs.ky.gov/administration/financial-reports-information/>

Benefits Provided

The following tables present benefit provisions for the members of each plan.

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**Kentucky Employees' Retirement System
Cost Sharing Multi-Employer Defined Benefit Plan**

Non-Hazardous

	Tier 1 Defined Benefit	Tier 2 Defined Benefit	Tier 3 Cash Balance
Participation	Prior to 9/1/2008	9/1/2008 through 12/31/2013	1/1/2014 and after
Covered Employees	All regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in KERS.		
Benefit Formula	Final Compensation x Benefit Factor x Years of Service	Final Compensation x Benefit Factor x Years of Service	Accumulated Account Balance / Actuarial Factor
Final Compensation	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not included in creditable compensation.	No Final Compensation.
Benefit Factor	1.97% OR 2.0% for those retiring with service for all months between 1/98 and 1/99.	10 years or less: 1.10% 10 to 20 years: 1.30% 20 to 26 years: 1.50% 26 to 30 years: 1.75% 30 years or more: 2.0% (2% benefit factor only applies to service earned in excess of 30 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on a member's accumulated account balance.
Cost of Living Adjustment (COLA)	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit	Any age with 27 years of service OR Age 65 with 48 months of service *Money Purchase for age 65 with less than 48 months, based on contributions and interest.	Rule of 87: Member must be at least age 57 and age + earned service must equal 87 years at retirement to retire under this provision. OR Age 65 with 5 years of earned service. No Money Purchase calculations.	Rule of 87: Member must be at least age 57 and age + earned service must equal 87 years at retirement to retire under this provision. OR Age 65 with 5 years of earned service.
Reduced Retirement Benefit	Any age with 25 years of service. OR Age 55 with 60 months of service.	Age 60 with 120 months of service Excludes purchased service (exception: refunds, omitted, free military)	No reduced retirement benefit.

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**Kentucky Employees' Retirement System
Cost Sharing Multi-Employer Defined Benefit Plan**

Hazardous

	Tier 1 Defined Benefit	Tier 2 Defined Benefit	Tier 3 Cash Balance
Participation	Prior to 9/1/2008	9/1/2008 through 12/31/2013	1/1/2014 and after
Covered Employees	All regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board or any agency directed by Executive Order to participate in KERS.		
Benefit Formula	Final Compensation x Benefit Factor x Years of service	Final Compensation x Benefit Factor x Years of service	Accumulated Account Balance / Actuarial Factor
Final Compensation	Average of the highest 3 fiscal yrs (must contain at least 24 months) Includes lump-sum compensation payments (before and at retirement)	Average of the 3 highest fiscal yrs; each yr must contain 12 months Lump-sum compensation payments (before & at retirement) are not included in creditable compensation	No Final Compensation
Benefit Factor	2.49%	10 years or less: 1.30% 10 to 20 years: 1.50% 20 to 25 years: 2.25% 25 years or more: 2.50%	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on a member's accumulated account balance.
Cost of Living Adjustment (COLA)	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit	Any age with 20 years of service OR Age 55 with 60 months of service *Money Purchase for age 55 with less than 60 months, based on contributions and interest.	Any age with 25 years of service OR Age 60 with 5 years of service No Money Purchase calculations.	Any age with 25 years of service OR Age 60 with 5 yrs of service
Reduced Retirement Benefit	Age 50 with 180 months of service	Age 50 with 180 months of service	No reduced retirement benefit.

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**Teachers' Retirement System Kentucky
Cost Sharing Multi-Employer Defined Benefit Plan**

Participation	Prior to 7/1/2008	On 7/1/2008 or after
Covered Employees	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 TRS or an optional retirement plan, as allowed by KRS 161.567.	
Benefit Formula	Service Credit x Multiplier x Final Average Salary	Service Credit x Multiplier x Final Average Salary
Service Credit	Total number of years in TRS, including part-time service after July 1, 2002. Any service credit awarded for unused sick leave counts in the total years (except it cannot be used for retirement eligibility).	Total number of years in TRS, including part-time service after July 1, 2002. Any service credit awarded for unused sick leave counts in the total years (except it cannot be used for retirement eligibility).
Multippliers	10 years or less: 2.00% 10.01 to 20.0 years: 2.00% 20.01 to 26.99 years: 2.00% 27 years or more: 2.00%	10 years or less: 1.50% 10.01 to 20.0 years: 1.70% 20.01 to 26.99 years: 1.85% 27 years or more: 2.00%
Final Average Salary	Average of the highest five salaries until the member reaches at least 27 years and age 55, when the average of the highest three salaries are used. Any lump-sum payouts at retirement of accumulated unused annual leave (for members who joined before July 2008) and unused sick leave are counted in the final year's salary calculation. Lump-sum payments prior to retirement cannot be included.	Average of the highest five salaries until the member reaches at least 27 years and age 55, when the average of the highest three salaries are used. Any lump-sum payouts at retirement of accumulated unused annual leave (for members who joined before July 2008) and unused sick leave are counted in the final year's salary calculation. Lump-sum payments prior to retirement cannot be included.
Unreduced Retirement Benefit	Any age with 27 years of service credit OR Age 60 with at least 5 years of service credit	Any age with 27 years of service credit OR Age 60 with at least 5 years of service credit
Reduced Retirement Benefit	Age 55 with at least 5 years of service credit. Reduction is 5% for each year under age 60 or under 27 years of service, whichever is less.	Age 55 with at least 10 years of service credit. Reduction is 6% for each year under age 60 or under 27 years of service, whichever is less.

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Contributions

KERS-nh. Per KRS 61.565 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 5 percent of their annual pay. The participating employers' contractually required contribution rate for the year ended June 30, 2021, was 49.47 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.

KERS-h. Per KRS 61.565 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 percent of their annual pay. The participating employers' contractually required contribution rate for the year ended June 30, 2021, was 36 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.

TRS. Per KRS 161.250, contribution requirements of the active employees and the participating employers are established and may be amended by the TRS Board. Employees are required to contribute 8.185 percent of their annual pay. The participating employers' contractually required contribution rate for the year ended June 30, 2021, was 15.865 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.

The University's overall contributions, which include pension, medical, and life insurance contributions, to KERS and TRS for the years ended June 30, 2021 and 2020 were:

	<u>June 30, 2021</u>			<u>June 30, 2020</u>		
	Pension	OPEB	Total Contributions	Pension	OPEB	Total Contributions
KERS-nh	\$ 2,785,412	\$ 570,514	\$ 3,355,926	\$ 3,755,337	\$ 769,176	\$ 4,524,513
KERS-h	267,134	19,109	286,243	282,173	20,186	302,359
Total KERS	3,052,546	589,623	3,642,169	4,037,510	789,362	4,826,872
TRS	4,037,460	680,474	4,717,934	4,100,253	686,548	4,786,801
Total	<u>\$ 7,090,006</u>	<u>\$ 1,270,097</u>	<u>\$ 8,360,103</u>	<u>\$ 8,137,763</u>	<u>\$ 1,475,910</u>	<u>\$ 9,613,673</u>

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

The University reported a liability of \$147,217,292 and \$168,362,848 for the years ended June 30, 2021 and 2020, respectively, for its proportionate shares of the net pension liability in the plans. The net pension liability for TRS and KERS plans were measured as of June 30, 2020 and June 30, 2019 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, 2020, the University's proportion was 0.341099 percent for TRS, 0.667876 percent for KERS-nh, and 0.358942 percent for KERS-h, and at June 30, 2019, the University's proportion was 0.341570 percent for TRS, 0.830936 percent for KERS-nh, and 0.399507 percent for KERS-h.

For the years ended June 30, 2021 and 2020, the University recognized a pension benefit of \$33,217,956 and \$15,698,615, respectively. At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (62,159)	\$ 1,659,531	\$ 881,168	\$ 3,115,037
Change in assumptions	2,442,363	14,565,362	7,864,244	25,999,918
Net difference between projected and actual earnings on investments	928,032	294,574	350,416	1,036,658
Change in proportionate share	2,463,462	32,312,513	3,642,858	44,922,123
Contributions subsequent to the measurement date	7,090,006	—	8,137,763	—
Total	<u>\$ 12,861,704</u>	<u>\$ 48,831,980</u>	<u>\$ 20,876,449</u>	<u>\$ 75,073,736</u>

The deferred outflows of resources related to the University contributions to the pension plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The deferred outflows and inflows of resources related to the net difference between projected and actual earnings on pension plan investments are amortized and recognized in pension expense over five years. All other amounts reported as deferred outflows of resources and deferred inflows of resources are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided pensions through the respective pension plan. The average expected remaining service life was determined to be 4.2 years for TRS employees, 2.26 years for KERS-nh employees, and 2.23 years for KERS-h employees as of the June 30, 2020 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2021 will be recognized in pension expense (benefit) as follows:

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Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Increase (Decrease) in Pension Expense
2022	\$ 4,828,478	\$ 39,912,665	\$ (35,084,187)
2023	64,601	6,748,744	(6,684,143)
2024	419,691	2,221,760	(1,802,069)
2025	458,928	(51,189)	510,117
	<u>\$ 5,771,698</u>	<u>\$ 48,831,980</u>	<u>\$ (43,060,282)</u>

Actuarial assumptions. For KERS, the actuarial valuation for financial reporting as of June 30, 2020 was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total pension liability as of June 30, 2020, was determined using these updated assumptions:

	KERS-nh	KERS-h
Actuarial Valuation Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost (EANC)	Entry Age Normal Cost (EANC)
Amortization Method	Level Percent of Pay (0% payroll growth)	Level Percent of Pay (0% payroll growth)
Remaining Amortization Period	26 Years, Closed	26 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Investment Rate of Return	5.25%	6.25%
Inflation Rate	2.30%	2.30%
Projected Salary Increases	3.30% to 15.30%, varies by service	3.55% to 20.05%, varies by service
Mortality Tables:		
Active Members	PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Health Retired Members	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Disabled Members	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Date of Experience Study	June 30, 2013 - June 30, 2018	June 30, 2013 - June 30, 2018

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There have been no assumption changes since June 30, 2019. House Bill 1 passed during the 2019 Special Legislative Session and allowed certain agencies in the Non-Hazardous plan to elect to cease participating in the System as of June 30, 2020 under different provisions than were previously established. Senate Bill 249 passed during the 2020 Legislative Session and delayed the effective date of cessation under these provisions to June 30, 2021. Since each employer's election is unknown at this time, adjustments were not made to the total pension liability to reflect this legislation.

For TRS, the actuarial valuation for financial reporting as of June 30, 2020 was performed by Cavanaugh Macdonald Consulting (CMC). The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019 and rolled forward. The following actuarial assumptions were adopted by the TRS Board of Trustees:

TRS	
Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of pay, closed
Remaining Amortization Period	24.4 Years
Asset Valuation Method	Five-year smoothed market
Investment Rate of Return	7.50%
Inflation Rate	3.00%
Projected Salary Increases	3.50% - 7.30%, including inflation
Mortality Tables	RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.
	RP-2000 Disabled Mortality Table (set forward two years for males and seven years for females) is used for death after disability retirement.
Date of Experience Study	July 1, 2010 - June 30, 2015

For KERS, the long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

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KERS-nh			KERS-nh		
June 30, 2020			June 30, 2019		
Long-Term Expected			Long-Term Expected		
Asset Class	Target Allocation	Real Rate of Return	Asset Class	Target Allocation	Real Rate of Return
U.S Equity	15.75%	4.50%	U.S Equity	15.75%	4.30%
International Equity	15.75%	5.25%	International Equity	15.75%	4.98%
Private Equity	7.00%	5.15%	Private Equity	7.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%	Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	20.50%	-0.25%	Core Bonds	20.50%	1.35%
Cash	3.00%	-0.75%	Cash	3.00%	0.20%
Real Estate	5.00%	5.30%	Real Estate	5.00%	4.85%
Real Return	15.00%	3.95%	Real Return	15.00%	4.10%
	<u>100.00%</u>			<u>100.00%</u>	

KERS-h			KERS-h		
June 30, 2020			June 30, 2019		
Long-Term Expected			Long-Term Expected		
Asset Class	Target Allocation	Real Rate of Return	Asset Class	Target Allocation	Real Rate of Return
U.S Equity	18.75%	4.50%	U.S Equity	18.75%	4.30%
International Equity	18.75%	5.25%	International Equity	18.75%	4.98%
Private Equity	10.00%	6.65%	Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%	Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	-0.25%	Core Bonds	13.50%	1.35%
Cash	1.00%	-0.75%	Cash	1.00%	0.20%
Real Estate	5.00%	5.30%	Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.25%	Opportunistic	3.00%	2.97%
Real Return	15.00%	3.95%	Real Return	15.00%	4.10%
	<u>100.00%</u>			<u>100.00%</u>	

For TRS, 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. A summary of the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

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TRS	June 30, 2020		TRS	June 30, 2019	
		Long-Term Expected			Long-Term Expected
	Target	Real Rate of		Target	Real Rate of
Asset Class	Allocation	Return	Asset Class	Allocation	Return
U.S. Equity	40%	4.60%	U.S. Equity	40%	4.20%
International Equity	22%	5.60%	International Equity	22%	5.20%
Fixed Income	15%	0.00%	Fixed Income	15%	1.20%
Additional Categories	7%	2.50%	Additional Categories	7%	3.30%
Real Estate	7%	4.30%	Real Estate	7%	3.80%
Private Equity	7%	7.70%	Private Equity	7%	6.30%
Cash	2%	-0.50%	Cash	2%	0.90%
Total	100%		Total	100%	

Discount rate. For KERS the discount rates used to measure the total pension liability as of the Measurement Date (June 30, 2020) and Prior Measurement Date (June 30, 2019) were 5.25 percent for nonhazardous and 6.25 percent for 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 3.33 percent for KERS-nh and 3.96 percent for KERS-h for the year ending June 30, 2020 and 3.52 percent for KERS-nh and 3.89 percent for KERS-h for the year ending June 30, 2019. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS the discount rate used to measure the TPL as of the Measurement Date (June 30, 2020) and Prior Measurement Date (June 30, 2019) was 7.5 percent. 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 in full at the current contribution rates and that employer contributions will be made at actuarially determined contribution rates for all future fiscal years. 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 as of the Measurement Date and the Prior Measurement Date:

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	June 30, 2020		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	\$ 108,357,495 4.25%	\$ 94,602,318 5.25%	\$ 83,297,341 6.25%
University's proportionate share - KERS-h	2,575,201 5.25%	2,012,505 6.25%	1,554,459 7.25%
University's proportionate share - TRS	64,452,365 6.50%	50,602,469 7.50%	39,075,227 8.50%

	June 30, 2019		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	\$ 134,533,603 4.25%	\$ 117,353,108 5.25%	\$ 103,153,382 6.25%
University's proportionate share - KERS-h	2,814,094 5.25%	2,182,483 6.25%	1,663,489 7.25%
University's proportionate share - TRS	62,298,697 6.50%	48,827,257 7.50%	37,426,092 8.50%

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

c) OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The University reported a liability of \$27,165,618 and \$30,436,969 years ended June 30, 2021 and 2020, respectively, for its proportionate shares of the net OPEB liability in the plans. The net OPEB liability for TRS and KERS plans were measured as of June 30, 2020 and June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date for all plans. The University's proportions of the net OPEB liabilities were based on projections of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the University's proportion was 0.386360 percent for TRS-medical, 0.877560 percent for TRS-life, 0.667876 percent for KERS-nh, and 0.358863 percent for KERS-h. At June 30, 2019, the University's proportion was 0.402916 percent for TRS-medical, 0.903787 percent for TRS-life, 0.8390936 percent for KERS-nh, and 0.399241 percent for KERS-h.

For the years ended June 30, 2021 and 2020, the University recognized an OPEB benefit of \$1,371,485 and expense of \$150,983, respectively. At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,485,918	\$ 5,981,979	\$ —	\$ 5,997,597
Change in assumptions	2,058,427	30,566	2,765,347	57,146
Net difference between projected and actual earnings on investments	785,771	126,305	461,889	273,131
Change in proportionate share	247,045	5,499,550	363,122	2,629,670
Contributions subsequent to the measurement date	1,270,097	—	1,475,909	—
Total	<u>\$ 5,847,258</u>	<u>\$ 11,638,400</u>	<u>\$ 5,066,267</u>	<u>\$ 8,957,544</u>

The deferred outflows of resources related to the University contributions to the OPEB plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. The deferred outflows and inflows of resources related to the net difference between projected and actual earnings on OPEB plan investments are amortized and recognized in OPEB expense over five years. All other amounts reported as deferred outflows of resources and deferred inflows of resources are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided benefits through the respective OPEB plan. The average expected remaining service life was determined to be 6.72 years for TRS employees, 3.69 years for KERS-nh employees, and 4.57 years for KERS-h employees as of the June 30, 2020 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 will be recognized in OPEB expense (benefit) as follows:

<u>Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Increase (Decrease) in OPEB Expense</u>
2022	\$ 1,839,000	\$ 3,213,242	\$ (1,374,242)
2023	1,115,085	3,034,330	(1,919,245)
2024	905,909	2,654,116	(1,748,207)
2025	525,993	1,500,834	(974,841)
Thereafter	191,174	1,235,878	(1,044,704)
	<u>\$ 4,577,161</u>	<u>\$ 11,638,400</u>	<u>\$ (7,061,239)</u>

Actuarial assumptions. For KERS, the actuarial valuation for financial reporting as of June 30, 2020 was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2020:

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	KERS-nh	KERS-h
Inflation Rate	2.30%	2.30%
Payroll Growth Rate	0%	0%
Projected Salary Increases	3.55% to 15.30%, varies by service	3.55% to 20.05%, varies by service
Investment Rate of Return	6.25%	6.25%
Mortality Tables:		
Pre-retirement (non-disabled)	PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2018 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2018 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates (Post-65)	Initial trend starting at 2.90% at January 1, 2022 and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	Initial trend starting at 2.90% at January 1, 2022 and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

For TRS, the actuarial valuation for financial reporting as of June 30, 2020 was performed by Cavanaugh Macdonald Consulting (CMC). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019 and rolled forward. The following actuarial assumptions were adopted by the TRS Board of Trustees:

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TRS

Actuarial Valuation Date	June 30, 2019
Investment Rate of Return - Med	8.00%
Investment Rate of Return - Life	7.50%
Inflation Rate	3.00%
Projected Salary Increases	3.50% - 7.20%, including wage inflation
Health Care Cost Trends:	
Under Age 65	7.25% for FYE 2020 decreasing to an ultimate rate of 5.00% by FYE 2029
Ages 65 and Older	5.25% for FYE 2019 decreasing to an ultimate rate of 5.00% by FYE 2022
Medicare Part B Premiums	6.49% for FYE 2020 with an ultimate rate of 5.00% by FYE 2031
Mortality Tables:	
Post-retirement (non-disabled) and dependent beneficiaries	RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females.
Post-retirement (disabled)	RP-2000 Disabled Mortality Table set forward two years for males and seven years for females.
Date of Experience Study	July 1, 2010 - June 30, 2015

The discount rate determination used an expected rate of return on OPEB plan investments of 6.25 percent and a municipal bond rate of 2.45 percent, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

KERS-nh and h	June 30, 2020		KERS-nh and h	June 30, 2019	
	Target	Long-Term Expected Real		Target	Long-Term Expected Real
Asset Class	Allocation	Rate of Return	Asset Class	Allocation	Rate of Return
U.S Equity	18.75%	4.50%	U.S Equity	18.75%	4.30%
International Equity	18.75%	5.25%	International Equity	18.75%	4.80%
Private Equity	10.00%	6.65%	Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%	Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	-0.25%	Core Bonds	13.50%	1.35%
Cash	1.00%	-0.75%	Cash	1.00%	0.20%
Real Estate	5.00%	5.30%	Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.25%	Opportunistic	3.00%	2.97%
Real Return	15.00%	3.95%	Real Return	15.00%	4.10%
	<u>100%</u>			<u>100%</u>	

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For TRS the long-term expected rate of return on OPEB 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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

TRS-Med			TRS-Med		
June 30, 2020			June 30, 2019		
Long-Term Expected			Long-Term Expected		
Asset Class	Target Allocation	Real Rate of Return	Asset Class	Target Allocation	Real Rate of Return
Global Equity	58.0%	5.40%	Global Equity	58.0%	5.10%
Fixed Income	9.0%	0.00%	Fixed Income	9.0%	1.20%
Real Estate	6.5%	4.30%	Real Estate	6.5%	3.80%
Private Equity	8.5%	7.70%	Private Equity	8.5%	6.30%
Other Additional Categories	17.0%	2.50%	Other Additional Categories	17.0%	3.20%
Cash (LIBOR)	1.0%	-0.50%	Cash (LIBOR)	1.0%	0.90%
Total	100%		Total	100%	

TRS-Life			TRS-Life		
June 30, 2020			June 30, 2019		
Long-Term Expected			Long-Term Expected		
Asset Class	Target Allocation	Real Rate of Return	Asset Class	Target Allocation	Real Rate of Return
U.S. Equity	40.0%	4.60%	U.S. Equity	40.0%	4.30%
International Equity	23.0%	5.60%	International Equity	23.0%	5.20%
Fixed Income	18.0%	0.00%	Fixed Income	18.0%	1.20%
Real Estate	6.0%	4.30%	Real Estate	6.0%	3.80%
Private Equity	5.0%	7.70%	Private Equity	5.0%	6.30%
Other Additional Categories	6.0%	2.50%	Other Additional Categories	6.0%	3.20%
Cash (LIBOR)	2.0%	-0.50%	Cash (LIBOR)	2.0%	0.90%
Total	100%		Total	100%	

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Discount rate. For KERS the discount rates used to measure the total OPEB liability as of the Measurement Date (June 30, 2020) were 5.43 percent for nonhazardous and 5.28 percent for hazardous. The discount rates used to measure the total OPEB liability as of the Prior Measurement Date (June 30, 2019) were 5.73 percent for nonhazardous and 5.66 percent for hazardous. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. Future contributions are projected in accordance with the current funding policy, as most recently revised by Senate Bill 249. Legislation has been enacted for multiple years that allowed certain employers (referred to as "Quasi" agencies) in the KERS Non-hazardous Fund to contribute 8.41 percent of pay into the insurance fund, which is less than the actuarially determined contribution rate. GRS confirmed that the single discount rate used in the GASB calculations remains unchanged if these Quasi agencies were assumed to continue making contributions at a reduced rate in future years.

For TRS the discount rates used to measure the total OPEB liability as of the Measurement Date (June 30, 2020) and Prior Measurement Date (June 30, 2019) were 8.0 percent for medical and 7.5 percent for life. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. 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.

Sensitivity of Murray State University's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the University's proportionate share of the net OPEB liability calculated using the discount rates as of the Measurement Date:

	June 30, 2020		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	\$ 20,210,760 4.43%	\$ 16,956,758 5.43%	\$ 14,286,069 6.43%
University's proportionate share - KERS-h	452,757 4.28%	153,482 5.28%	(87,316) 6.28%
University's proportionate share - TRS-medical	7,728,452 7.00%	9,750,760 8.00%	12,242,079 9.00%
University's proportionate share - TRS-life	440,782 6.50%	304,618 7.50%	192,976 8.50%

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	June 30, 2019		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	\$ 21,993,233 4.73%	\$ 18,470,843 5.73%	\$ 15,570,921 6.73%
University's proportionate share - KERS-h	180,072 4.66%	(107,192) 5.66%	(339,606) 6.66%
University's proportionate share - TRS-medical	13,969,387 7.00%	11,792,493 8.00%	9,969,374 9.00%
University's proportionate share - TRS-life	414,835 6.50%	280,825 7.50%	170,966 8.50%

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

d) Recent Legislation

House Bill 1 passed during the Special Legislative Session allowed certain agencies in the KERS Non-Hazardous plan to elect to cease participating in KRS as of June 30, 2020 under different provisions than were previously established. Senate Bill 249 passed during the 2020 Legislative Session delayed the effective date of cessation for these provisions to June 30, 2021. During the December 4, 2020 quarterly meeting, the University's Board of Regents voted unanimously to continue participating in the KERS Non-Hazardous pension plan.

16. 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. 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.

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Notes to the Financial Statements

During the years ended June 30, 2021 and 2020, the Foundation made payments of \$3,660,549 and \$3,431,851, respectively, on behalf of the University from restricted sources. Accounts receivable at June 30, 2021 and 2020, from the Foundation were \$114,769 and \$257,746, respectively. Accounts payable to the Foundation as of June 30, 2021 and 2020 were \$42,664 and \$61,699, respectively. 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>2021</u>	<u>2020</u>
Money market mutual funds	\$ 761,209	\$ 2,435,439
Equity securities	758,880	744,000
Cash value of life insurance policies	230,747	214,965
Mutual funds	109,230,511	79,836,690
Asset-backed bonds	8,107,359	4,689,323
U.S. treasuries	23,663,404	21,893,340
Government bonds	1,646,980	810,709
Sovereign debt	253,137	—
Municipal bonds	269,384	145,000
Corporate bonds	11,980,244	10,510,276
Beneficial interests in trusts	9,318,800	7,028,420
	<u>\$ 166,220,655</u>	<u>\$ 128,308,162</u>

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Total investment return is comprised of the following:

	2021	2020
Interest and dividend income	\$ 4,656,927	\$ 1,544,619
Realized gains on investments	2,854,376	2,350,261
Unrealized losses on investments	22,823,410	188,173
Management fees	670,201	579,914
	<u>\$ 31,004,914</u>	<u>\$ 4,662,967</u>

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:

	2021	2020
Murray State University	\$ 32,794,334	\$ 26,581,904
Murray State University Alumni Association	1,611,469	1,240,260
	<u>\$ 34,405,803</u>	<u>\$ 27,822,164</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 as of June 30, 2021 and 2020, \$1,172,434 and \$1,152,516, respectively, which represents the present value of the future gift annuity obligations. The liability has been determined using discount rates ranging from 0.6 percent to 8.0 percent. As of June 30, 2021, and 2020, cash, cash equivalents, and investments relative to split interest agreements and other liabilities discussed in the Foundation's Note 12 total \$10,302,009 and \$8,201,192, respectively.

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 statements of activities as contributions with donor restriction in the period the trust is established. Assets (investments) held in the charitable remainder trusts are recorded at fair value in the Foundation's statements of financial position.

The present value of the estimated future payments is \$4,268,907 and \$4,314,221 as of June 30, 2021 and 2020, respectively, which was calculated using discount rates ranging from 1.8 percent to 8.0 percent, and applicable mortality tables.

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d) Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2021 and 2020 are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Scholarships	\$ 7,266,791	\$ 6,087,769
Instruction and institutional support	11,555,629	9,154,419
Chairs, professorships, academic stipends and seminars	784,085	701,732
Operations of the golf course	198,282	131,691
Promise to give, the proceeds from which have been restricted by donors for:		
Scholarships	256,513	342,313
Institutional support	243,805	278,381
	<u>20,305,105</u>	<u>16,696,305</u>
Subject to passage of time:		
Assets held under split-interest agreements	1,030,629	226,373
Subject to appropriation and expenditure when a specific event occurs:		
Scholarships	1,265,425	994,304
Instruction and institutional support	2,576,897	1,486,124
Promise to give, the proceeds from which have been restricted by donors for:		
Scholarships	119,642	123,114
Instruction and Institutional support	222,096	235,820
	<u>4,184,060</u>	<u>2,839,362</u>
 <u>Net Assets Released from Restriction</u>		
Subject to endowment spending policy and appropriation:		
Scholarships	58,274,559	45,577,065
Instruction and institutional support	18,561,549	14,424,686
Chairs and professorships	4,195,771	3,352,746
Operations of the golf course	2,014,117	1,609,459
Any activity of the Foundation	796,607	505,512
	<u>83,842,603</u>	<u>65,469,468</u>
 Total net assets with donor restrictions	 <u><u>\$ 109,362,397</u></u>	 <u><u>\$ 85,231,508</u></u>

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17. 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. Effective June 30, 2018, Murray State withdrew from the Kentucky Personnel Cabinet's Workers' Compensation Program and entered into a full insurance contract with BrickStreet Insurance Company for the period July 1, 2018 through June 30, 2020. On July 1, 2020 the University entered into a new insurance contract with Liberty Mutual Insurance Company. Effective July 1, 2021 the University entered into a new insurance contract with Kentucky Employers Mutual Insurance Company (KEMI). The company specializes in workers' compensation coverage and will continue to improve the University's risk management in the Workers' Compensation program.

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 is not expected to have a material effect on the future operations or financial position of the University. While the University enjoys defenses including sovereign immunity, it is unknown if a claim could prevail over those defenses.

Commitments

The University has outstanding commitments under construction contracts of \$4,342,550 and \$5,390,623 as of June 30, 2021 and 2020, respectively.

Government Grants

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

18. Fair Value Measurement

The University categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the valuation inputs (sources of information for calculating fair value) used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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The University has the following recurring fair value measurements as of June 30, 2021:

- Cash equivalents with a value of \$145,546,171 held by the Commonwealth of Kentucky in an intermediate investment pool; fair value hierarchy level 2.
- Restricted investments for debt reserves with a value of \$300,344 held by US Bank in money market accounts; fair value hierarchy level 1.
- Restricted quasi-endowment and endowment investments with a value of \$32,902,071 held by the MSU Foundation in an investment pool; fair value hierarchy levels 1, 2, or 3.

19. 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, 2021					
	Natural Classification					
	Compensation and Benefits	Operations	Utilities	Noncapitalized Equipment	Scholarships	Total
Instruction	\$ 50,961,456	\$ 5,828,369	\$ 6,574	\$ 413,966	\$ —	\$ 57,210,365
Research	1,509,198	1,658,296	19	15,981	—	3,183,494
Public service	4,136,232	1,431,013	272,441	55,818	—	5,895,504
Libraries	1,692,680	1,740,831	—	148,040	—	3,581,551
Academic support	4,285,784	2,212,445	6,180	125,121	—	6,629,530
Student services	9,768,891	4,445,190	11,157	153,991	—	14,379,229
Institutional support	16,124,899	(80,114)	84,646	109,580	—	16,239,011
Operations and maintenance	4,176,533	8,412,289	5,300,404	2,238	—	17,891,464
Student financial aid	—	—	—	—	17,867,499	17,867,499
Depreciation	—	8,226,458	—	—	—	8,226,458
State pension expense (benefit) GASB 68	(33,217,956)	—	—	—	—	(33,217,956)
State OPEB expense (benefit) GASB 75	(1,371,485)	—	—	—	—	(1,371,485)
Auxiliary enterprises	2,701,828	8,483,932	2,945,933	42,097	110,295	14,284,085
Auxiliary depreciation	—	3,836,267	—	—	—	3,836,267
Total expenses	\$ 60,768,060	\$ 46,194,976	\$ 8,627,354	\$ 1,066,832	\$ 17,977,794	\$ 134,635,016

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Fund Classification	Year Ended June 30, 2020					
	Natural Classification					Total
	Compensation and Benefits	Operations	Utilities	Noncapitalized Equipment	Scholarships	
Instruction	\$ 51,361,241	\$ 5,889,415	\$ 1,329	\$ 476,964	\$ —	\$ 57,728,949
Research	1,425,041	1,023,514	130	33,148	—	2,481,833
Public service	4,408,432	1,771,134	343,061	79,325	—	6,601,952
Libraries	1,828,323	1,572,442	—	38,383	—	3,439,148
Academic support	4,395,413	2,133,428	32,288	138,098	—	6,699,227
Student services	10,335,362	6,260,200	11,031	172,808	81	16,779,482
Institutional support	17,168,832	(1,096,702)	87,553	65,197	—	16,224,880
Operations and maintenance	5,899,974	8,651,422	5,523,535	13,677	—	20,088,608
Student financial aid	—	—	—	—	16,119,747	16,119,747
Depreciation	—	8,858,236	—	—	—	8,858,236
State pension expense (benefit) GASB 68	(15,698,615)	—	—	—	—	(15,698,615)
State OPEB expense (benefit) GASB 75	150,983	—	—	—	—	150,983
Auxiliary enterprises	3,185,679	8,381,166	2,803,736	41,408	109,542	14,521,531
Auxiliary depreciation	—	3,501,019	—	—	—	3,501,019
Total expenses	\$ 84,460,665	\$ 46,945,274	\$ 8,802,663	\$ 1,059,008	\$ 16,229,370	\$ 157,496,980

20. 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.

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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.

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

	2021	2020
Assets		
Current assets	\$ 962,054	\$ 932,845
Noncurrent assets	1,491,323	1,620,228
Capital assets, net of accumulated depreciation	6,169,075	6,437,791
Total assets	8,622,452	8,990,864
Deferred outflows of resources		
Bond refunding loss	227,411	246,696
Total deferred outflows of resources	227,411	246,696
Liabilities		
Current liabilities	45,507	30,055
Noncurrent liabilities	6,145,000	6,579,999
Total liabilities	6,190,507	6,610,054
Net position		
Invested in capital assets, net of related debt and accumulated depreciation	251,486	104,487
Restricted		
Expendable capital	650,836	780,535
Expendable debt service	810,594	809,637
Unrestricted	946,440	932,847
Total net position	\$ 2,659,356	\$ 2,627,506

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

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 13,502	\$ 73,470
Operating expenses	(368,673)	(630,250)
Depreciation expense	(268,715)	(268,715)
Operating loss	<u>(623,886)</u>	<u>(825,495)</u>
Nonoperating revenues	<u>655,736</u>	<u>894,061</u>
Change in net position	31,850	68,566
Net position, beginning of year	<u>2,627,506</u>	<u>2,558,940</u>
Net position, end of year	<u><u>\$ 2,659,356</u></u>	<u><u>\$ 2,627,506</u></u>

Wellness Center - Condensed Statements of Cash Flows

	<u>2021</u>	<u>2020</u>
Cash flows from		
Operating activities	\$ (439,555)	\$ (656,780)
Noncapital financing activities	423,690	507,959
Capital and related financing activities	(84,012)	68,439
Investing activities	181	22,418
Net increase in cash	<u>(99,696)</u>	<u>(57,964)</u>
Cash, beginning of year	<u>2,553,073</u>	<u>2,611,037</u>
Cash, end of year	<u><u>\$ 2,453,377</u></u>	<u><u>\$ 2,553,073</u></u>

21. 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 statements of net position.

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22. Current Economic Conditions (unaudited)

The COVID-19 pandemic continues to present the University with unprecedented circumstances and challenges as well as uncertainties surrounding the long-term impact and duration. The financial statements have been prepared using values and information currently available to the University.

23. Higher Education Emergency Relief Funds (HEERF)

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress to assist businesses as a result of the economic impact caused by COVID-19. The CARES Act included a Higher Education Emergency Relief Fund (HEERF) to defray expenses directly caused by the coronavirus and the disruption of university operations. In December 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSAA) Act and in March 2021 the American Rescue Plan (ARP) Act provided additional support to higher education institutions. The University was awarded a total of \$37,344,931 in state and federal aid from these funds with \$15,351,613 required to be used for student related grants and relief. The remaining funds of \$21,993,318 were eligible for institutional purposes. The University has expended in total student and institutional relief as of June 30, 2021 and 2020, \$18,868,162 and \$4,418,165, respectively. The related revenue of \$16,798,770 and \$2,565,562 is included with Federal grants and contracts within nonoperating revenues in the Statements of Revenues, Expenses, and Changes in Net Position. Unearned revenue of \$3,921,995 and \$1,852,603 for fiscal years 2021 and 2020, respectively, is included in the statements of net position.

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Years ended June 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Proportionate Share of the Net Pension and OPEB Liabilities

KERS-Non-Hazardous Pension Plan	2020	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability	0.667879%	0.830936%	0.889474%	0.858544%	0.836194%	0.854037%	0.882259%
University's proportionate share of the net pension	\$ 94,602,318	\$ 117,353,108	\$ 121,002,044	\$ 114,944,760	\$ 95,321,852	\$ 85,676,061	\$ 79,154,689
University's covered-employee payroll	\$ 9,858,936	\$ 12,346,496	\$ 13,430,657	\$ 13,757,275	\$ 12,787,487	\$ 13,188,333	\$ 13,917,604
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	959.56%	950.50%	900.94%	835.52%	745.43%	649.64%	568.74%
Plan fiduciary net position as a percentage of the total pension liability	14.01%	13.66%	12.84%	13.00%	14.80%	18.83%	22.32%
KERS-Hazardous Pension Plan	2020	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability	0.358942%	0.399507%	0.411530%	0.389490%	0.396922%	0.388584%	0.405301%
University's proportionate share of the net pension	\$ 2,012,505	\$ 2,182,483	\$ 2,078,740	\$ 1,936,158	\$ 1,554,497	\$ 1,332,707	\$ 1,035,001
University's covered-employee payroll	\$ 616,806	\$ 641,608	\$ 629,378	\$ 695,282	\$ 585,712	\$ 492,259	\$ 523,146
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	326.28%	340.16%	330.28%	278.47%	265.40%	270.73%	197.84%
Plan fiduciary net position as a percentage of the total pension liability	55.18%	55.49%	56.10%	55.00%	57.41%	61.70%	68.74%

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

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Proportionate Share of the Net Pension and OPEB Liabilities (*Continued*)

TRS Pension Plan	2020	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability	0.341099%	0.341570%	0.429000%	0.404176%	0.698165%	0.722622%	0.710400%
University's proportionate share of the net pension	\$ 50,602,469	\$ 48,827,257	\$ 58,888,449	\$ 114,216,721	\$ 215,900,958	\$ 176,518,973	\$ 153,391,029
University's covered-employee payroll	\$ 12,174,717	\$ 11,945,441	\$ 14,824,781	\$ 13,804,356	\$ 23,671,557	\$ 24,966,648	\$ 24,460,052
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	415.64%	408.75%	397.23%	827.40%	912.07%	707.02%	627.11%
Plan fiduciary net position as a percentage of the total pension liability	58.27%	58.76%	59.28%	39.83%	35.22%	42.49%	45.59%

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

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Proportionate Share of the Net Pension and OPEB Liabilities (Continued)

KERS-Non-Hazardous OPEB Plan	2020		2019		2018		2017	
University's proportion of the net pension liability	0.667876%		0.830936%		0.888860%		0.858544%	
University's proportionate share of the net pension	\$	16,956,758	\$	18,470,843	\$	21,074,087	\$	21,772,351
University's covered-employee payroll	\$	9,900,801	\$	12,596,599	\$	13,989,750	\$	13,677,439
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	171.27%		146.63%		150.64%		159.18%	
Plan fiduciary net position as a percentage of the total pension liability	29.47%		30.92%		27.32%		24.40%	
 KERS-Hazardous OPEB Plan	 2020		 2019		 2018		 2017	
University's proportion of the net pension liability	0.358863%		0.399241%		0.411632%		0.389490%	
University's proportionate share of the net pension	\$	153,482	\$	(107,192)	\$	(136,532)	\$	23,490
University's covered-employee payroll	\$	653,881	\$	604,643	\$	783,406	\$	666,367
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.47%		-17.73%		-17.43%		3.53%	
Plan fiduciary net position as a percentage of the total pension liability	92.42%		105.29%		106.83%		98.80%	

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

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MURRAY STATE UNIVERSITY
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Schedules of Required Supplementary Information

Years ended June 30, 2020, 2019, 2018, and 2017

Proportionate Share of the Net Pension and OPEB Liabilities (Continued)

TRS OPEB - Medical	2020		2019		2018		2017	
University's proportion of the net pension liability	0.386360%		0.402916%		0.417902%		0.443448%	
University's proportionate share of the net pension	\$	9,750,760	\$	11,792,493	\$	14,500,008	\$	15,812,389
University's covered-employee payroll	\$	13,790,201	\$	14,090,843	\$	14,441,272	\$	15,145,665
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.71%		83.69%		100.41%		104.40%	
Plan fiduciary net position as a percentage of the total pension liability	39.10%		32.60%		25.54%		21.18%	
TRS OPEB - Life	2020		2019		2018		2017	
University's proportion of the net pension liability	0.877560%		0.903787%		0.948638%		0.970240%	
University's proportionate share of the net pension	\$	304,618	\$	280,825	\$	267,497	\$	213,055
University's covered-employee payroll	\$	31,322,416	\$	31,607,384	\$	32,781,704	\$	33,137,887
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.97%		0.89%		0.82%		0.64%	
Plan fiduciary net position as a percentage of the total pension liability	71.60%		73.40%		74.97%		79.99%	

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

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Schedules of Required Supplementary Information

Years ended June 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Murray State University Contributions

KERS-Non-Hazardous Pension Plan	2020		2019		2018		2017		2016		2015		2014	
Contractually required contribution	\$	3,909,884	\$	4,990,354	\$	5,577,805	\$	5,341,635	\$	4,290,378	\$	4,420,027	\$	3,912,372
Contributions in relation to the contractually required contribution		(3,909,884)		(4,990,354)		(5,577,805)		(5,341,635)		(4,290,378)		(4,420,027)		(3,912,372)
Contribution deficiency	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
University's covered-employee	\$	9,858,936	\$	12,346,496	\$	13,430,657	\$	13,757,275	\$	12,787,487	\$	13,188,333	\$	13,917,604
Contributions as a percentage of covered-employee payroll		39.66%		40.42%		41.53%		38.83%		33.55%		33.51%		28.11%
KERS-Hazardous Pension Plan	2020		2019		2018		2017		2016		2015		2014	
Contractually required contribution	\$	215,996	\$	217,297	\$	146,694	\$	136,435	\$	94,306	\$	115,000	\$	183,317
Contributions in relation to the contractually required contribution		(215,996)		(217,297)		(146,694)		(136,435)		(94,306)		(115,000)		(183,317)
Contribution deficiency	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
University's covered-employee	\$	616,806	\$	641,608	\$	629,378	\$	695,282	\$	585,712	\$	492,259	\$	523,146
Contributions as a percentage of covered-employee payroll		35.02%		33.87%		23.31%		19.62%		16.10%		23.36%		35.04%

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

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Schedules of Required Supplementary Information

Years ended June 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Murray State University Contributions *(Continued)*

TRS Pension Plan	2020		2019		2018		2017		2016		2015		2014	
Contractually required contribution	\$	3,956,138	\$	3,996,612	\$	5,349,835	\$	5,326,832	\$	5,555,229	\$	5,684,344	\$	5,519,075
Contributions in relation to the contractually required contribution		(3,956,138)		(3,996,612)		(5,349,835)		(5,326,832)		(5,555,229)		(5,684,344)		(5,519,075)
Contribution deficiency	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
University's covered-employee	\$	12,174,717	\$	11,945,441	\$	14,824,781	\$	13,804,356	\$	23,671,557	\$	24,966,648	\$	24,460,052
Contributions as a percentage of covered-employee payroll		32.49%		33.46%		36.09%		38.59%		23.47%		22.77%		22.56%

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

See Report of Independent Auditors

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Schedules of Required Supplementary Information

Years ended June 30, 2020, 2019, 2018, and 2017

Schedule of Murray State University Contributions (Continued)

KERS-Non-Hazardous OPEB Plan	2020		2019		2018		2017
Contractually required contribution	\$	800,831	\$	1,022,149	\$	1,142,681	\$ 1,108,416
Contributions in relation to the contractually required contribution		(800,831)		(1,022,149)		(1,142,681)	(1,108,416)
Contribution deficiency	\$	-	\$	-	\$	-	\$ -
University's covered-employee	\$	9,900,801	\$	12,596,599	\$	13,989,750	\$ 13,677,439
Contributions as a percentage of covered-employee payroll		8.09%		8.11%		8.17%	8.10%
KERS-Hazardous OPEB Plan							
	2020		2019		2018		2017
Contractually required contribution	\$	15,451	\$	15,566	\$	15,463	\$ 17,734
Contributions in relation to the contractually required contribution		(15,451)		(15,566)		(15,463)	(17,734)
Contribution deficiency	\$	-	\$	-	\$	-	\$ -
University's covered-employee	\$	653,881	\$	604,643	\$	783,406	\$ 666,367
Contributions as a percentage of covered-employee payroll		2.36%		2.57%		1.97%	2.66%

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

See Report of Independent Auditors

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Schedules of Required Supplementary Information

Years ended June 30, 2020, 2019, 2018, and 2017

Schedule of Murray State University Contributions (Continued)

TRS-Medical OPEB Plan	2020		2019		2018		2017
Contractually required contribution	\$	682,339	\$	701,586	\$	744,415	\$ 759,751
Contributions in relation to the contractually required contribution		(682,339)		(701,586)		(744,415)	(759,751)
Contribution deficiency	\$	-	\$	-	\$	-	\$ -
University's covered-employee	\$	13,790,201	\$	14,090,843	\$	14,441,272	\$ 15,145,665
Contributions as a percentage of covered-employee payroll		4.95%		4.98%		5.15%	5.02%
TRS-Life OPEB Plan	2020		2019		2018		2017
Contractually required contribution	\$	14,667	\$	11,874	\$	9,288	\$ 9,362
Contributions in relation to the contractually required contribution		(14,667)		(11,874)		(9,288)	(9,362)
Contribution deficiency	\$	-	\$	-	\$	-	\$ -
University's covered-employee	\$	31,322,416	\$	31,607,384	\$	32,781,704	\$ 33,137,887
Contributions as a percentage of covered-employee payroll		0.05%		0.04%		0.03%	0.03%

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

See Report of Independent Auditors

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters
based on an Audit of Financial Statements Performed in Accordance with *Government Auditing
Standards***

Report of Independent Auditors

Board of Regents
Murray State University
Murray, Kentucky

We have audited, in accordance with the 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, the financial statements of Murray State University (the University), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dean Dorton Allen Ford, PLLC

Lexington, Kentucky
October 1, 2021