



Financial Statements

for

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

For the Year Ended June 30, 2022
with Report of Independent Auditors

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Report of Independent Auditors

Members of the Board of Regents
Murray State University
Murray, Kentucky

Secretary of Finance and
Administration Cabinet of the
Commonwealth of Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Murray State University (the University) as of June 30, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern, for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 other post-employment benefits (OPEB) supplementary information on pages 81 - 88 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 4, 2022, on our consideration of Murray State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Dean Dotson Allen Ford, PLLC

Lexington, Kentucky
October 4, 2022

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis

June 30, 2022

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, 2022. 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.

Founded in 1922, Murray State University is a comprehensive public institution of higher learning located in western Kentucky and primarily serves students in Kentucky, Illinois, Missouri, Tennessee and Indiana. The University is located in Murray, Kentucky and has study centers in four other cities where it offers a diverse range of degree programs from associate to doctoral levels, is composed of four academic colleges and two schools and enrolls students in 112 of the 120 counties within the Commonwealth of Kentucky, 48 states and 50 countries. The University contributes to the region and state through related research and public service programs. The University is a Division I member of the NCAA and a current member of the Missouri Valley Conference and Missouri Valley Football Conference. 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 9,480 students. For the 2022-23 academic year, tuition and fees increased \$90 per semester for full time resident undergraduate students. Tuition and fees at the University continue to be less than the national average.

Murray State University consistently ranks among the nation's top public universities and has been recognized for both quality and value. 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 32 consecutive years with the release of the 2023 *U.S. News Best Colleges* list. Murray State is ranked 8th among peer institutions in the "Top Public Schools - Regional Universities South" category, 8th in the "Best Value Schools - Regional Universities South" category, and 23rd in the "Best Regional Universities South" category which is an increase in its ranking in all three categories from the previous year. Murray State made a significant jump this past year from 34th to 8th in the aforementioned "Best Value Schools" 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 Bang for the Buck" by *Washington Monthly* as a best value for students seeking a college degree. *Forbes* has named the University as one of America's Top Colleges for more than 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 1,200 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.

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Management's Discussion and Analysis, continued

June 30, 2022

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 have no effect on past or current cash or cash equivalents.

	2022	2021	2020
Beginning net position, no pension/OPEB adjustment	\$ 358,229,699	\$ 342,851,693	\$ 342,200,196
Change in net position, no pension/OPEB adjustment	(12,780,807)	15,378,006	651,497
Ending net position before pension/OPEB adjustment	345,448,892	358,229,699	342,851,693
Pension beginning adjustment	(216,144,329)	(256,888,381)	(277,924,133)
Pension revenue/(expense) adjustment	35,226,805	39,372,567	21,186,735
OPEB revenue/(expense) adjustment	3,460,688	1,371,485	(150,983)
Total pension/OPEB adjustments	(177,456,836)	(216,144,329)	(256,888,381)
Net position after pension/OPEB adjustments	\$ 167,992,056	\$ 142,085,370	\$ 85,963,312

- The University implemented GASB Statement No. 87 – *Leases* in fiscal year 2022 with a retroactive restatement of the financial statements for fiscal year 2021. This standard requires reporting changes for both lessee and lessor transactions. The implementation of this standard had the following effect on the Statement of Net Position:

	2022	2021	2020
Leases receivable	\$ 877,857	\$ 958,167	\$ —
Leased assets	4,120,878	4,326,585	—
Less accumulated amortization	(1,445,736)	(1,271,122)	—
	3,552,999	4,013,630	—
Leases payable	1,670,005	2,277,928	—
Deferred inflows related to leases	640,110	720,290	—
Adjustment to Net Position	\$ 1,242,884	\$ 1,015,412	\$ —

GASB Statement No. 87 had no effect on the financial statements for fiscal year 2020.

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Management's Discussion and Analysis, continued

June 30, 2022

- In fiscal year 2022 the University had assets of \$446.5 million, deferred outflows of \$28.4 million, liabilities of \$256.2 million and deferred inflows of \$49.5 million. Net position, which represents the University's residual interest in assets and deferred outflows after liabilities and deferred inflows are deducted, was \$169.2 million or 36 percent of total assets and deferred outflows. Net position increased by \$26.1 million from fiscal year 2021 to 2022. This increase in net position is primarily the result of \$38.7 million related to pension/OPEB adjustments. Additional contributing factors were a \$4.7 million increase in sales, services, and other operating revenue, a \$0.9 million increase in net auxiliary revenue, and a \$4.3 million increase in state appropriations, offset by a (\$3.6 million) decrease in net tuition and fees and \$18.8 million increase in operational spending. Details to the changes are presented throughout the MD&A.
- Fiscal operations were in accordance with the annual operating budget of approximately \$147.9 million. The University continued to be a strong employer for the region and employed 2,899 individuals, including 558 faculty and 638 staff members and 1,703 students. These totals include 1,196 regular and full-time faculty and staff.
- Total originally enacted operating state appropriations for fiscal year 2022 increased by \$4.3 million. This increase was primarily due to \$3.2 million received to fund the increase in required employer contributions to the Kentucky Employee Retirement System (KERS) pension plan. Additionally, the one-year funding source modification in 2021 by the Commonwealth of \$1.1 million reduced state appropriations in 2021 and increased federal stimulus dollars received from the state. The reversal of this modification caused an increase in the current fiscal year appropriation.
- The University invests approximately all of its endowment funds with the Murray State University Foundation, Inc. (Foundation). The value of these funds is as follows:

Historical Value	\$20.0 million
Market Value	\$29.7 million

These funds experienced an unrealized loss of \$5.3 million in fiscal year 2022. However, actual interest earnings received 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 2022.

- The University invested in a significant number of asset preservation projects for historic buildings in fiscal year 2022 totaling \$12.5 million. These projects were funded from multiple sources throughout the University, including private funds.
- The University experienced additional changes in the pension liability in fiscal year 2022. Overall adjustments related to pensions/OPEB were a (\$12.8 million) reduction to liabilities and a (\$4.1 million) increase to operating expenses.

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June 30, 2022

The University's portion of the liability reported by the Kentucky Public Pensions Authority (KPPA), the administrative support for KERS, resulted in a (\$3.5 million) reduction in pension liability and a (\$2.1 million) reduction in OPEB liability. The University's portion of the liability reported by the Teachers' Retirement System (TRS) resulted in a (\$5.4 million) decrease in pension liability and a (\$1.8 million) reduction in OPEB liability.

Operating expenses decreased by (\$6 million) related to KERS pension adjustments and increased \$12.1 million related to TRS pension adjustments. Additionally, operating expenses decreased by (\$1.6 million) related to KERS OPEB adjustments and (\$0.4 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 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.
- Fall 2022 enrollment trends were as follows:
 - Overall headcount was up by 0.8 percent over the previous fall.
 - First-time graduate students were up 4.77 percent over the previous fall.
 - Underrepresented minority first-time freshmen were up 3.7 percent over the previous fall.
 - Overall graduate students were up 4.3 percent over the previous fall.
 - International students were up 11 percent over last fall.

Overall enrollments for regular students were stable. The first-to-second year retention rate increased by 2.7 percent for all students, 15 percent for underrepresented minority students and 1.7 percent for low-income students.

- As a result of the COVID 19 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)**. These funds were fully expended in fiscal year 2022.

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June 30, 2022

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 were fully expended in fiscal year 2022.

All funds awarded through the above stimulus acts have been received and expended as of June 30, 2022. The University also received \$3 million of federal stimulus funds received through the Commonwealth of Kentucky. The University 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.

- 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 will be adding five graduate certificate programs to the agreement beginning in Fall 2022, and will also be adding three additional Master's level programs in Spring 2023.

Performance Funding

The enacted 2017-18 Commonwealth of Kentucky budget included the implementation of the performance funding model. 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.

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June 30, 2022

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.

Murray State University received a one-time appropriation of \$3.3 million in performance funds for fiscal year 2023.

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 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 2022 and 2021 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 2022 fiscal year were \$446.5 million, of which capital assets, net of depreciation, represented the largest portion. Capital assets totaled approximately \$228 million or 51 percent of total assets and were primarily comprised of University-owned land, buildings, equipment, and library holdings. Cash and cash equivalents amounted to \$166.6 million or 37 percent of total assets. Total assets decreased by \$7.8 million during the 2022 fiscal year. This decrease in gross total assets is due primarily to the following:

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Management's Discussion and Analysis, continued

June 30, 2022

- \$3.2 million - Increase in cash and cash equivalents. Primarily due to funds received from the issuance of general receipts bond series 2022 A as well as an increase in state appropriations. These increases however were offset by losses in investment activities due to market performance over the last year.
- (\$2.5 million) - Decrease in net accounts receivable. Primarily due to \$2.1 million received during the fiscal year from Higher Education Emergency Relief Fund (HEERF) funds awarded for institutional expenses that was recorded as an accounts receivable in fiscal year 2021.
- (\$3.1 million) – Decrease in restricted investments. This decrease was primarily due to an unrealized loss on assets held by the Foundation due to unfavorable market performance during the fiscal year.
- (\$5.7 million) – Decrease in capitals assets, net of accumulated depreciation. This change is mostly the result of the capitalization of \$5 million for several building repair and improvement projects completed during the fiscal year offset by current year depreciation of (\$10.9 million).

Total restated assets increased by \$19.3 million during fiscal year 2021 primarily due to the following:

- \$6.8 million - Increase in cash and cash equivalents. Primarily due to funds received from HEERF II authorized by the CRRSAA as a result of lost revenue due to the impact of the pandemic.
- \$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.
- \$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).
- \$4.0 million – Increase related to the restatement of fiscal year 2021 assets for lease receivables, due to the implementation of GASB Statement No. 87 for fiscal year 2022, of \$1.0 million and leased assets of \$4.3 million less accumulated amortization of (\$1.3 million).

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Management's Discussion and Analysis, continued

June 30, 2022

Deferred Outflows of Resources

Deferred outflows of resources for fiscal year 2022 totaled \$28.4 million and \$20.5 million for fiscal year 2021. 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 \$1.6 million and \$1.8 million for fiscal years 2022 and 2021, respectively. Deferred outflows also consisted of \$26.8 million for fiscal year 2022 and \$18.7 million for fiscal year 2021, related to reporting requirements specified in GASB Statements No. 68 and 75. The \$8.1 million increase from the prior year is due to a \$2.4 million increase in KERS pension/OPEB outflows as a result of an increase in deferred contributions in addition to a \$5.6 million increase related to assumption changes for TRS pension/OPEB.

Liabilities

Total liabilities at the end of the fiscal year 2022 were \$256.2 million, a decrease of (\$7.3 million) from the prior year. This change was due to the following:

- (\$12.8 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 (\$8.9 million) and the liability related to OPEB decreased by (\$3.9 million).
- \$2.1 million – Increase in accounts payable. This increase is primarily due to the timing of routine payables related to the dining services contract.
- (\$3.6 million) – Decrease in unearned revenue. This decrease is primarily due to HEERF funds received for institutional expenses recorded as unearned revenue in fiscal year 2021 and recognized as revenue in fiscal year 2022 as eligibility requirements were satisfied.
- \$7.7 million – Increase in long-term debt. This increase is primarily the result of the new Series 2022A general receipts bonds for asset preservation of a number of University facilities.
- (\$0.6 million) – Decrease in leases payable. This decrease is related to payments made during the fiscal year as well as additions and deductions in leased assets. This payable is related to the adoption of GASB Statement No. 87 in fiscal year 2022.

Total restated liabilities at the end of the fiscal year 2021 were \$263.5 million, a decrease of (\$26.1 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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June 30, 2022

- (\$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.
- \$2.3 million – Increase related to the restatement of liabilities for leases payable for fiscal year 2021 related to the adoption of GASB Statement No. 87 in fiscal year 2022.

Deferred Inflows of Resources

Total deferred inflows of resources were \$49.5 million in fiscal year 2022 and \$68.3 million as restated in fiscal year 2021. Deferred inflows of resources related to pensions/OPEB as specified in GASB Statement Nos. 68 and 75 consisted of \$42.6 million in fiscal year 2022 and \$60.5 million in fiscal year 2021. This decrease of \$17.9 million was a result of a (\$8.8 million) decrease in KERS pension/OPEB deferred and (\$9.1 million) decrease in TRS 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 \$6.2 million in fiscal year 2022 and \$7.1 million in fiscal year 2021. The decrease of (\$0.9 million) from the prior fiscal year was a result of the amortization of revenue as earned in the current fiscal year. As a result of GASB Statement No. 87, the University recognized deferred inflows of resources for lessor transactions of \$0.6 million in fiscal year 2022 and \$0.7 million in fiscal year 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.

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- 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, 2022

Condensed Statements of Net Position

	June 30, 2022	<i>Restated*</i> June 30, 2021	June 30, 2020*
Assets			
Current assets	\$ 128,484,665	\$ 125,697,236	\$ 111,465,152
Noncurrent assets	87,415,041	91,933,052	87,461,028
Capital and leased assets	230,640,183	236,710,738	236,141,853
Total assets	446,539,889	454,341,026	435,068,033
Deferred Outflows	28,376,099	20,531,106	28,005,023
Liabilities			
Current liabilities	26,504,554	27,512,600	26,231,492
Noncurrent liabilities	229,700,427	235,966,440	263,357,628
Total liabilities	256,204,981	263,479,040	289,589,120
Deferred Inflows	49,476,067	68,292,310	87,520,624
Net Position			
Invested in capital assets, net of related debt	170,197,714	173,275,186	171,536,241
Restricted for			
Nonexpendable	23,961,548	28,464,071	22,741,965
Expendable			
Scholarships, research, instruction and other	7,965,640	4,083,593	5,166,678
Loans	2,137,695	2,438,834	2,959,167
Capital	11,602,057	13,035,626	15,424,874
Debt service	402,446	429,256	526,963
Unrestricted	(47,032,160)	(78,625,784)	(132,392,576)
Total net position	\$ 169,234,940	\$ 143,100,782	\$ 85,963,312

*The Statement of Net Position ending June 30, 2021 was restated to reflect reporting requirements of GASB Statement No. 87 – *Leases*. The Statement of Net Position ending June 30, 2020 does not include the reporting requirements of GASB Statement No. 87.

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Management's Discussion and Analysis, continued

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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

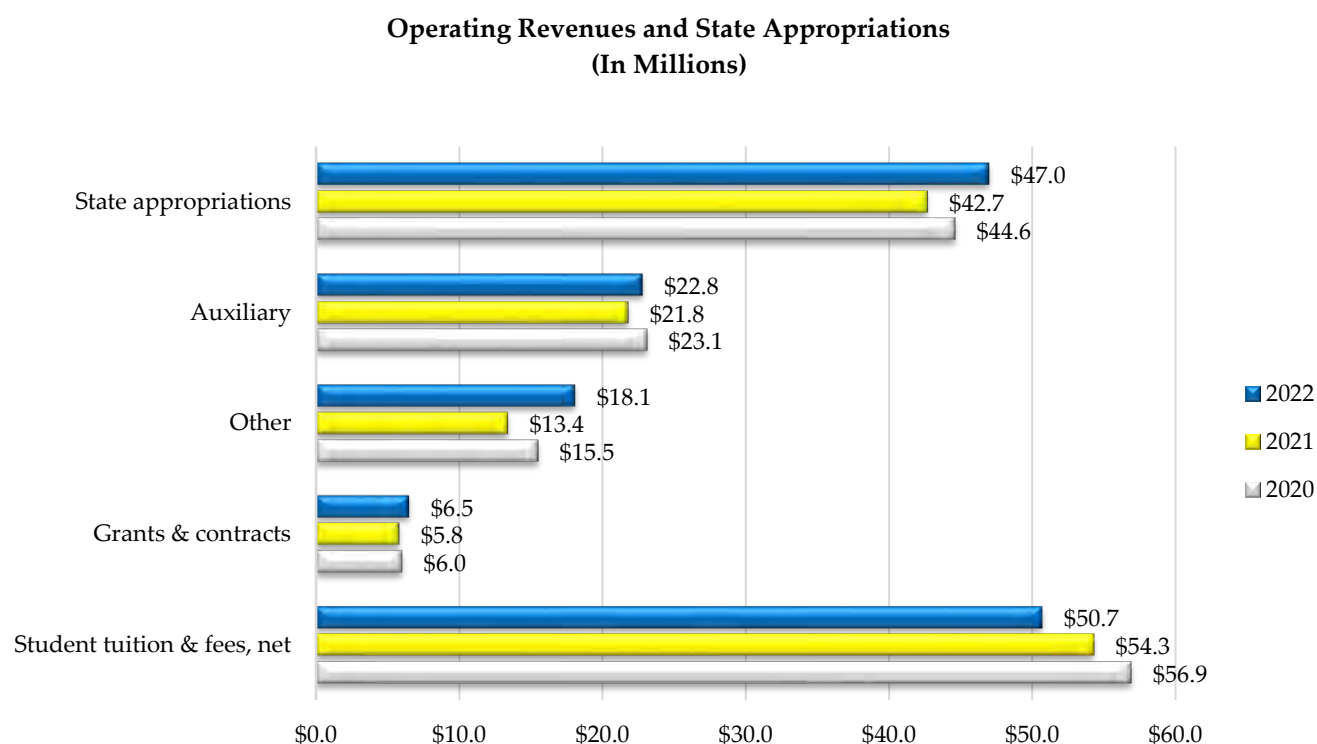
- Total operating revenues, which exclude state appropriations, for fiscal year 2022 were \$98.2 million, including student tuition and fees, net of related discounts and allowances, of \$50.7 million, operating restricted grants and contracts revenues of \$6.5 million, sales, services and other revenues of \$18.1 million, and auxiliary services net revenues of \$22.8 million.
- During fiscal year 2022, operating revenues increased by \$2.9 million. This increase from the prior year consists of a \$4.8 million increase in sales, services, and other operating revenues which includes \$2 million in pension support revenue and \$2.1 million in Athletic ticket sales, sponsorships, and game guarantees. Additionally, there was a \$1 million increase in net auxiliary revenues, \$0.7 million increase in grants and contracts revenue, offset by a (\$3.6 million) decrease in net tuition and fees solely related to increases in student scholarship funding.
- The University received \$47 million in state appropriations for operations for fiscal year 2022, and \$42.7 million for fiscal year 2021, with the change primarily due to the state appropriation received to support fixed KERS pension costs.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2022

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 2022 were \$157.6 million. Academic Affairs, which include instruction, research, libraries and academic support, represent the largest portion of the operating expenses totaling \$74.3 million or 47 percent. Student Support, which include student services, financial aid, athletics, and auxiliary enterprises, was \$58.2 million or 37 percent. Other expenses which include public service, institutional support, depreciation, amortization, operation and maintenance and state pension/OPEB expenses amounted to \$25.1 million or 16 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.

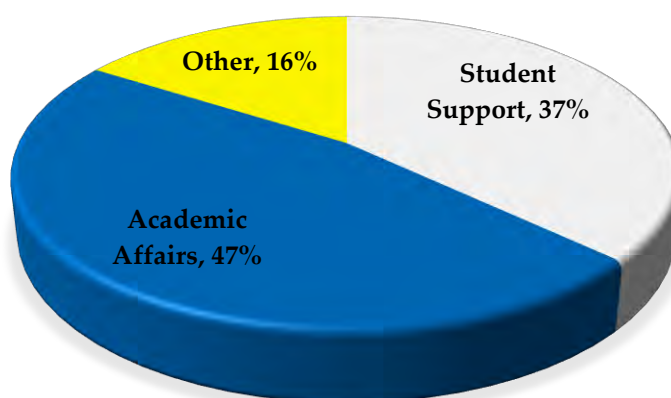
MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2022

Operating expenses by type are reflected in the following chart:

**University Operating Expenses
Year Ended June 30, 2022**



Operating expenses increased for the year ended June 30, 2022, by \$22.9 million. The primary reasons for the increase in operating expenses are as follows:

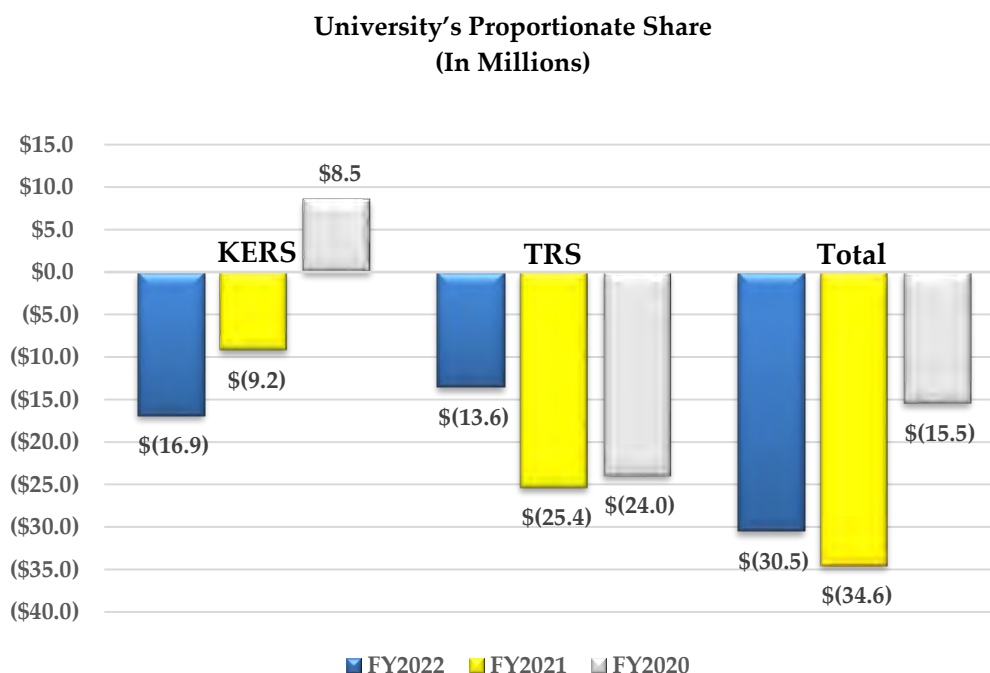
- \$2.9 million – Increase in scholarships awarded to students.
- \$7.1 million – Increase in salaries and benefits as a result of the cost of living adjustment provided to employees in fiscal year 2022 in addition to an overall increase in health insurance costs and an increase in employer contributions to the KERS pension plan as required by statute.
- \$3.3 million – Increase in operations and maintenance of plant expense as the University continued to address asset preservation needs with University funds.
- \$5.1 million – Increase in other operational spending within budget parameter as departments experienced more normal operations after interruptions and travel restrictions resulted from the COVID-19 pandemic.
- \$4.1 million – Increase in overall operating expenses as the result of the University's proportionate share of expenses related to Kentucky state pension and OPEB plans. The University's proportionate expenses related to pension for fiscal year 2022 were (\$27 million) and (\$33.2 million) for fiscal year 2021. The University's proportionate expenses related to OPEB were (\$3.5 million) in fiscal year 2022 and (\$1.4 million) in fiscal year.

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2022

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



The net loss from operations for the year ended June 30, 2022, was (\$59.4 million) including pension/OPEB adjustments. Nonoperating revenues, net of expenses, of \$84.3 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 \$26.1 million for the year ended June 30, 2022. This increase in net position is primarily the result of \$38.7 million related to pension/OPEB adjustments. Additional contributing factors were a \$4.7 million increase in sales, services, and other operating revenue, a \$0.9 million increase in net auxiliary revenue, and a \$4.3 million increase in state appropriations, offset by a (\$3.6 million) decrease in net tuition and fees due to increases in scholarships funded, a \$4.5 million increase in required employer contributions to KERS, a \$2.8 million increase in salaries and other benefits, a \$2.9 million increase in student aid expenses related to the increase in scholarships awarded, and \$8.4 million increase in travel and departmental operational spending.

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.

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2022

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues			
Student tuition and fees, net	\$ 50,693,387	\$ 54,314,322	\$ 56,894,223
Grants and contracts	6,515,222	5,776,539	5,979,202
Other	18,147,930	13,387,330	15,533,405
Auxiliary, net	22,843,200	21,848,614	23,148,502
Total operating revenues	<u>98,199,739</u>	<u>95,326,805</u>	<u>101,555,332</u>
Operating Expenses			
Instruction	60,932,332	57,210,365	57,728,949
Other educational and general	68,683,483	51,077,841	72,887,245
Depreciation	8,220,800	8,226,458	8,858,236
Amortization - leases	329,262	-	-
Auxiliary enterprises	15,575,490	14,284,085	14,521,531
Auxiliary depreciation	3,829,473	3,836,267	3,501,019
Total operating expenses	<u>157,570,840</u>	<u>134,635,016</u>	<u>157,496,980</u>
Operating loss	<u>(59,371,101)</u>	<u>(39,308,211)</u>	<u>(55,941,648)</u>
Nonoperating Revenues			
State appropriations	47,024,700	42,742,600	44,581,400
Other nonoperating revenues	37,300,382	51,852,971	31,127,146
Total nonoperating revenues	<u>84,325,082</u>	<u>94,595,571</u>	<u>75,708,546</u>
Other Revenues			
State capital appropriations and other	<u>1,180,177</u>	<u>834,698</u>	<u>1,920,351</u>
Change in Net Position	26,134,158	56,122,058	21,687,249
Net Position - Beginning of Year	<u>143,100,782</u>	<u>85,963,312</u>	<u>64,276,063</u>
Restatement of 2021 beginning net position for GASB 87 leases	<u>—</u>	<u>1,015,412</u>	<u>—</u>
Net position, beginning of year	<u>143,100,782</u>	<u>86,978,724</u>	<u>64,276,063</u>
Net Position - End of Year	<u><u>\$ 169,234,940</u></u>	<u><u>\$ 143,100,782</u></u>	<u><u>\$ 85,963,312</u></u>

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2022

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, 2022:

The net cash used in operating activities reflects the net cash used for general operations of the University, which increased by \$8.3 million during fiscal year 2022. This increase in cash used was largely due to increases in payments for salaries and wages and payments to suppliers for the year.

The cash flows from noncapital financing activities decreased by \$4.3 million during fiscal year 2022. This change was due to a decrease of (\$4.1 million) in grants and contracts primarily due to pandemic related funds received in the prior year. Additional changes include a (\$4.5 million) decrease in deferred revenues related to capital projects funded by the third-party contractor for dining services, and offset by a \$4.3 million increase 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 \$13.7 million. The primary change was due to the issuance of general receipts bonds of \$12.2 million during fiscal year 2022.

The cash flows provided by or used in investing activities represent the cash activities of investments, which decreased by (\$4.7 million) for fiscal year 2022. This decrease was primarily the result of a (\$4.7 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, 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.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2022

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.

Condensed Statements of Cash Flows

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash Provided/(Used) By:			
Operating activities	\$ (80,839,992)	\$ (72,549,856)	\$ (60,340,383)
Noncapital financing activities	88,071,925	92,343,233	74,511,545
Capital and related financing activities	(220,144)	(13,912,746)	(18,587,314)
Investing activities	<u>(3,784,914)</u>	<u>925,316</u>	<u>4,608,660</u>
Net increase/(decrease) in cash	<u>3,226,875</u>	<u>6,805,947</u>	<u>192,508</u>
Cash and Cash Equivalents - Beginning of Year	<u>163,410,838</u>	<u>156,604,891</u>	<u>156,412,383</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 166,637,713</u></u>	<u><u>\$ 163,410,838</u></u>	<u><u>\$ 156,604,891</u></u>

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2022

Capital Assets and Debt Administration

The University had a \$5.2 million increase in capital assets, before accumulated depreciation, during the fiscal year ended June 30, 2022. This change is primarily due to the capitalization of several building repair and improvement projects completed during the fiscal year.

Capital and leased assets as of June 30, 2022, and changes during the year are as follows:

	Balance June 30, 2022	Balance June 30, 2021	Net Change 2021-22
Capital Assets			
Land	\$ 10,886,463	\$ 10,886,463	\$ —
Construction in progress	2,006,801	1,934,088	72,713
Museum and collectibles	704,237	699,737	4,500
Buildings	408,268,595	403,231,303	5,037,292
Non-building improvements	18,507,858	18,507,858	—
Equipment	38,165,413	38,065,345	100,068
Software	1,932,019	1,932,019	—
Library holdings	10,266,855	10,265,620	1,235
Livestock	132,749	137,749	(5,000)
Accumulated depreciation	(262,905,949)	(252,004,907)	(10,901,042)
Total capital assets	<u>\$ 227,965,041</u>	<u>\$ 233,655,275</u>	<u>\$ (5,690,234)</u>
Leased Assets			
Equipment	\$ 822,942	\$ 871,005	\$ (48,063)
Buildings	3,191,226	3,402,577	(211,351)
Vehicles	106,710	53,003	53,707
Accumulated Amortization	(1,445,736)	(1,271,122)	(174,614)
Total leased assets	<u>\$ 2,675,142</u>	<u>\$ 3,055,463</u>	<u>\$ (380,321)</u>
Total capital and leased assets	<u>\$ 230,640,183</u>	<u>\$ 236,710,738</u>	<u>\$ (6,070,555)</u>

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2022

Debt as of June 30, 2022, and changes during the year are as follows:

	Balance June 30, 2022	Balance June 30, 2021	Net Change 2021-22
General receipts bonds	\$ 63,165,000	\$ 56,190,000	\$ 6,975,000
Bond premium	3,050,401	1,860,858	1,189,543
City of Murray	5,705,000	6,145,000	(440,000)
Total	\$ 71,920,401	\$ 64,195,858	\$ 7,724,543

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 and Leased Assets, and Debt can be found in Notes 7 and 13, respectively, to the financial statements.

Economic Factors Affecting Future Periods

- In fiscal year 2022, Kentucky's General Fund receipts finished the year 14.6 percent over prior year levels, the highest annual growth rate in 31 years. The second highest growth rate during that same span was fiscal year 2021, where General Fund receipts grew 10.9 percent. A resurgent Kentucky economy helped boost individual income, sales and use, and business tax receipts, leading to the highest two years of revenue surpluses on record.

Final fiscal year 2022 General Fund revenues exceeded the enacted estimate by \$0.9 billion, an amount surpassed only once by the surplus of \$1.1 billion in the prior year. The revenue surplus will be deposited into Kentucky's Rainy-Day Fund and the Budget Reserve Trust Fund, which brings the Budget Reserve Trust Fund up to a new all-time high.

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2022

The National outlook poises the US economy for expansion over a three-quarter forecast horizon despite talks of a looming recession as the Federal Reserve aggressively acts to reduce inflation. Inflation recently reached its fastest pace in four decades however, it is anticipated to ease as energy prices recede, supply disruptions abate, and less accommodative monetary and fiscal policy reverse the prior policies of demand stabilization.

The current official estimate, which is the enacted projections, for Kentucky's General Fund receipts for fiscal year 2023 is 6.4 percent less than actual fiscal year 2022 General Fund collections. During the forecast horizon, the General Fund is expected to grow a net \$1.7 billion and both the individual income tax and sales and use tax are expected to surpass that amount by themselves. Growth is expected to continue into fiscal year 2023 even though the level of receipts in fiscal year 2022 established a high basis of comparison.

The above was reported in the 2022 (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 and the bonds were issued in January 2022. The plan is for these bonds to be focused on the preservation projects for Lovett Auditorium, Curris Center, Wrath Hall, and other historic buildings on the campus.

During much of fiscal year 2022, the University began experiencing significant delays in obtaining materials for maintenance and asset preservation projects and the costs of such materials and related labor are impacting the timing of completion of many routine and planned projects. There is a degree of uncertainty in the length of time the University and our region may experience these conditions.

- 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 2023, the third 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.

MURRAY STATE UNIVERSITY
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Management's Discussion and Analysis, continued

June 30, 2022

- Early headcount enrollments for Fall 2022 indicate total headcount has increased by 2.3 percent compared to Fall 2021. The first-to-second year retention rate for all degree seeking students was 77 percent from Fall 2021 to Fall 2022, an increase of 2.7 percent. The increase in underrepresented minority retention is almost 11 percentage points over Fall 2021.
- The sizable state pension liability continues to be a primary risk element for the University. 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 employers are required to pay off their own portion of the total unfunded liability over a set period regardless of covered payroll. Each employer will still pay the normal cost contribution rate, which was 10.10 percent for fiscal year 2022, and pay a dollar amount each month representing their share of the unfunded liability. For fiscal year 2022, this flat contribution towards the University's unfunded KERS-nh liability was \$7.2 million.
- During the 2022 fiscal year, the University has experienced significant realized losses in investments with the Commonwealth of Kentucky, where certain revenues are required to be invested by statute. There were also significant unrealized losses in the market value of funds invested with the Foundation. It is uncertain at this time when unfavorable market conditions will begin to move in a more positive direction.
- Since 2019, 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 a Request for Proposal (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 replacing much of the on-campus housing inventory through a possible public/private partnership (P3) arrangement. The University has entered into a pre-development services agreement with a developer. Currently, cost, labor and materials availability and municipal market interest rates are being analyzed to determine the best path forward.

MURRAY STATE UNIVERSITY
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Statements of Net Position

June 30, 2022 and 2021

		Restated
	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 110,622,564	\$ 106,219,970
Accounts receivable, net	11,184,316	13,642,110
Leases receivable	877,857	958,167
Inventories	2,673,448	2,684,473
Loans to students, net	297,378	346,429
Prepaid expenses	2,829,102	1,846,087
Total Current Assets	128,484,665	125,697,236
Noncurrent Assets		
Restricted cash and cash equivalents	56,015,149	57,190,868
Restricted investments	30,096,733	33,202,415
Loans to students, net	1,303,159	1,539,769
Capital assets	490,870,990	485,660,182
Accumulated depreciation	(262,905,949)	(252,004,907)
Leased assets	4,120,878	4,326,585
Accumulated amortization	(1,445,736)	(1,271,122)
Total Noncurrent Assets	318,055,224	328,643,790
Total Assets	446,539,889	454,341,026
Deferred Outflows of Resources		
Bond refunding loss	1,600,893	1,822,144
Deferred outflows related to pension/OPEB contributions	26,775,206	18,708,962
Total Deferred Outflows of Resources	\$ 28,376,099	\$ 20,531,106

See accompanying notes.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Statements of Net Position, continued

June 30, 2022 and 2021

	Restated	
	2022	2021
Liabilities		
Current Liabilities		
Accounts payable	\$ 9,010,037	\$ 6,932,360
Accrued payroll	5,758,592	5,923,967
Self-insured health liability	721,584	628,117
Interest payable	802,067	695,640
Unearned revenue	4,236,084	7,851,312
Deposits - current portion	246,993	289,470
Leases payable - current portion	532,574	523,556
Long-term debt - current portion	5,196,623	4,668,178
Total Current Liabilities	26,504,554	27,512,600
Noncurrent Liabilities		
Deposits	229,200	301,478
Leases payable	1,137,431	1,754,372
Long-term debt	66,723,778	59,527,680
Net pension/OPEB liability, state pension plans	161,610,018	174,382,910
Total Noncurrent Liabilities	229,700,427	235,966,440
Total Liabilities	256,204,981	263,479,040
Deferred Inflows of Resources		
Deferred inflows related to dining contract	6,213,934	7,101,640
Deferred inflows related to leases	640,110	720,290
Deferred inflows related to net pension/OPEB liability	42,622,023	60,470,380
Total Deferred Inflows of Resources	49,476,067	68,292,310
Net Position		
Net investment in capital assets	170,197,714	173,275,186
Restricted for:		
Nonexpendable:		
Endowment	23,961,548	28,464,071
Expendable:		
Scholarships, research, instruction and other	7,965,640	4,083,593
Loans	2,137,695	2,438,834
Capital projects	11,602,057	13,035,626
Debt service	402,446	429,256
Unrestricted	(47,032,160)	(78,625,784)
Total Net Position	\$ 169,234,940	\$ 143,100,782

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

June 30, 2022 and 2021

Assets

	2022	2021
Assets		
Cash and cash equivalents	\$ 2,618,845	\$ 3,162,496
Accounts receivable	64,650	42,682
Investments	146,071,700	166,220,655
Real estate held for investment	2,552,957	2,552,957
Prepaid and other assets	53,854	48,138
Contributions receivable, net	588,680	853,640
Property and equipment, net	6,111,793	6,208,897
Total Assets	\$ 158,062,479	\$ 179,089,465

Liabilities And Net Assets

	2022	2021
Liabilities		
Accounts payable	\$ 90,942	\$ 415,672
Due to Murray State University (MSU)	650,991	114,788
Accrued expenses	62,245	64,664
Deferred revenue	70,892	66,522
Assets held for others	30,959,182	34,405,803
Capital lease obligation	—	24,698
Annuities and trusts payable	5,523,020	5,441,341
Other liabilities	290,968	320,726
Total Liabilities	37,648,240	40,854,214
Net Assets		
Without donor restrictions	23,689,324	28,872,854
With donor restrictions	96,724,915	109,362,397
Total Net Assets	120,414,239	138,235,251
Total Liabilities and Net Assets	\$ 158,062,479	\$ 179,089,465

See accompanying notes.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

	For The Years Ended June 30,	
	2022	2021
Operating Revenues		
Tuition and fees	\$ 99,985,416	\$ 100,360,660
Less: Discounts and allowances	(49,292,029)	(46,046,338)
Net tuition and fees	50,693,387	54,314,322
Federal grants and contracts	5,790,144	5,146,941
State grants and contracts	463,470	486,725
Private grants and contracts	261,608	142,873
Total grants and contracts	6,515,222	5,776,539
Sales and services of educational activities	7,387,761	7,066,502
Other operating revenues	10,760,169	6,320,828
Total sales, services, and other revenues	18,147,930	13,387,330
Auxiliary enterprises	23,224,379	22,237,904
Less: Discounts and allowances	(381,179)	(389,290)
Net auxiliary revenue	22,843,200	21,848,614
Total Operating Revenues	98,199,739	95,326,805
Operating Expenses		
Instruction	60,932,332	57,210,365
Research	2,694,721	3,183,494
Public service	6,488,603	5,895,504
Libraries	3,525,947	3,581,551
Academic support	7,183,089	6,629,530
Student services	18,029,229	14,379,229
Institutional support	18,110,524	16,239,011
Operation and maintenance of plant	22,412,814	17,891,464
Student financial aid	20,720,662	17,867,499
Depreciation	8,220,800	8,226,458
Amortization - leases	329,262	—
State pension expense (benefit) GASB 68	(27,021,418)	(33,217,956)
State OPEB expense (benefit) GASB 75	(3,460,688)	(1,371,485)
Auxiliary enterprises	15,575,490	14,284,085
Auxiliary depreciation	3,829,473	3,836,267
Total Operating Expenses	157,570,840	134,635,016
Operating Loss	\$ (59,371,101)	\$ (39,308,211)

See accompanying notes.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

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

Years ended June 30, 2022 and 2021

	For The Years Ended June 30,	
	2022	2021
Nonoperating Revenues (Expenses)		
State appropriations	\$ 47,024,700	\$ 42,742,600
Restricted student fees	2,095,318	2,147,840
Federal grants and contracts	32,788,633	31,617,048
State grants and contracts	10,679,502	9,849,199
Local and private grants and contracts	545,787	671,860
Gifts	1,615,840	2,786,994
Investment (loss) income	(7,816,157)	7,219,180
Interest on capital asset-related debt	(2,302,991)	(2,290,282)
Interest earned on leased assets	46,320	—
Interest on leased asset-related debt	(70,323)	—
Loss on deletion and disposal of capital assets	(120,753)	(63,948)
Bond amortization	(160,794)	(84,920)
Nonoperating Revenues (Expenses), Net	84,325,082	94,595,571
Income Before Other Revenues, Expenses Gains and Losses	24,953,981	55,287,360
State Capital Appropriations	60,000	1,549
Other Insurance Proceeds	285,197	136,872
Capital Gifts	73,306	555,470
Additions to Permanent Endowments	761,674	140,807
Change in Net Position	26,134,158	56,122,058
Net Position - Beginning of Year	143,100,782	85,963,312
Restatement of beginning net position for leases	—	1,015,412
Net Position - Beginning of Year (adjusted)	143,100,782	86,978,724
Net Position - End of Year	\$ 169,234,940	\$ 143,100,782

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues, Gains/(Losses) And Other Support			
Contributions	\$ —	\$ 6,508,189	\$ 6,508,189
Revenues from operations of the Frances E. Miller Memorial Golf Course	488,447	—	488,447
Fees and rental income	45,605	43,358	88,963
Investment return, net	(4,400,528)	(15,034,463)	(19,434,991)
Other	—	40,339	40,339
Change in value of annuities payable	—	(214,535)	(214,535)
Net assets released from restrictions	4,148,095	(4,148,095)	—
Total Revenues, Gains/(Losses) And Other Support	281,619	(12,805,207)	(12,523,588)
Expenses:			
Program services expenses:			
Support provided to MSU, including scholarships	4,341,752	—	4,341,752
Frances E. Miller Memorial Golf Course	543,172	—	543,172
Total Program Services Expense	4,884,924	—	4,884,924
Supporting services expenses:			
Management and general	396,120	—	396,120
Fundraising	16,380	—	16,380
Total Supporting Services Expense	412,500	—	412,500
Total Expenses	5,297,424	—	5,297,424
Transfers between Foundation fund groups	(167,725)	167,725	—
Change in Net Assets	(5,183,530)	(12,637,482)	(17,821,012)
Net Assets - Beginning of Year	28,872,854	109,362,397	138,235,251
Net Assets - End of Year	\$ 23,689,324	\$ 96,724,915	\$ 120,414,239

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
A Component Unit of the Commonwealth of Kentucky

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Tuition and fees	\$ 50,409,516	\$ 53,854,952
Grants and contracts	9,590,018	2,195,396
Payments for salaries, wages and fringes	(98,130,471)	(92,113,276)
Payments to suppliers	(38,084,873)	(31,925,432)
Payments for student financial aid	(20,720,662)	(17,867,499)
Collections of loans to employees	—	4,943
Loans issued to students	(44,769)	(56,665)
Collections of loans to students	330,430	494,549
Sales and services of educational activities	7,583,040	7,074,134
Other operating revenues	2,344,089	32,556
Auxiliary revenues:		
Dining services	75,086	40
Housing	14,137,891	13,842,050
Bookstore	4,948,437	3,764,463
Contracted dining services	3,371,850	3,103,156
Other	151,577	144,439
Auxiliary payments:		
Payments for salaries, wages and fringes	(4,296,627)	(3,515,405)
Payments to suppliers	(12,504,524)	(11,582,257)
Net Cash Used in Operating Activities	(80,839,992)	(72,549,856)
Cash Flows From Noncapital Financing Activities		
State appropriations	47,024,700	42,742,600
Endowment proceeds forwarded to the Foundation for investment	(393,810)	(614,503)
Grants and contracts	40,091,927	44,207,499
Endowment income	1,238,372	729,493
Gifts for other than capital purposes	1,079,749	1,662,022
Agency transactions	(1,127)	3,826
Deferred inflows contracted dining services	(887,706)	3,612,296
Deferred inflows leases	(80,180)	—
Net Cash Provided by Noncapital Financing Activities	88,071,925	92,343,233
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt, net of discount	12,200,000	—
Restricted student fees	2,095,318	2,147,840
Insurance proceeds - other	285,197	136,872
State capital appropriations	60,000	7,476
Purchases of capital assets	(8,193,898)	(9,837,043)
Capital gifts	68,806	272,738
Principal paid on capital debt	(4,515,000)	(4,310,000)
Interest paid on capital debt	(2,196,564)	(2,330,629)
Interest earned on leased assets	46,320	—
Interest paid on leased assets	(70,323)	—
Net Cash Used in Capital and Related Financing Activities	\$ (220,144)	\$ (13,912,746)

See accompanying notes.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Statements of Cash Flows, continued

Years ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	\$ 8	\$ 513
Purchases of investments	(130)	(25)
Investment (loss) income	(3,784,792)	924,828
Net Cash (Used in) Provided by Investing Activities	(3,784,914)	925,316
Net Increase in Cash and Cash Equivalents	3,226,875	6,805,947
Cash and Cash Equivalents - Beginning of Year	163,410,838	156,604,891
Cash and Cash Equivalents - End of Year	166,637,713	163,410,838
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents	110,622,564	106,219,970
Restricted cash and cash equivalents	56,015,149	57,190,868
Total Cash and Cash Equivalents	166,637,713	163,410,838
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (59,371,101)	\$ (39,308,211)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	12,050,273	12,062,725
Amortization expense	329,262	—
Bad debt expense	1,071,940	1,533,007
Net pension gain, proportionate share	(38,687,493)	(40,744,052)
Net in-kind expenses	192,344	467,929
Changes in assets and liabilities:		
Accounts and loans receivable, net	2,743,454	(4,359,244)
Leases receivable	80,310	—
Inventories	11,025	(21,484)
Prepaid expenses	(983,015)	(239,585)
Accounts payable	2,209,701	(1,540,981)
Self-insured health liability	93,467	12,618
Accrued payroll	(165,375)	(83,448)
Deposits	(113,628)	(93,236)
Leases payable	(607,923)	—
Unearned revenue	306,767	(235,894)
Net Cash Used in Operating Activities	\$ (80,839,992)	\$ (72,549,856)
Supplemental Disclosure of Cash Flow Information		
Gifts of capital assets	\$ 105,528	\$ 282,732
Accounts payable incurred for capital asset purchases	132,024	396,287
Changes in fair value of investments	(5,269,737)	5,564,859

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 two schools and serves a student population of approximately 9,480. 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 Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* 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 and are recognized when all applicable eligibility requirements are met.

Capital and Leased 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. Leased assets 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
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

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 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 2021 and the end of fiscal year 2022.

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, amounts related to outsourcing campus dining operations, and lease-related amounts in which the University is the lessor.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

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:

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.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

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.

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.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

Subsequent Events

Subsequent events have been evaluated through October 4, 2022, the date the financial statements were available to be issued.

2. Accounts Receivable

Accounts receivable as of June 30 consisted of:

	<u>2022</u>	<u>2021</u>
Current accounts receivable:		
Student tuition and fees	\$ 9,066,619	\$ 8,753,900
Grants and contracts	2,189,500	4,998,767
Auxiliary fees	3,528,417	3,379,399
Auxiliary-contracted dining services	352,135	445,724
Foundation	650,991	114,788
Outside sales	463,076	566,540
Other	1,080	250,000
Allowance for doubtful accounts	(5,067,502)	(4,867,008)
Total current accounts receivable	<u>\$ 11,184,316</u>	<u>\$ 13,642,110</u>

3. Inventories

Inventories as of June 30 consisted of:

	<u>2022</u>	<u>2021</u>
University bookstore - resale	\$ 1,363,925	\$ 1,385,290
Physical plant - supplies	1,257,411	1,250,693
Art supplies	52,112	48,490
Total inventories	<u>\$ 2,673,448</u>	<u>\$ 2,684,473</u>

4. Loans Receivable

Student loans made through the Federal Perkins Loan Program (Program) comprise substantially all of the loans receivable at June 30, 2022 and 2021. 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.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

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, 2022 and 2021 was \$193,346 and \$219,027, respectively.

Loans receivable as of June 30 consisted of:

	2022	2021
Current loans receivable:		
University loan programs	\$ 12,391	\$ 12,597
Federal nursing program	77,973	80,182
Federal Perkins program	207,014	253,650
Total current loans receivable, net	<u>297,378</u>	<u>346,429</u>
Noncurrent loans receivable:		
University loan programs	6,632	6,413
Federal nursing program	340,555	348,905
Federal Perkins program	955,972	1,184,451
Total noncurrent loans receivable, net	<u>1,303,159</u>	<u>1,539,769</u>
Total loans receivable, net	<u><u>\$ 1,600,537</u></u>	<u><u>\$ 1,886,198</u></u>

5. Deposits, Investments and Investment Income

Deposits

At June 30, 2022 and 2021, the carrying amounts of the University's bank balances and deposits were \$166,637,713 and \$163,410,838, 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>2022</u>	<u>2021</u>
Depository accounts:		
Local bank deposits, letter of credit in the University's name	\$ 21,219,344	\$ 17,840,171
Cash on hand	31,584	24,496
State Investment Pool - collateral required by KRS 41.240	<u>145,386,785</u>	<u>145,546,171</u>
Total deposits	<u>\$ 166,637,713</u>	<u>\$ 163,410,838</u>

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents, current	\$ 110,622,564	\$ 106,219,970
Restricted cash and cash equivalents	<u>56,015,149</u>	<u>57,190,868</u>
Total deposits	<u>\$ 166,637,713</u>	<u>\$ 163,410,838</u>

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

Investments

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

	<u>2022</u>	<u>2021</u>
Money market funds restricted for debt service purposes	\$ 400,465	\$ 300,344
Restricted assets held by the Foundation	<u>29,696,268</u>	<u>32,902,071</u>
Total investments	<u>\$ 30,096,733</u>	<u>\$ 33,202,415</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 Foundation are comprised of private donations received directly by the University and state endowment matching funds. These consist of endowment funds, as well as expendable restricted funds. Assets held by the Foundation are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

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

	<u>2022</u>	<u>2021</u>
Percentage of pool invested in:		
Certificates of deposit and money market mutual funds	0.0%	0.5%
Mutual funds	59.1%	59.2%
Fixed income securities	<u>40.9%</u>	<u>40.3%</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.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

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>2022</u>	<u>2021</u>
Assets held by the University:		
Interest (loss) income	\$ (3,721,131)	\$ 244,496
Assets held by the Foundation:		
Investment income endowment funds	1,174,711	1,409,825
Net (decrease) increase in fair value of endowment investments	<u>(5,269,737)</u>	<u>5,564,859</u>
Total investment (loss) income	<u><u>\$ (7,816,157)</u></u>	<u><u>\$ 7,219,180</u></u>

6. Endowments

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

	<u>2022</u>	<u>2021</u>
Endowment assets, beginning of year	\$ 28,464,071	\$ 22,741,965
Investment return		
Net (depreciation) appreciation	(5,269,737)	5,564,859
Contributions increase	<u>767,214</u>	<u>157,247</u>
Endowment assets, end of year	<u><u>\$ 23,961,548</u></u>	<u><u>\$ 28,464,071</u></u>

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Notes to the Financial Statements

7. Capital and Leased Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2022
Land	\$ 10,886,463	\$ —	\$ —	\$ —	\$ 10,886,463
Construction in progress	1,934,088	6,394,068	(5,037,292)	(1,284,063)	2,006,801
Museum and collectibles	699,737	4,500	—	—	704,237
Total capital assets not being depreciated	13,520,288	6,398,568	(5,037,292)	(1,284,063)	13,597,501
Buildings	403,231,303	—	5,037,292	—	408,268,595
Nonbuilding improvements	18,507,858	—	—	—	18,507,858
Equipment	38,065,345	1,818,749	—	(1,718,681)	38,165,413
Library holdings	10,265,620	30,677	—	(29,442)	10,266,855
Livestock	137,749	15,000	—	(20,000)	132,749
Software	1,932,019	—	—	—	1,932,019
Total other capital assets	472,139,894	1,864,426	5,037,292	(1,768,123)	477,273,489
Total capital assets before depreciation	485,660,182	8,262,994	—	(3,052,186)	490,870,990
Less accumulated depreciation:					
Buildings	199,287,095	9,816,829	—	—	209,103,924
Improvements other than buildings	13,240,653	435,321	—	—	13,675,974
Equipment	29,161,432	1,597,173	—	(1,101,262)	29,657,343
Library holdings	8,273,001	191,075	—	(27,969)	8,436,107
Livestock	110,708	9,875	—	(20,000)	100,583
Software	1,932,018	—	—	—	1,932,018
Total accumulated depreciation	252,004,907	12,050,273	—	(1,149,231)	262,905,949
Capital assets, net	<u>\$ 233,655,275</u>				<u>\$ 227,965,041</u>

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Notes to the Financial Statements

Leased asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Deletions/ Retirements	Balance June 30, 2022
Equipment	\$ 871,005	\$ 53,582	\$ (101,645)	\$ 822,942
Buildings	3,402,577	—	(211,351)	\$ 3,191,226
Vehicles	53,003	106,710	(53,003)	\$ 106,710
	<hr/>	<hr/>	<hr/>	<hr/>
Total leased assets before amortization	4,326,585	160,292	(365,999)	4,120,878
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated amortization:				
Equipment	483,256	206,965	(101,646)	588,575
Buildings	749,812	97,892	—	847,704
Vehicles	38,054	24,406	(53,003)	9,457
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated amortization	1,271,122	329,263	(154,649)	1,445,736
	<hr/>	<hr/>	<hr/>	<hr/>
Leased assets, net	\$ 3,055,463			\$ 2,675,142
	<hr/> <hr/>			<hr/> <hr/>

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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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8. Accounts Payable

Accounts payable at June 30 consisted of:

	<u>2022</u>	<u>2021</u>
Current accounts payable:		
Vendors	\$ 6,852,974	\$ 5,092,976
Payroll benefits and withholdings	2,081,948	1,793,499
Foundation	64,650	42,664
Loans	10,465	3,221
	<u> </u>	<u> </u>
Total current accounts payable	<u>\$ 9,010,037</u>	<u>\$ 6,932,360</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, 2022, the University paid approximately 83 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, 2022 and 2021 totaled \$11,010,852 and \$10,382,638, 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>2022</u>	<u>2021</u>
Liability, beginning of year	\$ 628,117	\$ 615,499
Accruals for current year claims and changes in estimate (includes employee and employer contributions)	13,430,823	11,984,324
Administrative and stop-loss fees	(808,279)	(811,301)
Claims paid	<u>(12,529,077)</u>	<u>(11,160,405)</u>
Liability, end of year	<u>\$ 721,584</u>	<u>\$ 628,117</u>

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Notes to the Financial Statements

10. Unearned Revenue

Unearned revenue as of June 30 consisted of:

	<u>2022</u>	<u>2021</u>
Current unearned revenue:		
Prepaid tuition and fees	\$ 2,792,537	\$ 2,560,397
HEERF institutional funds	—	3,921,995
Custodial and grounds contract	580,645	774,194
Grants and contracts	833,520	567,992
Auxiliary enterprises	29,382	26,734
Total current unearned revenue	<u>\$ 4,236,084</u>	<u>\$ 7,851,312</u>

11. Deposits

The deposits held as of June 30 consisted of:

	<u>2022</u>	<u>2021</u>
Current:		
Horse stall rentals	\$ 9,205	\$ 9,405
Housing rental/pet deposits	310	1,025
Racer card declining balances	2,000	2,266
Housing deposits	168,250	172,372
Sodexo meal plans	(34,397)	1,650
Agency account balances	101,625	102,752
Total current deposits	<u>246,993</u>	<u>289,470</u>
Noncurrent:		
Housing deposits	<u>229,200</u>	<u>301,478</u>
Total deposits	<u>\$ 476,193</u>	<u>\$ 590,948</u>

Noncurrent housing deposit additions were \$9,322 and \$24,278 for the years ended June 30, 2022 and 2021, respectively. Noncurrent housing deposit deductions were \$81,600 and \$84,753 for the years ended June 30, 2022 and 2021, respectively.

12. Leases

Lessee

The University, as a lessee, has entered into lease agreements for motor vehicles, printing and copying equipment, postal equipment, dark fiber connection, and facility space for its regional campuses. At June 30, 2022, leased assets were recorded at a cost of \$4,120,878, less accumulated amortization of \$1,445,736.

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Notes to the Financial Statements

The future lease payments under lease agreements are presented below:

Years Ending June 30	Principal	Interest	Total Payments
2023	532,574	60,077	592,651
2024	147,441	42,406	189,847
2025	119,297	36,982	156,279
2026	109,446	32,437	141,883
2027	114,976	27,908	142,884
2028-2032	646,271	64,947	711,218
Total	\$ 1,670,005	\$ 264,757	\$ 1,934,762

Lessor

The University, as a lessor, has entered into lease agreements involving building and rooftop space for antennas and cellular equipment, health services clinic, and facility space. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows recognized during the fiscal year was \$126,500.

13. Revenue Bonds and Notes Payable

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2022:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-Term Portion
Bonds payable	\$ 56,190,000	\$ 11,050,000	\$ (4,075,000)	\$ 63,165,000	\$ 4,525,000	\$ 58,640,000
Plus bond premiums	1,860,858	1,377,150	(187,607)	3,050,401	221,623	2,828,778
Bonds payable, net of discounts premiums	58,050,858	12,427,150	(4,262,607)	66,215,401	4,746,623	61,468,778
City of Murray payable	6,145,000	—	(440,000)	5,705,000	450,000	5,255,000
Total bonds and notes payable	\$ 64,195,858	\$ 12,427,150	\$ (4,702,607)	\$ 71,920,401	\$ 5,196,623	\$ 66,723,778

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Notes to the Financial Statements

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>

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
2023	\$ 4,525,000	\$ 450,000	\$ 4,975,000	\$ 2,466,871	\$ 7,441,871
2024	4,790,000	465,000	5,255,000	2,259,089	7,514,089
2025	4,885,000	475,000	5,360,000	2,070,086	7,430,086
2026-2030	24,125,000	2,580,000	26,705,000	7,314,548	34,019,548
2031-2035	20,045,000	1,735,000	21,780,000	2,960,527	24,740,527
2036-2040	3,325,000	—	3,325,000	475,875	3,800,875
2041-2042	1,470,000	—	1,470,000	44,400	1,514,400
Total	<u>\$ 63,165,000</u>	<u>\$ 5,705,000</u>	<u>\$ 68,870,000</u>	<u>\$ 17,591,396</u>	<u>\$ 86,461,396</u>

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Notes to the Financial Statements

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Original Issue	Balance Due June 30, 2022	Interest Expense, Current Year	Bonds and Notes Maturing 2022-2023
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	\$ 4,490,000	\$ 189,795	\$ 370,000
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	—	706	—
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	5,985,000	245,302	1,020,000
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	10,330,000	332,773	730,000
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	22,900,000	951,817	850,000

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	Original Issue	Balance Due June 30, 2022	Interest Expense, Current Year	Bonds and Notes Maturing 2022-2023
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	5,100,000	122,388	805,000
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	3,310,000	133,158	410,000
Series A 2022 bonds dated January 24, 2022, with an interest rate of 3.00% to 4.00%; final principal payment date September 1, 2041; Asset preservation needs	11,050,000	11,050,000	151,674	340,000
Total general receipts bonds payable	93,040,000	63,165,000	2,127,613	4,525,000
Plus bond premium	—	3,050,401	—	221,623
Total bonds payable	93,040,000	66,215,401	2,127,613	4,746,623
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	5,705,000	175,378	450,000
Total All Bond Issues and Notes Payable	\$ 102,290,000	\$ 71,920,401	\$ 2,302,991	\$ 5,196,623

The revenue bond indentures require the University to maintain a reserve balance as a percentage of outstanding balances. As of June 30, 2022, and 2021, the sinking fund and reserve fund requirements have been funded as required.

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14. 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. 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 \$6.2 million and \$7.1 million as of June 30, 2022 and 2021, respectively.

15. Unrestricted Net Position

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

	2022	Restated 2021
Unrestricted net position		
Allocated for:		
Departmental operations	\$ 43,216,170	\$ 38,178,894
Encumbrances	269,103	233,835
Board designated projects	10,539,354	10,051,661
Capital projects	1,719,601	3,836,219
Renovation and maintenance	9,117,302	13,033,785
Plant reserves	3,751,966	7,644,069
Working capital	13,140,590	15,177,681
Revenue contingency	2,351,235	2,187,690
General contingency	44,354,470	45,530,299
Self-insurance	722,000	629,000
Leases	1,242,884	—
Leases, restatement	—	1,015,412
Total unrestricted net position before pension/OPEB adjustments	130,424,675	137,518,545
Pension/OPEB current year adjustments, KERS non-hazardous	(108,580,869)	(125,355,800)
Pension/OPEB current year adjustments, KERS hazardous	(1,589,411)	(1,651,888)
Pension/OPEB current year adjustments, TRS	(67,286,555)	(89,136,641)
Total unrestricted net position	\$ (47,032,160)	\$ (78,625,784)

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16. 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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Notes to the Financial Statements

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

	Tier 1	Tier 2	Tier 3	Tier 4																																			
Participation	Prior to 7/1/2002	7/1/2002 through 6/30/2008	7/1/2008 through 12/31/2021	1/1/2022 and 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 = Annual Benefit			Service Credit x Multiplier x Final Average Salary = Annual Annuity																																			
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 worked in a TRS-covered position or purchased. Any service credit awarded for unused sick leave counts in the total years (except it cannot be used for retirement eligibility).																																			
Multipliers	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: 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%	<table> <tr> <th>Age</th><th>5-9.99 years</th><th>10-19.99 years</th><th>20-29.99 years</th><th>30 years or more</th></tr> <tr> <td>57-60</td><td>-</td><td>0.70%</td><td>0.95%</td><td>1.20%</td></tr> <tr> <td>61</td><td>-</td><td>0.74%</td><td>0.99%</td><td>1.24%</td></tr> <tr> <td>62</td><td>-</td><td>0.78%</td><td>1.03%</td><td>1.28%</td></tr> <tr> <td>63</td><td>-</td><td>0.82%</td><td>1.07%</td><td>1.32%</td></tr> <tr> <td>64</td><td>-</td><td>0.86%</td><td>1.11%</td><td>1.36%</td></tr> <tr> <td>65 and over</td><td>0.09%</td><td>0.90%</td><td>1.15%</td><td>1.40%</td></tr> </table>	Age	5-9.99 years	10-19.99 years	20-29.99 years	30 years or more	57-60	-	0.70%	0.95%	1.20%	61	-	0.74%	0.99%	1.24%	62	-	0.78%	1.03%	1.28%	63	-	0.82%	1.07%	1.32%	64	-	0.86%	1.11%	1.36%	65 and over	0.09%	0.90%	1.15%	1.40%
Age	5-9.99 years	10-19.99 years	20-29.99 years	30 years or more																																			
57-60	-	0.70%	0.95%	1.20%																																			
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62	-	0.78%	1.03%	1.28%																																			
63	-	0.82%	1.07%	1.32%																																			
64	-	0.86%	1.11%	1.36%																																			
65 and over	0.09%	0.90%	1.15%	1.40%																																			
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 highest five salaries. Increases in the last five years prior to retirement are limited to the highest percentage increase generally available to a district's or agency's TRS-covered employees.																																			
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	Any age with 27 years of service credit OR Age 60 with at least 5 years of service credit	Age 57 with 30 years of service credit ; Age 60 with 10 years of service credit ; OR Age 65 with 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 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.	Age 57 with 10 years of service credit. Early retirement penalty up to 18%.																																			

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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, 2022, was 10.10 percent of annual payroll plus a monthly amount as defined by the system's actuary, 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, 2022, was 33.43 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, 2022, was 15.865 percent of annual payroll for Tiers 1, 2, and 3 and 9.775% for Tier 4, 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, 2022 and 2021 were:

	<u>June 30, 2022</u>			<u>June 30, 2021</u>		
	Pension	OPEB	Total Contributions	Pension	OPEB	Total Contributions
KERS-nh	\$ 6,187,259	\$ 1,723,034	\$ 7,910,293	\$ 2,785,412	\$ 570,514	\$ 3,355,926
KERS-h	246,054	-	246,054	267,134	19,109	286,243
Total KERS	6,433,313	1,723,034	8,156,347	3,052,546	589,623	3,642,169
TRS	4,115,068	689,994	4,805,062	4,037,460	680,474	4,717,934
Total	<u>\$ 10,548,381</u>	<u>\$ 2,413,028</u>	<u>\$ 12,961,409</u>	<u>\$ 7,090,006</u>	<u>\$ 1,270,097</u>	<u>\$ 8,360,103</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 \$138,336,517 and \$147,217,292 for the years ended June 30, 2022 and 2021, respectively, for its proportionate shares of the net pension liability in the plans. The net pension liability for KERS and TRS plans were measured as of June 30, 2021 and June 30, 2020 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, 2021, the University's proportion was 0.686639 percent for KERS-nh, 0.366704 percent for KERS-h, and 0.332672 percent for TRS, and at June 30, 2020, the University's proportion was 0.667876 percent for KERS-nh, 0.358942 percent for KERS-h, and 0.341099 percent for TRS.

For the years ended June 30, 2022 and 2021, the University recognized a pension benefit of \$27,021,418 and \$33,217,956, respectively. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2022</u>		<u>June 30, 2021</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	\$ (689,535)	\$ 884,958	\$ (62,159)	\$ 1,659,531
Change in assumptions	7,741,613	3,996,459	2,442,363	14,565,362
Net difference between projected and actual earnings on investments	353,967	13,761,434	928,032	294,574
Change in proportionate share	1,155,359	10,091,180	2,463,462	32,312,513
Contributions subsequent to the measurement date	10,548,382	—	7,090,006	—
Total	<u>\$ 19,109,786</u>	<u>\$ 28,734,031</u>	<u>\$ 12,861,704</u>	<u>\$ 48,831,980</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, 2023. 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 2.13 years for KERS-nh employees, 2.29 years for KERS-h employees, and 4.1 years for TRS employees as of the June 30, 2021 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2022 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 Decrease in Pension Expense
2023	\$ 2,846,535	\$ 15,214,382	\$ (12,367,847)
2024	3,013,230	6,152,174	(3,138,944)
2025	3,052,467	3,879,225	(826,758)
2026	(350,828)	3,488,250	(3,839,078)
	<u>\$ 8,561,404</u>	<u>\$ 28,734,031</u>	<u>\$ (20,172,627)</u>

Actuarial assumptions. For KERS, the actuarial valuation for financial reporting as of June 30, 2021 was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2020. House Bill 1 passed during the 2019 special legislative session 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 delayed the effective date of cessation under these provisions to June 30, 2021. Only one employer elected to cease participation and there is no material impact to the total pension liability due to this. House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from participating employers. As a result, the proportionate share of the collective pension amounts for employers that participate in the Non-Hazardous plan reflect the change in each employer's expected long-term contribution due to this legislation. Each employer will pay a normal cost contribution on the payroll of their covered employees and contribute to the fund an allocated share of the cost required to amortize the unfunded liability. The following assumptions based on the June 30, 2019 actuarial valuation report (as amended by SB249) were used to calculate the required contributions:

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	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)
Amortization Period	(gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases).	(gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases).
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

For TRS, the actuarial valuation for financial reporting as of June 30, 2021 was performed by Cavanaugh Macdonald Consulting (CMC). The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020 and rolled forward. Various economic and demographic assumptions have been revised since the previous valuation and the following actuarial assumptions were adopted by the TRS Board of Trustees on September 20, 2021:

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TRS	
Actuarial Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of pay, closed
Remaining Amortization Period	22.9 Years
Asset Valuation Method	Five-year smoothed market
Investment Rate of Return	7.10%
Inflation Rate	2.50%
Projected Salary Increases	3.00% - 7.50%, including inflation 2.75%
Cost-of-living adjustments	1.5% annually
Mortality Tables	Service retirements are based on the Teachers Mortality Table for Retirees. Rates for male members are set forward 2 years and multiplied by 102%. Rates for female members are set forward 2 years and multiplied by 98%. Disabled members are based on the Teachers Mortality Table for Disabled Retirees. Rates for male members are set forward 1 year and multiplied by 96%. Rates for female members are set back 2 years and multiplied by 98%.
Date of Experience Study	July 1, 2015 - June 30, 2020

Plan changes for the new tier of benefits for TRS members hired on or after January 1, 2022 will be recognized in the June 30, 2022 valuation.

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:

KERS-nh			KERS-nh		
June 30, 2021			June 30, 2020		
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	16.25%	5.70%	U.S Equity	15.75%	4.50%
International Equity	16.25%	6.35%	International Equity	15.75%	5.25%
Private Equity	7.00%	9.70%	Private Equity	7.00%	5.15%
Specialty Credit/High Yield	15.00%	2.80%	Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	20.50%	0.00%	Core Bonds	20.50%	-0.25%
Cash	5.00%	-0.60%	Cash	3.00%	-0.75%
Real Estate	10.00%	5.40%	Real Estate	5.00%	5.30%
Opportunistic	0.00%	0.00%	Opportunistic	3.00%	2.25%
Real Return	10.00%	4.55%	Real Return	15.00%	3.95%
	<u>100.00%</u>			<u>100.00%</u>	

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KERS-h			KERS-h		
	June 30, 2021			June 30, 2020	
	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	21.75%	5.70%	U.S Equity	18.75%	4.50%
International Equity	21.75%	6.35%	International Equity	18.75%	5.25%
Private Equity	10.00%	9.70%	Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.80%	Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	10.00%	0.00%	Core Bonds	13.50%	-0.25%
Cash	1.50%	-0.60%	Cash	1.00%	-0.75%
Real Estate	10.00%	5.40%	Real Estate	5.00%	5.30%
Opportunistic	0.00%	0.00%	Opportunistic	3.00%	2.25%
Real Return	10.00%	4.55%	Real Return	15.00%	3.95%
	<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:

TRS			TRS		
	June 30, 2021			June 30, 2020	
	Long-Term Expected			Long-Term Expected	
	Target	Real Rate of		Target	Real Rate of
Asset Class	Allocation	Return	Asset Class	Allocation	Return
Large Cap U.S. Equity	37.4%	4.2%	Large Cap U.S. Equity	40.0%	4.6%
Small Cap U.S. Equity	2.6%	4.7%	Small Cap U.S. Equity	0.0%	0.0%
International Equity	16.5%	5.3%	International Equity	22.0%	5.6%
Emerging Markets Equity	5.5%	5.4%	Emerging Markets Equity	0.0%	0.0%
Fixed Income	15.0%	-0.1%	Fixed Income	15.0%	0.0%
High Yield Bonds	2.0%	1.7%	High Yield Bonds	0.0%	0.0%
Additional Categories	5.0%	2.2%	Additional Categories	7.0%	2.5%
Real Estate	7.0%	4.0%	Real Estate	7.0%	4.3%
Private Equity	7.0%	6.9%	Private Equity	7.0%	7.7%
Cash	2.0%	-0.3%	Cash	2.0%	-0.5%
Total	<u>100.0%</u>		Total	<u>100.0%</u>	

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Discount rate. For KERS the discount rates used to measure the total pension liability as of the Measurement Date (June 30, 2021) and Prior Measurement Date (June 30, 2020) were 5.25 percent for non-hazardous and 6.25 percent for hazardous. The single discount rate determined for each plan is based on the expected rate of return on pension plan investments for each plan. 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, as most recently revised by HB8. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability for each plan.

For TRS the discount rate used to measure the TPL as of the Measurement Date (June 30, 2021) was 7.1 percent and the Prior Measurement Date (June 30, 2020) 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:

	June 30, 2021		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	\$ 105,338,529 4.25%	\$ 91,439,695 5.25%	\$ 80,018,877 6.25%
University's proportionate share - KERS-h	2,237,454 5.25%	1,634,132 6.25%	1,144,709 7.25%
University's proportionate share - TRS	61,276,630 6.10%	45,262,690 7.10%	32,091,247 8.10%
	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%

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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 \$23,273,501 and \$27,165,618 years ended June 30, 2022 and 2021, respectively, for its proportionate shares of the net OPEB liability in the plans. The net OPEB liability for KERS and TRS plans were measured as of June 30, 2021 and June 30, 2020 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, 2021, the University's proportion was 0.661034 percent for KERS-nh, 0.366672 percent for KERS-h, 0.379104 percent for TRS-medical, and 0.873016 percent for TRS-life. At June 30, 2020, the University's proportion was the University's proportion was 0.667876 percent for KERS-nh, 0.358863 percent for KERS-h, 0.386360 percent for TRS-medical, and 0.877560 percent for TRS-life.

For the years ended June 30, 2022 and 2021, the University recognized an OPEB benefit of \$3,460,688 and \$1,371,485, respectively. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 934,681	\$ 7,047,770	\$ 1,485,918	\$ 5,981,979
Change in assumptions	3,882,236	57,917	2,058,427	30,566
Net difference between projected and actual earnings on investments	313,910	2,347,130	785,771	126,305
Change in proportionate share	121,566	4,435,175	247,045	5,499,550
Contributions subsequent to the measurement date	2,413,027	—	1,270,097	—
Total	<u>\$ 7,665,420</u>	<u>\$ 13,887,992</u>	<u>\$ 5,847,258</u>	<u>\$ 11,638,400</u>

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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, 2023. 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 3.53 years for KERS-nh employees, 4.78 years for KERS-h employees, and 6.72 years for TRS employees, as of the June 30, 2021 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 will be recognized in OPEB expense (benefit) as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Decrease in OPEB Expense
2023	\$ 1,686,895	\$ 4,361,033	\$ (2,674,138)
2024	1,477,718	3,980,818	(2,503,100)
2025	1,097,802	2,827,537	(1,729,735)
2026	344,645	1,737,715	(1,393,070)
Thereafter	645,333	980,889	(335,556)
	<u>\$ 5,252,393</u>	<u>\$ 13,887,992</u>	<u>\$ (8,635,599)</u>

Actuarial assumptions. For KERS, the actuarial valuation for financial reporting as of June 30, 2021 was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 was determined using these updated benefit provisions. House Bill 8 passed during the 2021 legislative session does not impact the calculation of the total OPEB liability but does impact the allocation of required contributions among participating employers. There was no material impact on the total OPEB liability due to the House Bill 1 passed during the 2019 special legislative session. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2021:

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	KERS -nh	KERS -h
Actuarial Valuation Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Period	30-year closed period at June 30, 2019 (gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases).	30-year closed period at June 30, 2019 (gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases).
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.
Inflation Rate	2.30%	2.30%
Payroll Growth Rate	0%	0%
Projected Salary Increases	3.30% to 15.30%, varies by service	3.55% to 20.05%, varies by service
Investment Rate of Return	6.25%	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using 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 base year of 2019.
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 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 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.

For TRS, the actuarial valuation for financial reporting as of June 30, 2021 was performed by Cavanaugh Macdonald Consulting (CMC). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020 and rolled forward. Various economic and demographic assumptions including health care costs and inflation rates were revised in the recent experience study. The following actuarial assumptions were adopted by the TRS Board of Trustees:

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TRS

Actuarial Valuation Date	June 30, 2020
Investment Rate of Return - Med	7.10%
Investment Rate of Return - Life	7.10%
Inflation Rate	2.50%
Projected Salary Increases	3.00% - 7.50%, including wage inflation of 2.75%
Health Care Cost Trends:	
Under Age 65	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031
Ages 65 and Older	5.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2024
Medicare Part B Premiums	4.40% for FYE 2021 with an ultimate rate of 4.50% by FYE 2034
Mortality Rates	Based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments.
Date of Experience Study	July 1, 2015 - June 30, 2020

For KERS, the long-term expected rate of return was determined using a building block method in which best estimate ranges of expected future real rates of returns are 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:

KERS-nh and h	June 30, 2021		KERS-nh and h	June 30, 2020	
	Target	Long-Term Expected Real Rate of Return		Target	Long-Term Expected Real Rate of Return
Asset Class	Allocation		Asset Class	Allocation	
U.S Equity	21.75%	5.70%	U.S Equity	18.75%	4.50%
International Equity	21.75%	6.35%	International Equity	18.75%	5.25%
Private Equity	10.00%	9.70%	Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.80%	Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	10.00%	0.00%	Core Bonds	13.50%	-0.25%
Cash	1.50%	-0.60%	Cash	1.00%	-0.75%
Real Estate	10.00%	5.40%	Real Estate	5.00%	5.30%
Opportunistic	0.00%	0.00%	Opportunistic	3.00%	2.25%
Real Return	10.00%	4.55%	Real Return	15.00%	3.95%
	<u>100.00%</u>			<u>100.00%</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, 2021			June 30, 2020	
		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%	5.1%	Global Equity	58.0%	5.4%
Fixed Income	9.0%	-0.1%	Fixed Income	9.0%	0.0%
Real Estate	6.5%	4.0%	Real Estate	6.5%	4.3%
Private Equity	8.5%	6.9%	Private Equity	8.5%	7.7%
Additional Categories, High Yield	8.0%	1.7%	Additional Categories, High Yield	0.0%	0.0%
Other Additional Categories	9.0%	2.2%	Other Additional Categories	17.0%	2.5%
Cash (LIBOR)	1.0%	-0.3%	Cash (LIBOR)	1.0%	-0.5%
Total	100.0%		Total	100.0%	

TRS-Life			TRS-Life		
	June 30, 2021			June 30, 2020	
		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%	4.4%	U.S. Equity	40.0%	4.6%
International Equity	23.0%	5.6%	International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%	Fixed Income	18.0%	0.0%
Real Estate	6.0%	4.0%	Real Estate	6.0%	4.3%
Private Equity	5.0%	6.9%	Private Equity	5.0%	7.7%
Other Additional Categories	6.0%	2.1%	Other Additional Categories	6.0%	2.5%
Cash (LIBOR)	2.0%	-0.3%	Cash (LIBOR)	2.0%	-0.5%
Total	100.0%		Total	100.0%	

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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, 2021) were 5.26 percent for non-hazardous and 5.01 percent for hazardous. The discount rates used to measure the total OPEB liability as of the Prior Measurement Date (June 30, 2020) were 5.43 percent for non-hazardous and 5.28 percent for hazardous. The single discount rates were based on the expected rate of return on OPEB plan investments of 6.25 percent and a municipal bond rate of 1.92 percent, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. Future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution each future year in accordance with the current funding policy, as most recently revised by House Bill 8.

For TRS, the discount rates used to measure the total OPEB liability as of the Measurement Date (June 30, 2021) for both medical and life were 7.1 percent. Discount rates as of the Prior Measurement Date (June 30, 2020) 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 Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2020 in addition to other actuarial methods and assumptions related to total payroll, employer contributions, administrative expenses, and cash flows. Future contributions were based on the contribution rates as defined in statute and the projected payroll of active employees.

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, 2021		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	\$ 18,399,974 4.26%	\$ 15,067,126 5.26%	\$ 12,333,949 6.26%
University's proportionate share - KERS-h	302,008 4.01%	(42,259) 5.01%	(318,595) 6.01%
University's proportionate share - TRS-medical	10,414,550 6.10%	8,134,461 7.10%	6,249,706 8.10%
University's proportionate share - TRS-life	263,226 6.10%	114,173 7.10%	(7,193) 8.10%

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	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%

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.

17. 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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During the years ended June 30, 2022 and 2021, the Foundation made payments of \$4,148,095 and \$3,660,549, respectively, on behalf of the University from restricted sources. Accounts receivable at June 30, 2022 and 2021, from the Foundation were \$650,991 and \$114,788, respectively. Accounts payable to the Foundation as of June 30, 2022 and 2021 were \$64,650 and \$42,682, respectively.

Complete financial statements for the Foundation can be obtained from the Murray State University 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>2022</u>	<u>2021</u>
Money market mutual funds	\$ 1,241,663	\$ 761,209
Equity securities	833,280	758,880
Cash value of life insurance policies	242,753	230,747
Mutual funds	91,494,275	109,230,512
Asset-backed bonds	—	8,107,359
U.S. treasuries	—	23,663,404
Government bonds	27,667,187	1,646,979
Municipal bonds	234,607	269,384
Corporate bonds	15,384,954	11,980,244
Sovereign debt	1,426,664	253,137
Beneficial interests in trusts	7,546,317	9,318,800
	<u>\$ 146,071,700</u>	<u>\$ 166,220,655</u>

Total investment return is comprised of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 5,521,434	\$ 4,656,927
Realized (losses) gains on investments	(189,277)	2,854,376
Unrealized (losses) gains on investments	(25,523,971)	22,823,410
Management fees	756,823	670,201
	<u>\$ (19,434,991)</u>	<u>\$ 31,004,914</u>

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b) *Assets Held for Others*

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

	<u>2022</u>	<u>2021</u>
Murray State University	\$ 29,696,268	\$ 32,794,334
Murray State University Alumni Association	1,262,914	1,611,469
	<u>\$ 30,959,182</u>	<u>\$ 34,405,803</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, 2022 and 2021, \$1,221,070 and \$1,172,434, 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, 2022, and 2021, cash, cash equivalents, and investments relative to split interest agreements and other liabilities discussed in the Foundation's Note 11 total \$8,867,249 and \$10,302,009, 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 \$4,301,950 and \$4,268,907 as of June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Scholarships	\$ 7,519,642	\$ 7,266,791
Instruction and institutional support	11,836,588	11,555,629
Chairs, professorships, academic stipends and seminars	842,707	784,085
Operations of the golf course	277,697	198,282
Promise to give, the proceeds from which have been restricted by donors for:		
Scholarships	161,540	256,513
Institutional support	111,378	243,805
	<u>20,749,552</u>	<u>20,305,105</u>
Subject to passage of time:		
Assets held under split-interest agreements	(243,192)	1,030,629
Subject to appropriation and expenditure when a specific event occurs:		
Scholarships	1,324,980	1,265,425
Instruction and institutional support	2,349,944	2,576,897
Promise to give, the proceeds from which have been restricted by donors for:		
Scholarships	102,970	119,642
Instruction and Institutional support	212,792	222,096
	<u>3,990,686</u>	<u>4,184,060</u>
 <u>Net Assets Released from Restriction</u>		
Subject to endowment spending policy and appropriation:		
Scholarships	48,308,000	58,274,559
Instruction and institutional support	18,107,392	18,561,549
Chairs and professorships	3,452,948	4,195,771
Operations of the golf course	1,655,968	2,014,117
Any activity of the Foundation	703,561	796,607
	<u>72,227,869</u>	<u>83,842,603</u>
 Total net assets with donor restrictions	 <u>\$ 96,724,915</u>	 <u>\$ 109,362,397</u>

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18. 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 \$4,173,852 and \$4,342,550 as of June 30, 2022 and 2021, 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.

19. 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, 2022:

- Cash equivalents with a value of \$145,386,785 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 \$400,465 held by US Bank in money market accounts; fair value hierarchy level 1.
- Restricted quasi-endowment and endowment investments with a value of \$29,696,268 held by the Foundation in an investment pool; fair value hierarchy levels 1, 2, or 3.

20. 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, 2022					
	Natural Classification					
	Compensation and Benefits	Operations	Utilities	Noncapitalized Equipment	Scholarships	Total
Instruction	\$ 52,888,514	\$ 7,391,067	\$ 11,800	\$ 640,951	\$ —	\$ 60,932,332
Research	1,628,112	1,015,458	318	50,833	—	2,694,721
Public service	4,309,854	1,792,184	334,694	51,871	—	6,488,603
Libraries	1,869,798	1,601,875	—	54,274	—	3,525,947
Academic support	4,673,943	2,228,299	16,615	264,232	—	7,183,089
Student services	10,529,991	7,294,758	12,175	192,153	152	18,029,229
Institutional support	18,230,352	(309,269)	101,870	87,571	—	18,110,524
Operations and maintenance	5,442,109	11,179,300	5,774,280	17,125	—	22,412,814
Student financial aid	—	—	—	—	20,720,662	20,720,662
Depreciation	—	8,220,800	—	—	—	8,220,800
Amortization	—	329,262	—	—	—	329,262
State pension expense (benefit) GASB 68	(27,021,418)	—	—	—	—	(27,021,418)
State OPEB expense (benefit) GASB 75	(3,460,688)	—	—	—	—	(3,460,688)
Auxiliary enterprises	3,070,966	9,514,881	2,845,962	31,228	112,453	15,575,490
Auxiliary depreciation	—	3,829,473	—	—	—	3,829,473
Total expenses	\$ 72,161,533	\$ 54,088,088	\$ 9,097,714	\$ 1,390,238	\$ 20,833,267	\$ 157,570,840

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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

21. 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

	2022	2021
Assets		
Current assets	\$ 1,031,046	\$ 962,054
Noncurrent assets	1,443,646	1,491,323
Capital assets, net of accumulated depreciation	5,900,360	6,169,075
Total assets	8,375,052	8,622,452
Deferred outflows of resources		
Bond refunding loss	208,126	227,411
Total deferred outflows of resources	208,126	227,411
Liabilities		
Current liabilities	29,487	45,507
Noncurrent liabilities	5,705,000	6,145,000
Total liabilities	5,734,487	6,190,507
Net position		
Invested in capital assets, net of related debt and accumulated depreciation	403,485	251,486
Restricted		
Expendable capital	623,315	650,836
Expendable debt service	790,874	810,594
Unrestricted	1,031,017	946,440
Total net position	\$ 2,848,691	\$ 2,659,356

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

	2022	2021
Operating revenues	\$ 51,697	\$ 13,502
Operating expenses	(386,549)	(368,673)
Depreciation expense	(268,715)	(268,715)
Operating loss	(603,567)	(623,886)
Nonoperating revenues	792,902	655,736
Change in net position	189,335	31,850
Net position, beginning of year	2,659,356	2,627,506
Net position, end of year	\$ 2,848,691	\$ 2,659,356

Wellness Center - Condensed Statements of Cash Flows

	2022	2021
Cash flows from		
Operating activities	\$ (350,467)	\$ (439,555)
Noncapital financing activities	451,827	423,690
Capital and related financing activities	(59,570)	(84,012)
Investing activities	(20,505)	181
Net increase in cash	21,285	(99,696)
Cash, beginning of year	2,453,377	2,553,073
Cash, end of year	\$ 2,474,662	\$ 2,453,377

22. 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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Notes to the Financial Statements

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 the total student and institutional relief funds awarded as of June 30, 2022. The Statements of Revenues, Expenses, and Changes in Net Position include expended funds of \$14,058,603 and \$18,868,162 and the related revenues of \$17,980,598 and \$16,798,770 for the years ended June 30, 2022 and 2021, respectively.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Schedules of Required Supplementary Information

Years ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Proportionate Share of the Net Pension and OPEB Liabilities

KERS-Non-Hazardous Pension Plan	2021	2020	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability	0.686639%	0.667879%	0.830936%	0.889474%	0.858544%	0.836194%	0.854037%	0.882259%
University's proportionate share of the net pension	\$ 91,439,695	\$ 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	\$ 9,896,782	\$ 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	923.93%	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	18.48%	14.01%	13.66%	12.84%	13.00%	14.80%	18.83%	22.32%
KERS-Hazardous Pension Plan	2021	2020	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability	0.366704%	0.358942%	0.399507%	0.411530%	0.389490%	0.396922%	0.388584%	0.405301%
University's proportionate share of the net pension	\$ 1,634,132	\$ 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	\$ 633,389	\$ 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	258.00%	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	66.03%	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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MURRAY STATE UNIVERSITY
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Years ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

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

TRS Pension Plan	2021	2020	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability	0.332672%	0.341099%	0.341570%	0.429000%	0.404176%	0.698165%	0.722622%	0.710400%
University's proportionate share of the net pension	\$ 45,262,690	\$ 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	\$ 12,105,618	\$ 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	373.90%	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	65.60%	58.27%	58.76%	59.28%	39.83%	35.22%	42.49%	45.59%

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Years ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

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

KERS-Non-Hazardous OPEB Plan	2021	2020	2019	2018	2017
University's proportion of the net pension liability	0.661034%	0.667876%	0.830936%	0.888860%	0.858544%
University's proportionate share of the net pension	\$ 15,067,126	\$ 16,956,758	\$ 18,470,843	\$ 21,074,087	\$ 21,772,351
University's covered-employee payroll	\$ 9,600,494	\$ 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	156.94%	171.27%	146.63%	150.64%	159.18%
Plan fiduciary net position as a percentage of the total pension liability	38.38%	29.47%	30.92%	27.32%	24.40%
KERS-Hazardous OPEB Plan	2021	2020	2019	2018	2017
University's proportion of the net pension liability	0.366672%	0.358863%	0.399241%	0.411632%	0.389490%
University's proportionate share of the net pension	\$ (42,259)	\$ 153,482	\$ (107,192)	\$ (136,532)	\$ 23,490
University's covered-employee payroll	\$ 633,334	\$ 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	-6.67%	23.47%	-17.73%	-17.43%	3.53%
Plan fiduciary net position as a percentage of the total pension liability	101.85%	92.42%	105.29%	106.83%	98.80%

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Years ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

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

TRS OPEB - Medical	2021	2020	2019	2018	2017
University's proportion of the net pension liability	0.379104%	0.386360%	0.402916%	0.417902%	0.443448%
University's proportionate share of the net pension	\$ 8,134,461	\$ 9,750,760	\$ 11,792,493	\$ 14,500,008	\$ 15,812,389
University's covered-employee payroll	\$ 13,795,234	\$ 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	58.97%	70.71%	83.69%	100.41%	104.40%
Plan fiduciary net position as a percentage of the total pension liability	51.70%	39.10%	32.60%	25.54%	21.18%
TRS OPEB - Life	2021	2020	2019	2018	2017
University's proportion of the net pension liability	0.873016%	0.877560%	0.903787%	0.948638%	0.970240%
University's proportionate share of the net pension	\$ 114,173	\$ 304,618	\$ 280,825	\$ 267,497	\$ 213,055
University's covered-employee payroll	\$ 31,768,223	\$ 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	0.36%	0.97%	0.89%	0.82%	0.64%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	71.60%	73.40%	74.97%	79.99%

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MURRAY STATE UNIVERSITY
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Schedules of Required Supplementary Information

Years ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Murray State University Contributions

KERS-Non-Hazardous Pension Plan	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,912,422	\$ 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	(2,912,422)	(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 payroll	\$ 9,896,782	\$ 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	29.43%	39.66%	40.42%	41.53%	38.83%	33.55%	33.51%	28.11%
KERS-Hazardous Pension Plan	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 232,213	\$ 215,996	\$ 217,297	\$ 146,694	\$ 136,435	\$ 94,306	\$ 115,000	\$ 183,317
Contributions in relation to the contractually required contribution	(232,213)	(215,996)	(217,297)	(146,694)	(136,435)	(94,306)	(115,000)	(183,317)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered-employee payroll	\$ 633,389	\$ 616,806	\$ 641,608	\$ 629,378	\$ 695,282	\$ 585,712	\$ 492,259	\$ 523,146
Contributions as a percentage of covered-employee payroll	36.66%	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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MURRAY STATE UNIVERSITY
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Schedules of Required Supplementary Information

Years ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Murray State University Contributions (Continued)

TRS Pension Plan	2021		2020		2019		2018		2017		2016		2015		2014	
Contractually required contribution	\$	3,935,128	\$	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		(3,935,128)		(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 payroll	\$	12,105,618	\$	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		32.51%		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.

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MURRAY STATE UNIVERSITY
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Years ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Murray State University Contributions (Continued)

KERS-Non-Hazardous OPEB Plan	2021		2020		2019		2018		2017
Contractually required contribution	\$	596,529	\$	800,831	\$	1,022,149	\$	1,142,681	\$ 1,108,416
Contributions in relation to the contractually required contribution		(596,529)		(800,831)		(1,022,149)		(1,142,681)	(1,108,416)
Contribution deficiency	\$	-	\$	-	\$	-	\$	-	\$ -
University's covered-employee payroll	\$	9,600,494	\$	9,900,801	\$	12,596,599	\$	13,989,750	\$ 13,677,439
Contributions as a percentage of covered-employee payroll		6.21%		8.09%		8.11%		8.17%	8.10%
KERS-Hazardous OPEB Plan	2021		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 payroll	\$	633,334	\$	653,881	\$	604,643	\$	783,406	\$ 666,367
Contributions as a percentage of covered-employee payroll		0.00%		2.36%		2.57%		1.97%	2.66%

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MURRAY STATE UNIVERSITY
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Schedules of Required Supplementary Information

Years ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Murray State University Contributions (Continued)

TRS-Medical OPEB Plan	2021		2020		2019		2018		2017
Contractually required contribution	\$	672,912	\$	682,339	\$	701,586	\$	744,415	\$ 759,751
Contributions in relation to the contractually required contribution		(672,912)		(682,339)		(701,586)		(744,415)	(759,751)
Contribution deficiency	\$	-	\$	-	\$	-	\$	-	\$ -
University's covered-employee payroll	\$	13,795,234	\$	13,790,201	\$	14,090,843	\$	14,441,272	\$ 15,145,665
Contributions as a percentage of covered-employee payroll		4.88%		4.95%		4.98%		5.15%	5.02%
TRS-Life OPEB Plan	2021		2020		2019		2018		2017
Contractually required contribution	\$	17,494	\$	14,667	\$	11,874	\$	9,288	\$ 9,362
Contributions in relation to the contractually required contribution		(17,494)		(14,667)		(11,874)		(9,288)	(9,362)
Contribution deficiency	\$	-	\$	-	\$	-	\$	-	\$ -
University's covered-employee payroll	\$	31,768,223	\$	31,322,416	\$	31,607,384	\$	32,781,704	\$ 33,137,887
Contributions as a percentage of covered-employee payroll		0.06%		0.05%		0.04%		0.03%	0.03%

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

**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

Members of the 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 year ended June 30, 2022, 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 4, 2022.

Internal Control over Financial Reporting

In planning and performing our audit 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 opinions 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 over financial reporting 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, in which noncompliance 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dean Dotson Allen Ford, PLLC

October 4, 2022
Lexington, Kentucky