Financial Statements

for

MURRAY STATE UNIVERSITY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY

For the Year Ended June 30, 2023
with Report of Independent Auditors

CONTENTS

DEANDORTON

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, 2023 and 2022, 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, 2023 and 2022, 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 3–23 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 is the responsibility of management and 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, 2023 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 Dorton Allen Ford, PLLC

Louisville, Kentucky
October 4, 2023

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, 2023. 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, 49 states and 55 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 9,800 students. For the 2023-24 academic year, tuition and mandatory fees increased $138 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. In Fall 2023, *U.S. News & World Report* recognized the University among the top schools in the country for the 33rd consecutive year. As part of the publication's Best Colleges list, Murray State ranks first in the state of Kentucky among public, comprehensive universities in the South in categories including "Best Regional Universities", "Top Public Schools", "Best Value Schools" and "Best Colleges for Veterans."

In addition to *U.S. News & World Report's* rankings, Murray State 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 1,100 faculty and staff, Murray State University was recognized nationally as one of Kentucky's best employers by *Forbes* as part of the publications "2021 Best Employers" list. Murray State University was 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.

Financial Highlights

- The University implemented Governmental Accounting Standards Board (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.

	2023	2022	2021
Beginning net position, no pension/OPEB adjustment	$ 345,448,892	$ 358,229,699	$ 342,851,693
Change in net position, no pension/OPEB adjustment	(5,258,245)	(12,780,807)	15,378,006
Ending net position before pension/OPEB adjustment	340,190,647	345,448,892	358,229,699
Pension beginning adjustment	(177,456,836)	(216,144,329)	(256,888,381)
Pension revenue/(expense) adjustment	14,333,215	35,226,805	39,372,567
OPEB revenue/(expense) adjustment	3,537,780	3,460,688	1,371,485
Total pension/OPEB adjustments	(159,585,841)	(177,456,836)	(216,144,329)
Net position after pension/OPEB adjustments	$ 180,604,806	$ 167,992,056	$ 142,085,370

- 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:

	2023	2022	2021
Leases receivable	$ 814,643	$ 877,857	$ 958,167
Leased assets	3,468,177	4,120,878	4,326,585
Less accumulated amortization	(1,049,918)	(1,445,736)	(1,271,122)
	3,232,902	3,552,999	4,013,630
Leases payable	1,181,464	1,670,005	2,277,928
Deferred inflows related to leases	580,863	640,110	720,290
Adjustment to Net Position	$ 1,470,575	$ 1,242,884	$ 1,015,412

- The University implemented GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements (SBITAs)* in fiscal year 2023 with a retroactive restatement of the financial statements for fiscal year 2022. The implementation of this standard had the following effect on the Statement of Net Position:

	2023	2022	2021
SBITA Assets	$ 6,958,855	$ 5,633,362	$ –
Less accumulated amortization	(3,076,150)	(1,455,048)	–
	3,882,705	4,178,314	–
SBITAs payable	3,185,290	3,517,262	–
Adjustment to Net Position	$ 697,415	$ 661,052	$ –

  GASB Statement No. 96 had no effect on the financial statements for fiscal year 2021.

- In fiscal year 2023 the University had assets of $440.4 million, deferred outflows of $34.1 million, liabilities of $265.2 million and deferred inflows of $26.5 million. Net position, which represents the University's residual interest in assets and deferred outflows after liabilities and deferred inflows are deducted, was $182.8 million or 39 percent of total assets and deferred outflows. Net position increased by $12.9 million from fiscal year 2022 to 2023. This increase in net position is primarily the result of $17.9 million related to pension/OPEB adjustments including revenue, expenses, deferred inflows, deferred outflows, and pension liability. Additional contributing factors were a $12.6 million increase in investment income and ($17.2 million) decrease in federal grant revenue. Details to the changes are presented throughout the MD&A.

- Fiscal operations were in accordance with the annual operating budget of approximately $159 million. The University continued to be a strong employer for the region and employed 2,939 individuals, including 579 faculty and 656 staff members and 1,704 students. These totals include 1,064 regular and full-time faculty and staff.

- Total originally enacted operating state appropriations for fiscal year 2023 increased by $5 million. This increase was primarily due to $3.3 million received in performance funding, in addition to $0.9 million received for debt service, and an $0.8 million increase for Breathitt Veterinary Center operations.

- 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	$20.1 million
Market Value	$30.4 million

These funds experienced an unrealized gain of $1.1 million in fiscal year 2023. 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 2023.

- The University invested in a significant number of asset preservation projects for historic buildings in fiscal year 2023 totaling $17.1 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 2023. Overall adjustments related to pensions/OPEB were a $10.1 million increase to liabilities and a ($14.1 million) reduction in operating expenses (benefits).

  The University's portion of the liability reported by the Kentucky Public Pensions Authority (KPPA), the administrative support for KERS, resulted in a ($0.8 million) reduction in pension liability and a ($3.5 million) reduction in OPEB liability. The University's portion of the liability reported by the Teachers' Retirement System (TRS) resulted in a $8.2 million increase in pension liability and a $6.2 million increase in OPEB liability. The impact of these numbers' nets to $10.1 million.

  Operating expenses (benefits) decreased by ($8 million) related to KERS pension adjustments and decreased by ($6.1 million) related to TRS pension adjustments. Additionally, operating expenses (benefits) increased by $0.7 million related to KERS OPEB adjustments and decreased by ($0.7 million) related to TRS OPEB adjustments. The impact of these numbers' nets to $14.1 million.

- 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 2023 enrollment trends are expected to be as follows:

  - Overall headcount credit hours up by approximately 4 percent over the previous fall.
  - First-time freshman students up approximately 22 percent over the previous fall.
  - International students up approximately 18 percent over last fall.

  Overall enrollments for regular students were stable. The first-to-second year retention rate is expected to be flat at 77 percent for all degree seeking students in this category.

- 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. In Fall 2022, an additional five graduate certificate programs were added and in Spring 2023, three additional master's programs were added. This partnership has increased our enrollments in those programs by more than 283 students, including students who are outside of our traditional service region.

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.

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 or after.

Murray State University received a one-time appropriation of $3.2 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 2023 and 2022 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.

<u>Assets</u>

Total assets at the end of the 2023 fiscal year were $440.4 million, of which capital assets, net of depreciation, represented the largest portion. Capital assets totaled approximately $226.9 million or 52 percent of total assets and were primarily comprised of University-owned land, buildings, equipment, and library holdings. Cash and cash equivalents amounted to $156.5 million or 36 percent of total assets. Total assets decreased by ($10.3 million) during the 2023 fiscal year. This decrease in gross total assets is due primarily to the following:

- ($10.2 million) – Decrease in cash and cash equivalents. This decrease is related to federal stimulus funds received in prior fiscal years and spent in the current fiscal year, an increase in funds spent for renovation and capital projects, and an increase in accounts receivable balances.

- $2.6 million – Increase in net accounts receivable. Consisting of a $1.3 million increase in student accounts receivable balances, due to the receipt of Higher Education Emergency Relief Fund (HEERF) funds in prior years to assist with these balances, and $1 million increase in balances from outside sales related to the Shandong partnership.

- ($0.9 million) – Decrease in net loans to students. Primarily the result of a large portion of Perkins loans assignments to the Department of Education.

- ($0.9 million) – Decrease in prepaid expenses. This decrease is primarily due to the reclass of SBITAs related to GASB Statement No. 96 adopted in fiscal year 2023.

- ($1.1 million) – Decrease in capitals assets, net of accumulated depreciation. This change is the result of the capitalization of $4 million for several building repair and improvement projects completed during the fiscal year, an increase in construction-in-progress of $5 million offset by a ($2.1 million) decrease in buildings and current year depreciation of ($8.1 million).

Total restated assets decreased by ($3.6 million) during fiscal year 2022 primarily due to the following:

- $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 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).

- $4.2 million – Increase in SBITA assets, net of accumulated amortization related to the adoption of GASB Statement No. 96 in fiscal year 2023 and restatement of fiscal year 2022.

<u>Deferred Outflows of Resources</u>

Deferred outflows of resources for fiscal year 2023 totaled $34.1 million and $28.4 million for fiscal year 2022. 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 $1.4 million and $1.6 million for fiscal years 2023 and 2022, respectively. Deferred outflows also consisted of $32.7 million for fiscal year 2023 and $26.8 million for fiscal year 2022, related to pension and OPEB contributions. The $5.9 million increase from the prior year is due to a $0.5 million increase in KERS pension/OPEB outflows in addition to a $5.4 million increase in outflows for TRS pension/OPEB.

<u>Liabilities</u>

Total liabilities at the end of the fiscal year 2023 were $265.2 million, an increase of $5.5 million from the prior year. This change was due to the following:

- $2 million – Increase in accounts payable. This increase is primarily related to the invoice accrual for architectural and engineering services provided for the on-campus housing project.

- ($0.3 million) – Decrease in unearned revenue. This decrease is due to satisfying current year requirements for contracted custodial and grounds services and grant and contract sponsors revenues.

- ($0.5 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.

- ($5.2 million) – Decrease in long-term debt. This decrease is the result of the 2023 principal payments on bonds and notes payable.

- ($0.3 million) – Decrease in SBITAs payable. This decrease is related to payments made during the fiscal year as well as additions and deductions in subscription-based information technology arrangements. This payable is related to the adoption of GASB Statement No. 96 in fiscal year 2023.

- $10.1 million – Increase 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 increased $7.4 million and the liability related to OPEB increased by $2.7 million.

Total restated liabilities at the end of the fiscal year 2022 were $259.7 million, a decrease of ($3.8 million). 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.

- $3.5 million – Increase in SBITAs payable related to the adoption of GASB Statement No. 96 in fiscal year 2023 and restatement of fiscal year 2022.

Deferred Inflows of Resources

Total deferred inflows of resources were $26.5 million in fiscal year 2023 and $49.5 million as restated in fiscal year 2022. Deferred inflows of resources related to pensions/OPEB as specified in GASB Statement Nos. 68 and 75 were $20.6 million in fiscal year 2023 and $42.6 million in fiscal year 2022. The decrease of ($22 million) from the prior year consisted of a ($4.6 million) decrease for KERS pensions/OPEB and ($17.4 million) for TRS pensions/OPEB. Deferred inflows of resources related to the dining service management agreement with Sodexo Operations, LLC were $5.3 million in fiscal year 2023 and $6.2 million in fiscal year 2022. 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 2023 and $0.6 million in fiscal year 2022.

Net Position

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

- Invested in capital assets, net of related debt - This category represents the institution's equity in property, buildings, equipment, library holdings and other plant assets owned by the University, less related depreciation and outstanding balances of borrowings used to finance the purchase or construction of those assets.

- Restricted - This category represents those assets which are subject to externally imposed restrictions governing their use and includes classifications of nonexpendable and expendable.

  - Restricted nonexpendable net position - Restricted nonexpendable net position consist solely of permanent endowments owned by the University. The corpus, as specified by the donor, is invested in perpetuity and may not be expended.

  - Restricted expendable net position - Restricted expendable net position consist of those assets that may be expended by the University, but must be spent for purposes as defined by the donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

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

Condensed Statements of Net Position

	June 30, 2023	*Restated** June 30, 2022	*Restated** June 30, 2021
Assets			
Current assets	$ 123,274,371	$ 128,484,665	$ 125,697,236
Noncurrent assets	83,944,216	87,415,041	91,933,052
Capital, leased, and SBITA assets	233,159,674	234,818,497	236,710,738
Total assets	440,378,261	450,718,203	454,341,026
Deferred Outflows	34,113,305	28,376,099	20,531,106
Liabilities			
Current liabilities	29,282,185	27,914,138	27,512,600
Noncurrent liabilities	235,941,323	231,808,105	235,966,440
Total liabilities	265,223,508	259,722,243	263,479,040
Deferred Inflows	26,495,262	49,476,067	68,292,310
Net Position			
Invested in capital assets, net of related debt	171,661,275	170,197,714	173,275,186
Restricted for			
Nonexpendable	25,053,728	23,961,548	28,464,071
Expendable			
Scholarships, research, instruction and other	8,985,055	7,965,640	4,083,593
Loans	1,045,513	2,137,695	2,438,834
Capital	7,940,152	11,602,057	13,035,626
Debt service	407,884	402,446	429,256
Unrestricted	(32,320,811)	(46,371,108)	(78,625,784)
Total net position	$ 182,772,796	$ 169,895,992	$ 143,100,782

*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, 2022 was restated to reflect reporting requirements of GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*.

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

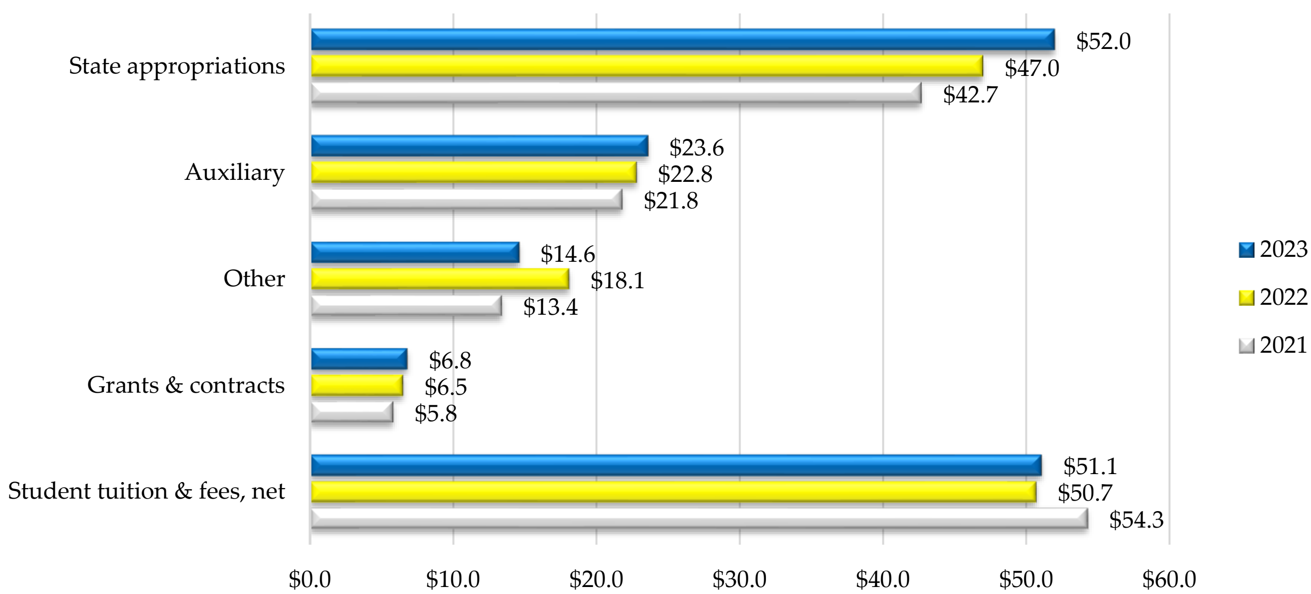
- Total operating revenues, which exclude state appropriations, for fiscal year 2023 were $96.2 million, including student tuition and fees, net of related discounts and allowances, of $51.1 million, operating restricted grants and contracts revenues of $6.8 million, sales, services and other revenues of $14.6 million, and auxiliary services net revenues of $23.6 million.

- During fiscal year 2023, operating revenues decreased by ($2 million). This decrease from the prior year is primarily related to a ($3.5 million) decrease in sales, services, and other operating revenues which consists of a ($6.6 million) decrease in pension support revenue, $1.8 million increase in other student fees, and $1.3 million increase in other sales and services. Additionally, there was a $0.7 million increase in net auxiliary revenues, $0.3 million increase in grants and contracts revenue, and $0.4 increase in net tuition and fees.

- The University received $52 million in state appropriations for operations for fiscal year 2023, and $47 million for fiscal year 2022, with the change primarily due to one-time appropriation in performance funds.

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

Operating Revenues and State Appropriations
(In Millions)

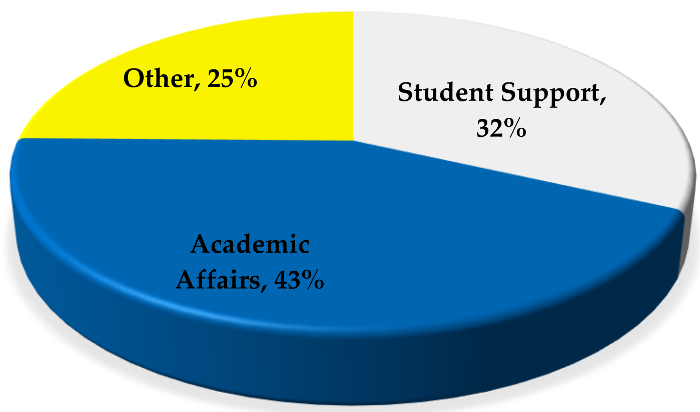


Expenses

Total operating expenses for fiscal year 2023 were $175.4 million. Academic Affairs, which include instruction, research, libraries and academic support, represent the largest portion of the operating expenses totaling $76.2 million or 43 percent. Student Support, which include student services, financial aid, athletics, and auxiliary enterprises, was $56 million or 32 percent. Other expenses which include public service, institutional support, depreciation, amortization, operation and maintenance and state pension/OPEB expenses amounted to $43.1 million or 25 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.

Operating expenses by type are reflected in the following chart:

University Operating Expenses
Year Ended June 30, 2023



Operating expenses increased for the year ended June 30, 2023, by $17.8 million. The primary reasons for the increase in operating expenses are as follows:

- ($5.2 million) – Decrease in student financial aid expenses due to HEERF funds awarded to students in the prior fiscal year.

- $3.3 million – Increase in salaries and benefits as a result of the cost of living adjustment provided to employees in fiscal year 2023 in addition to an overall increase in health insurance costs.

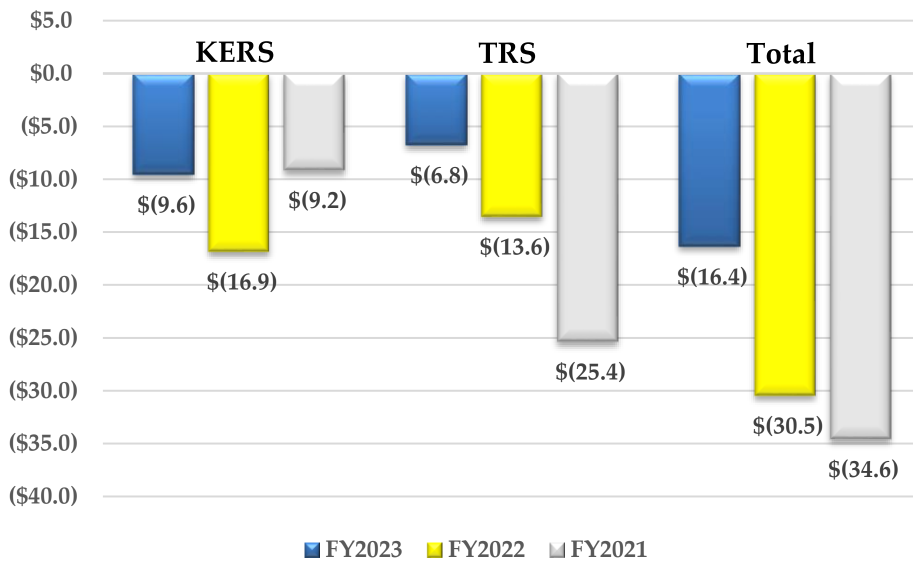
- $1.8 million – Increase in amortization expense related to the adoption of GASB Statement No. 96.

- $3.8 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.

- $14.1 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 2023 were ($12.9 million) and ($27 million) for fiscal year 2022. The University's proportionate expenses related to OPEB were ($3.5 million) in fiscal years 2023 and 2022.

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

University's Proportionate Share
(In Millions)



The net loss from operations for the year ended June 30, 2023, was ($79.2 million) including pension/OPEB adjustments. Nonoperating revenues, net of expenses, of $88.5 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 $12.9 million for the year ended June 30, 2023. This increase in net position is primarily the result of $17.9 million related to pension/OPEB adjustments. Additional contributing factors were a $12.6 million increase in investment income from prior year losses, a ($17.2 million) decrease in federal grant revenue, a $5 million increase in state appropriations, a $3.8 million increase in departmental operational spending, and $1.8 million increase in amortization expenses.

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.

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

	2023	2022	2021
Operating Revenues			
Student tuition and fees, net	$ 51,136,228	$ 50,693,387	$ 54,314,322
Grants and contracts	6,827,731	6,515,222	5,776,539
Other	14,640,014	18,147,930	13,387,330
Auxiliary, net	23,577,192	22,843,200	21,848,614
Total operating revenues	96,181,165	98,199,739	95,326,805
Operating Expenses			
Instruction	62,635,654	60,932,332	57,210,365
Other educational and general	82,155,321	68,683,483	51,077,841
Depreciation	8,171,535	8,220,800	8,226,458
Amortization	2,151,247	329,262	-
Auxiliary enterprises	16,495,784	15,575,490	14,284,085
Auxiliary depreciation	3,764,557	3,829,473	3,836,267
Total operating expenses	175,374,098	157,570,840	134,635,016
Operating loss	(79,192,933)	(59,371,101)	(39,308,211)
Nonoperating Revenues			
State appropriations	52,005,700	47,024,700	42,742,600
Other nonoperating revenues	36,460,323	37,300,382	51,852,971
Total nonoperating revenues	88,466,023	84,325,082	94,595,571
Other Revenues			
State capital appropriations and other	3,603,714	1,180,177	834,698
Change in Net Position	12,876,804	26,134,158	56,122,058
Net Position - Beginning of Year	169,895,992	143,100,782	85,963,312
Restatement of 2021 beginning net position for GASB 87 leases	—	—	1,015,412
Restatement of 2022 beginning net position for GASB 96 SBITAs	—	661,052	—
Net position, beginning of year	169,895,992	143,761,834	86,978,724
Net Position - End of Year	$ 182,772,796	$ 169,895,992	$ 143,100,782

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.

<u>For the year ended June 30, 2023:</u>
The net cash used in operating activities reflects the net cash used for general operations of the University, which increased by $3.2 million during fiscal year 2023. 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 ($3.2 million) during fiscal year 2023. This change was due to a decrease of ($8.6 million) in grants and contracts primarily due to pandemic related funds received in the prior year offset by a $5 million increase in state appropriations due to $3.3 million received in performance funding, $0.9 million received for debt service, and an $0.8 million increase for Breathitt Veterinary Center operations.

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 $14.1 million. The primary change was due to the issuance of general receipts bonds of $12.2 million in the prior fiscal year.

The cash flows provided by or used in investing activities represent the cash activities of investments, which increased by $7.1 million for fiscal year 2023. This increase was primarily the result of an increase in investment earnings on cash accounts held by the Treasurer of the Commonwealth from losses realized in fiscal year 2022 due to the impacts on the economic market related to the pandemic.

<u>For the year ended June 30, 2022:</u>
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.

Condensed Statements of Cash Flows

	2023	2022	2021
Cash Provided/(Used) By:			
Operating activities	$ (83,998,649)	$ (80,839,992)	$ (72,549,856)
Noncapital financing activities	84,836,481	88,071,925	92,343,233
Capital and related financing activities	(14,295,324)	(220,144)	(13,912,746)
Investing activities	3,292,465	(3,784,914)	925,316
Net increase/(decrease) in cash	(10,165,027)	3,226,875	6,805,947
Cash and Cash Equivalents - Beginning of Year	166,637,713	163,410,838	156,604,891
Cash and Cash Equivalents - End of Year	$ 156,472,686	$ 166,637,713	$ 163,410,838

Capital Assets, Leased Assets, SBITA Assets and Debt Administration

The University had a $7 million increase in capital assets, before accumulated depreciation, during the fiscal year ended June 30, 2023. This change is primarily due to an increase in construction in progress for projects not yet completed during the fiscal year.

Capital, leased, and SBITA assets as of June 30, 2023, and changes during the year are as follows:

	Balance June 30, 2023	Balance June 30, 2022	Net Change 2022-23
Capital Assets			
Land	$ 10,941,735	$ 10,886,463	$ 55,272
Construction in progress	7,004,305	2,006,801	4,997,504
Museum and collectibles	704,237	704,237	—
Buildings	410,100,074	408,268,595	1,831,479
Non-building improvements	18,911,181	18,507,858	403,323
Equipment	38,066,752	38,165,413	(98,661)
Software	1,932,019	1,932,019	—
Library holdings	10,092,066	10,266,855	(174,789)
Livestock	132,249	132,749	(500)
Accumulated depreciation	(271,025,908)	(262,905,949)	(8,119,959)
Total capital assets	$ 226,858,710	$ 227,965,041	$ (1,106,331)
Leased Assets			
Equipment	$ 135,345	$ 822,942	$ (687,597)
Buildings	3,191,226	3,191,226	—
Vehicles	141,606	106,710	34,896
Accumulated Amortization	(1,049,918)	(1,445,736)	395,818
Total leased assets	$ 2,418,259	$ 2,675,142	$ (256,883)
Subscription-Based Information Technology Arrangment (SBITA) Assets	$ 6,958,855	$ 5,633,362	$ 1,325,493
Accumulated Amortization	(3,076,150)	(1,455,048)	(1,621,102)
Total SBITA assets	$ 3,882,705	$ 4,178,314	$ (295,609)
Total capital, leased, and SBITA assets	**$ 233,159,674**	**$ 234,818,497**	**$ (1,658,823)**

Debt as of June 30, 2023, and changes during the year are as follows:

	Balance June 30, 2023	Balance June 30, 2022	Net Change 2021-22
General receipts bonds	$ 58,640,000	$ 63,165,000	$ (4,525,000)
Bond premium	2,828,778	3,050,401	(221,623)
City of Murray	5,255,000	5,705,000	(450,000)
Total	$ 66,723,778	$ 71,920,401	$ (5,196,623)

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, Leased, and SBITA Assets and Debt can be found in Notes 7 and 14, respectively, to the financial statements.

Economic Factors Affecting Future Periods

- The Office of State Budget Director has reported that General Fund receipts for fiscal year 2023 totaled $15.1 billion, exceeding budgeted estimates by $1.4 billion, the largest revenue surplus in history. The final budget surplus amount will be known once the accounting records for expenditures are completed later this month. This will be the third consecutive year with a General Fund budget surplus in excess of $1 billion. Road Fund revenues totaled $1.75 billion, 4.7 percent over last year, resulting in a $32.3 million revenue surplus.

  The percentage growth rate for FY23 revenues was 3.0 percent. This follows two years of historically high growth rates. As with June receipts, year-over-year monthly revenue declines are now to be expected given the reduction to the individual income tax rate. An additional tax rate cut, from 4.5 percent to 4.0 percent will become effective next fiscal year starting in January 2024.

  The above was reported on July 10, 2023 in a press release from the Commonwealth of Kentucky's Office of State Budget Director.

- 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, Wrather Hall, and other historic buildings on the campus.

  During much of fiscal year 2022 and continuing in 2023, 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 2024, the University is planning to migrate to an 80 percent employer/20 percent employee funding model. Currently, the University funds over 85 percent of the plan premiums. The University held employee contributions flat from plan year 2020 through plan year 2023. 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, through the 2023 plan year.

- 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 9.97 percent for fiscal year 2023, and pay a dollar amount each month representing their share of the unfunded liability. For fiscal year 2023, this flat contribution towards the University's unfunded KERS-nh liability was $7 million.

- During the 2023 fiscal year, the University saw more favorable market conditions after experiencing significant realized losses in investments with the Commonwealth of Kentucky, where certain revenues are required to be invested by statute, and unrealized losses in the market value of funds invested with the Foundation in the prior year. It is uncertain at this time if market conditions will continue to provide the University with positive earnings.

- 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. Once the pandemic began to impact campus operations in March 2020, this project was placed on hold.

  The University will restart this project in Fall 2023 with the goal of construction on at least one traditional residence hall and various options for replacing approximately 100 apartment style housing units.

- The General Assembly approved funding for a new School of Nursing and Health Professions building on the university's Murray campus. New facilities represent an opportunity for the university to grow and enhance its offered programs in these areas. The new building is still in the planning and design phase with construction planned to begin in March 2024 and projected opening in January 2026.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Statements of Net Position

June 30, 2023 and 2022

	2023	Restated 2022
Assets		
Current Assets		
Cash and cash equivalents	$ 103,804,933	$ 110,622,564
Accounts receivable, net	13,795,814	11,184,316
Leases receivable	814,643	877,857
Inventories	2,829,750	2,673,448
Loans to students, net	134,334	297,378
Prepaid expenses	1,894,897	2,829,102
Total Current Assets	123,274,371	128,484,665
Noncurrent Assets		
Restricted cash and cash equivalents	52,667,753	56,015,149
Restricted investments	30,733,626	30,096,733
Loans to students, net	542,837	1,303,159
Capital assets	497,884,618	490,870,990
Accumulated depreciation	(271,025,908)	(262,905,949)
Leased assets	3,468,177	4,120,878
Accumulated amortization	(1,049,918)	(1,445,736)
SBITA assets	6,958,855	5,633,362
Accumulated amortization	(3,076,150)	(1,455,048)
Total Noncurrent Assets	317,103,890	322,233,538
Total Assets	440,378,261	450,718,203
Deferred Outflows of Resources		
Bond refunding loss	1,383,424	1,600,893
Deferred outflows related to pension/OPEB contributions	32,729,881	26,775,206
Total Deferred Outflows of Resources	$ 34,113,305	$ 28,376,099

See accompanying notes.

Statements of Net Position, continued

June 30, 2023 and 2022

	2023	Restated 2022
Liabilities		
Current Liabilities		
Accounts payable	$ 11,048,815	$ 9,010,037
Accrued payroll	5,455,395	5,758,592
Self-insured health liability	607,261	721,584
Interest payable	725,199	802,067
Unearned revenue	3,921,972	4,236,084
Deposits - current portion	317,684	246,993
Leases payable - current portion	160,810	532,574
Long-term debt - current portion	5,476,623	5,196,623
SBITAs payable - current portion	1,568,426	1,409,584
Total Current Liabilities	29,282,185	27,914,138
Noncurrent Liabilities		
Deposits	329,100	229,200
Leases payable	1,020,654	1,137,431
Long-term debt	61,247,155	66,723,778
SBITAs payable	1,616,864	2,107,678
Net pension/OPEB liability, state pension plans	171,727,550	161,610,018
Total Noncurrent Liabilities	235,941,323	231,808,105
Total Liabilities	265,223,508	259,722,243
Deferred Inflows of Resources		
Deferred inflows related to dining contract	5,326,229	6,213,934
Deferred inflows related to leases	580,863	640,110
Deferred inflows related to net pension/OPEB liability	20,588,170	42,622,023
Total Deferred Inflows of Resources	26,495,262	49,476,067
Net Position		
Net investment in capital assets	171,661,275	170,197,714
Restricted for:		
Nonexpendable:		
Endowment	25,053,728	23,961,548
Expendable:		
Scholarships, research, instruction and other	8,985,055	7,965,640
Loans	1,045,513	2,137,695
Capital projects	7,940,152	11,602,057
Debt service	407,884	402,446
Unrestricted	(32,320,811)	(46,371,108)
Total Net Position	$ 182,772,796	$ 169,895,992

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

June 30, 2023 and 2022

Assets

	2023	2022
Assets		
Cash and cash equivalents	$ 1,577,938	$ 2,618,845
Accounts receivable	94,420	64,650
Investments	159,461,675	146,071,700
Real estate held for investment	2,552,957	2,552,957
Prepaid and other assets	67,825	53,854
Contributions receivable, net	534,133	588,680
Property and equipment, net	6,166,398	6,111,793
Total Assets	$ 170,455,346	$ 158,062,479

Liabilities And Net Assets

	2023	2022
Liabilities		
Accounts payable	$ 95,924	$ 90,942
Due to Murray State University (MSU)	452,027	650,991
Accrued expenses	88,752	62,245
Deferred revenue	90,374	70,892
Assets held for others	31,772,956	30,959,182
Financial lease liability	142,410	—
Annuities and trusts payable	5,110,230	5,523,020
Other liabilities	295,396	290,968
Total Liabilities	38,048,069	37,648,240
Net Assets		
Without donor restrictions	27,824,589	23,689,324
With donor restrictions	104,582,688	96,724,915
Total Net Assets	132,407,277	120,414,239
Total Liabilities and Net Assets	$ 170,455,346	$ 158,062,479

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, 2023 and 2022

	For The Years Ended June 30, 2023	2022
Operating Revenues		
Tuition and fees	$ 102,513,839	$ 99,985,416
Less: Discounts and allowances	(51,377,611)	(49,292,029)
Net tuition and fees	51,136,228	50,693,387
Federal grants and contracts	6,082,140	5,790,144
State grants and contracts	434,729	463,470
Private grants and contracts	310,862	261,608
Total grants and contracts	6,827,731	6,515,222
Sales and services of educational activities	9,172,380	7,387,761
Other operating revenues	5,467,634	10,760,169
Total sales, services, and other revenues	14,640,014	18,147,930
Auxiliary enterprises	23,937,449	23,224,379
Less: Discounts and allowances	(360,257)	(381,179)
Net auxiliary revenue	23,577,192	22,843,200
Total Operating Revenues	96,181,165	98,199,739
Operating Expenses		
Instruction	62,635,654	60,932,332
Research	2,193,228	2,694,721
Public service	6,966,645	6,488,603
Libraries	3,583,057	3,525,947
Academic support	7,834,668	7,183,089
Student services	20,215,585	18,029,229
Institutional support	19,407,651	18,110,524
Operation and maintenance of plant	22,845,527	22,412,814
Student financial aid	15,505,604	20,720,662
Depreciation	8,171,535	8,220,800
Amortization	2,151,247	329,262
State pension expense (benefit) GASB 68	(12,858,864)	(27,021,418)
State OPEB expense (benefit) GASB 75	(3,537,780)	(3,460,688)
Auxiliary enterprises	16,495,784	15,575,490
Auxiliary depreciation	3,764,557	3,829,473
Total Operating Expenses	175,374,098	157,570,840
Operating Loss	$ (79,192,933)	$ (59,371,101)

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, 2023 and 2022

	For The Years Ended June 30, 2023	2022
Nonoperating Revenues (Expenses)		
State appropriations	$ 52,005,700	$ 47,024,700
State debt service	(850,000)	—
Restricted student fees	2,067,356	2,095,318
Federal grants and contracts	15,324,271	32,788,633
State grants and contracts	14,247,401	10,679,502
Local and private grants and contracts	1,925,032	545,787
Gifts	2,344,023	1,615,840
Investment income (loss)	4,796,270	(7,816,157)
Interest earned on leased assets	42,433	46,320
Interest on capital asset-related debt	(2,390,003)	(2,302,991)
Interest on leased asset-related debt	(62,129)	(70,323)
Interest on SBITA asset-related debt	(252,034)	—
Loss on deletion and disposal of capital assets	(745,272)	(120,753)
Bond amortization	12,975	(160,794)
Nonoperating Revenues (Expenses), Net	88,466,023	84,325,082
Income Before Other Revenues, Expenses Gains and Losses	9,273,090	24,953,981
State Capital Appropriations	3,195,422	60,000
Other Insurance Proceeds	305,221	285,197
Capital Gifts	92,461	73,306
Additions to Permanent Endowments	10,610	761,674
Change in Net Position	12,876,804	26,134,158
Net Position - Beginning of Year	169,895,992	143,100,782
Restatement of beginning net position for SBITAs	—	661,052
Net Position - Beginning of Year (adjusted)	169,895,992	143,761,834
Net Position - End of Year	$ 182,772,796	$ 169,895,992

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Activities

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues, Gains/(Losses) And Other Support			
Contributions	$ 100	$ 4,149,025	$ 4,149,125
Revenues from operations of the Frances E. Miller Memorial Golf Course	544,080	—	544,080
Fees and rental income	45,721	50,237	95,958
Investment return, net	4,878,732	8,932,265	13,810,997
Other	—	20,477	20,477
Change in value of annuities payable	—	219,926	219,926
Net assets released from restrictions	5,601,044	(5,601,044)	—
Total Revenues, Gains/(Losses) And Other Support	11,069,677	7,770,886	18,840,563
Expenses:			
Program services expenses:			
Support provided to MSU, including scholarships	5,711,821	—	5,711,821
Frances E. Miller Memorial Golf Course	566,998	—	566,998
Total Program Services Expenese	6,278,819	—	6,278,819
Supporting services expenses:			
Management and general	556,519	—	556,519
Fundraising	12,187	—	12,187
Total Supporting Services Expenese	568,706	—	568,706
Total Expenses	6,847,525	—	6,847,525
Transfers between Foundation fund groups	(86,887)	86,887	—
Change in Net Assets	4,135,265	7,857,773	11,993,038
Net Assets - Beginning of Year	23,689,324	96,724,915	120,414,239
Net Assets - End of Year	$ 27,824,589	$ 104,582,688	$ 132,407,277

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 Expenese	4,884,924	—	4,884,924
Supporting services expenses:			
Management and general	396,120	—	396,120
Fundraising	16,380	—	16,380
Total Supporting Services Expenese	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
A Component Unit of the Commonwealth of Kentucky

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Tuition and fees	$ 50,574,565	$ 50,409,516
Grants and contracts	6,061,826	9,590,018
Payments for salaries, wages and fringes	(102,466,412)	(98,130,471)
Payments to suppliers	(40,969,843)	(38,084,873)
Payments for student financial aid	(15,505,604)	(20,720,662)
Loans issued to students	—	(44,769)
Collections of loans to students	213,055	330,430
Sales and services of educational activities	8,532,096	7,583,040
Other operating revenues	3,761,496	2,344,089
Auxiliary revenues:		
Dining services	10,618	75,086
Housing	15,019,628	14,137,891
Bookstore	3,791,054	4,948,437
Contracted dining servcies	3,962,311	3,371,850
Other	167,489	151,577
Auxiliary payments:		
Payments for salaries, wages and fringes	(3,628,281)	(4,296,627)
Payments to suppliers	(13,522,647)	(12,504,524)
Net Cash Used in Operating Activities	(83,998,649)	(80,839,992)
Cash Flows From Noncapital Financing Activities		
State appropriations	52,005,700	47,024,700
Endowment proceeds received from (forwarded to) MSU Foundation for investment	355,879	(393,810)
Grants and contracts	31,496,704	40,091,927
Endowment income	421,644	1,238,372
Gifts for other than capital purposes	1,504,921	1,079,749
Agency transactions	(1,415)	(1,127)
Deferred inflows contracted dining services	(887,705)	(887,706)
Deferred inflows leases	(59,247)	(80,180)
Net Cash Provided by Noncapital Financing Activities	84,836,481	88,071,925
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt, net of discount	—	12,200,000
Restricted student fees	2,067,356	2,095,318
Insurance proceeds - other	305,221	285,197
State capital appropriations	3,195,422	60,000
Purchases of capital assets	(11,392,183)	(8,193,898)
Capital gifts	92,461	68,806
State debt service	(850,000)	—
Principal paid on capital debt	(4,975,000)	(4,515,000)
Interest paid on capital debt	(2,466,871)	(2,196,564)
Interest earned on leased assets	42,433	46,320
Interest paid on leased assets	(62,129)	(70,323)
Interest paid on SBITA assets	(252,034)	—
Net Cash Used in Capital and Related Financing Activites	$ (14,295,324)	$ (220,144)

See accompanying notes.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Statements of Cash Flows, continued

Years ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	$ 88	$ 8
Purchases of investments	(15,095)	(130)
Investment additions (receipts)	3,307,472	(3,784,792)
Net Cash Provided by (Used in) Investing Activities	3,292,465	(3,784,914)
Net Increase (Decrease) in Cash and Cash Equivalents	(10,165,027)	3,226,875
Cash and Cash Equivalents - Beginning of Year	166,637,713	163,410,838
Cash and Cash Equivalents - End of Year	156,472,686	166,637,713
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents	103,804,933	110,622,564
Restricted cash and cash equivalents	52,667,753	56,015,149
Total Cash and Cash Equivalents	$ 156,472,686	$ 166,637,713
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (79,192,933)	$ (59,371,101)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	11,936,092	12,050,273
Amortization expense	2,151,247	329,262
Bad debt expense	1,347,150	1,071,940
Net pension gain, proportionate share	(17,870,995)	(38,687,493)
Net in-kind expenses	167,614	192,344
Changes in assets and liabilities:		
Accounts and loans receivable, net	(1,688,132)	2,743,454
Leases receivable	63,214	80,310
Inventories	(156,302)	11,025
Prepaid expenses	934,205	(983,015)
Accounts payable	(309,670)	2,209,701
Accrued payroll	(303,197)	(165,375)
Self-insured health liability	(114,323)	93,467
Unearned revenue	(314,112)	306,767
Deposits	172,006	(113,628)
Leases payable	(488,541)	(607,923)
SBITAs payable	(331,972)	—
Net Cash Used in Operating Activities	$ (83,998,649)	$ (80,839,992)
Supplemental Disclosure of Cash Flow Information		
Gifts of capital assets	$ 110,565	$ 105,528
Accounts payable incurred for capital asset purchases	3,327,347	132,024
Changes in fair value of investments	1,067,154	(5,269,737)

See accompanying notes.

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 9,800. The University is a component unit of the Commonwealth of Kentucky and is included in the general-purpose financial statements of the Commonwealth.

Reporting Entity

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

Basis of Accounting and Financial Statement Presentation

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

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

Cash and Cash Equivalents

The University considers all highly liquid investments that are immediately available to the University to be cash equivalents. Funds held by the Commonwealth of Kentucky are considered cash equivalents.

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.

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, Leased, and SBITA 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. Assets recognized as subscription-based information technology arrangements (SBITAs) are amortized over the subscription term. 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

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. Tier 3 employees hired after 12/31/2013 in KERS are not eligible for sick leave credit. No liability is accrued for sick leave benefits for employees participating in the Teachers' Retirement System (TRS) or 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 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 2022 and the end of fiscal year 2023.

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.

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.

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 to students, self-insurance liabilities and other accrued liabilities. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through October 4, 2023, the date the financial statements were available to be issued.

2. Accounts Receivable

Accounts receivable, net of estimated uncollectible amounts, as of June 30 consisted of:

	2023	2022
Current accounts receivable:		
Student tuition and fees	$ 10,393,422	$ 9,066,619
Grants and contracts	2,713,509	2,189,500
Auxiliary fees	4,379,162	3,528,417
Auxiliary-contracted dining services	557,536	352,135
MSU Foundation	452,027	650,991
Outside sales	1,482,611	463,076
Other	33	1,080
Allowance for doubtful accounts	(6,182,486)	(5,067,502)
Total current accounts receivable	$ 13,795,814	$ 11,184,316

3. Inventories

Inventories as of June 30 consisted of:

	2023	2022
University bookstore - resale	$ 1,556,212	$ 1,363,925
Physical plant - supplies	1,222,670	1,257,411
Art supplies	50,868	52,112
Total inventories	$ 2,829,750	$ 2,673,448

4. Loans to Students

Student loans made through the Federal Perkins Loan Program (Program) comprise 36 percent and 73 percent all of the loans to students at June 30, 2023 and 2022, respectively. The Program provides for service cancellation of a loan at rates of 12.5 percent to 30 percent per year up to a maximum of 100 percent if the participant complies with certain provisions. Effective September 30, 2017, universities were no longer permitted to issue new loans under the Perkins program and the balances noted below are loans issued prior to this date.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. The allowance for uncollectible loans at June 30, 2023 and 2022 was $112,629 and $193,346, respectively.

Loans to students, net of estimated uncollectible amounts, as of June 30 consisted of:

	2023	2022
Current loans to students:		
University loan programs	$ 9,569	$ 12,391
Federal nursing program	77,182	77,973
Federal Perkins program	47,583	207,014
Total current loans to students, net	134,334	297,378
Noncurrent loans to students:		
University loan programs	5,559	6,632
Federal nursing program	341,548	340,555
Federal Perkins program	195,730	955,972
Total noncurrent loans to students, net	542,837	1,303,159
Total loans to students, net	$ 677,171	$ 1,600,537

5. Deposits, Investments and Investment Income

Deposits

At June 30, 2023 and 2022, the carrying amounts of the University's bank balances and deposits were $156,472,686 and $166,637,713, 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.

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:

	2023	2022
Depository accounts:		
Local bank deposits, letter of credit in the University's name	$ 19,386,931	$ 21,219,344
Cash on hand	26,805	31,584
State Investment Pool - collateral required by KRS 41.240	137,058,950	145,386,785
Total deposits	$ 156,472,686	$ 166,637,713

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

	2023	2022
Cash and cash equivalents, current	$ 103,804,933	$ 110,622,564
Restricted cash and cash equivalents	52,667,753	56,015,149
Total deposits	$ 156,472,686	$ 166,637,713

Investments

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

	2023	2022
Money market funds restricted for debt service purposes	$ 315,472	$ 400,465
Restricted assets held by the Foundation	30,418,154	29,696,268
Total investments	$ 30,733,626	$ 30,096,733

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:

	2023	2022
Percentage of pool invested in:		
Mutual funds	60.1%	59.1%
Fixed income securities	39.9%	40.9%
Total investments	100.0%	100.0%

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

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

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

Investment Income

Investment income (loss) for the years ended June 30 consisted of:

	2023	2022
Assets held by the University:		
Interest income (loss)	$ 2,828,451	$ (3,721,131)
Assets held by MSU Foundation:		
Investment income endowment funds	900,665	1,174,711
Net increase (decrease) in fair value of endowment investments	1,067,154	(5,269,737)
Total investment income (loss)	$ 4,796,270	$ (7,816,157)

6. Endowments

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

	2023	2022
Endowment assets, beginning of year	$ 23,961,548	$ 28,464,071
Investment return		
Net appreciation (depreciation)	1,067,154	(5,269,737)
Contributions increase	25,026	767,214
Endowment assets, end of year	$ 25,053,728	$ 23,961,548

7. Capital, Leased, and SBITA Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Transfers	Deletions/ Retirements	Balance June 30, 2023
Land	$ 10,886,463	$ 55,272	$ —	$ —	$ 10,941,735
Construction in progress	2,006,801	9,656,489	(4,397,934)	(261,051)	7,004,305
Museum and collectibles	704,237	—	—	—	704,237
Total capital assets not being depreciated	13,597,501	9,711,761	(4,397,934)	(261,051)	18,650,277
Buildings	408,268,595	—	3,994,611	(2,163,132)	410,100,074
Nonbuilding improvements	18,507,858	—	403,323	—	18,911,181
Equipment	38,165,413	3,252,596	—	(3,351,257)	38,066,752
Library holdings	10,266,855	33,048	—	(207,837)	10,092,066
Livestock	132,749	8,000	—	(8,500)	132,249
Software	1,932,019	—	—	—	1,932,019
Total other capital assets	477,273,489	3,293,644	4,397,934	(5,730,726)	479,234,341
Total capital assets before depreciation	490,870,990	13,005,405	—	(5,991,777)	497,884,618
Less accumulated depreciation:					
Buildings	209,103,924	9,755,685	—	—	218,859,609
Improvements other than buildings	13,675,974	405,724	—	(1,505,899)	12,575,799
Equipment	29,657,343	1,617,556	—	(2,108,540)	29,166,359
Library holdings	8,436,107	147,294	—	(197,444)	8,385,957
Livestock	100,583	9,833	—	(4,250)	106,166
Software	1,932,018	—	—	—	1,932,018
Total accumulated depreciation	262,905,949	11,936,092	—	(3,816,133)	271,025,908
Capital assets, net	$ 227,965,041				$ 226,858,710

Leased asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions/ Retirements	Balance June 30, 2023
Equipment	$ 822,942	$ 15,437	$ (703,034)	$ 135,345
Buildings	3,191,226	—	—	$ 3,191,226
Vehicles	106,710	34,896	—	$ 141,606
Total leased assets before amortization	4,120,878	50,333	(703,034)	3,468,177
Less accumulated amortization:				
Equipment	588,575	190,187	(703,034)	75,728
Buildings	847,704	86,056	—	933,760
Vehicles	9,457	30,973	—	40,430
Total accumulated amortization	1,445,736	307,216	(703,034)	1,049,918
Leased assets, net	$ 2,675,142			$ 2,418,259

Subscription-based Information Technology Arrangement (SBITA) asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions/ Retirements	Balance June 30, 2023
Subscription-based information technology arrangement assets	$ 5,633,362	$ 1,548,423	$ (222,930)	$ 6,958,855
Less accumulated amortization for Subscription-based information technology arrangement assets	1,455,048	1,844,032	(222,930)	3,076,150
Subscription-based information technology arrangement assets, net	$ 4,178,314			$ 3,882,705

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	$ 233,655,275				$ 227,965,041

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
Total leased assets before amortization	4,326,585	160,292	(365,999)	4,120,878
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
Total accumulated amortization	1,271,122	329,263	(154,649)	1,445,736
Leased assets, net	$ 3,055,463			$ 2,675,142

8. Accounts Payable

Accounts payable at June 30 consisted of:

	2023	2022
Current accounts payable:		
Vendors	$ 8,814,860	$ 6,852,974
Payroll benefits and withholdings	2,139,535	2,081,948
MSU Foundation	94,420	64,650
Loans	–	10,465
Total current accounts payable	$ 11,048,815	$ 9,010,037

9. University Health Self-Insurance Program

The University maintains a self-insurance program for employees' health insurance. For the fiscal year ended June 30, 2023, the University paid approximately 84 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, 2023 and 2022 totaled $12,178,383 and $11,010,852, 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:

	2023	2022
Liability, beginning of year	$ 721,584	$ 628,117
Accruals for current year claims and changes in estimate (includes employee and employer contributions)	14,553,068	13,430,823
Administrative and stop-loss fees	(1,142,074)	(808,279)
Claims paid	(13,525,317)	(12,529,077)
Liability, end of year	$ 607,261	$ 721,584

10. Unearned Revenue

Unearned revenue as of June 30 consisted of:

	2023	2022
Current unearned revenue:		
Prepaid tuition and fees	$ 2,899,936	$ 2,792,537
Custodial and grounds contract	387,097	580,645
Grants and contracts	598,778	833,520
Auxiliary enterprises	36,161	29,382
Total current unearned revenue	$ 3,921,972	$ 4,236,084

11. Deposits

The deposits held as of June 30 consisted of:

	2023	2022
Current:		
Horse stall rentals	$ 6,730	$ 9,205
Housing rental/pet deposits	310	310
Racer card declining balances	1,834	2,000
Housing deposits	208,600	168,250
Sodexo meal plans	—	(34,397)
Agency account balances	100,210	101,625
Total current deposits	317,684	246,993
Noncurrent:		
Housing deposits	329,100	229,200
Total deposits	$ 646,784	$ 476,193

Noncurrent housing deposit additions were $206,100 and $9,322 for the years ended June 30, 2023 and 2022, respectively. Noncurrent housing deposit deductions were $106,200 and $81,600 for the years ended June 30, 2023 and 2022, respectively.

12. Leases

The University, as a lessee, has entered into lease agreements for motor vehicles, printing and copying equipment, postal equipment, golf car, veterinary lab equipment and facility space for its regional campuses. Leased assets were recorded at a cost of $3,468,177 and $4,120,848, less accumulated amortization of $1,049,918 and $1,445,736 for the years ended June 30, 2023 and 2022, respectively.

The future lease payments under lease agreements are presented below:

Years Ending June 30	Principal	Interest	Total Payments
2024	$ 160,810	$ 45,186	$ 205,996
2025	133,693	38,735	172,428
2026	119,473	33,183	152,656
2027	117,838	28,293	146,131
2028	123,021	23,311	146,332
2029-2033	526,629	41,776	568,405
Total	$ 1,181,464	$ 210,484	$ 1,391,948

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 $122,663.

13. Subscription-Based Information Technology Arrangements

The University has entered into subscription-based information technology arrangements (SBITAs) for the following:

- fundraising and donor software
- ticket management system
- Information technology infrastructure
- employment applicant tracking
- learning management software
- anti-plagiarism software
- website content management
- library services and research repository
- Affordable Care Act (ACA) compliance software
- scholarship management software
- information systems service ticket management
- student conduct management software
- student recreation management software
- catalog and curricula management software
- video conferencing tool
- labor market research platform
- enterprise resource planning (ERP) software for business activity management
- statistical management software
- strategic planning software
- athletic compliance and management software
- athletic video editing and analysis software
- contract management software
- campus card management system
- search engine optimization software
- accounting forms and check software
- residential hall management software
- accreditation management and compliance software
- alumni engagement platform
- tuition net price calculation software
- chatbot virtual assistant software
- payee management software
- identity and access management software

Subscription assets were recorded at a cost of $6,958,855 and $5,633,362, less accumulated amortization of $3,076,150 and $1,445,048 for the years ended June 30, 2023 and 2022, respectively.

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The future subscription payments under SBITA agreements are presented below:

Years Ending June 30	Principal	Interest	Total Payments
2024	$ 1,568,426	$168,024	$ 1,736,450
2025	1,283,168	65,255	1,348,423
2026	207,142	17,657	224,799
2027	120,539	3,545	124,084
2028	6,015	106	6,121
Total	$ 3,185,290	$254,587	$ 3,439,877

14. Revenue Bonds and Notes Payable

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-Term Portion
Bonds payable	$ 63,165,000	$ —	$ (4,525,000)	$ 58,640,000	$ 4,790,000	$ 53,850,000
Plus bond premiums	3,050,401	—	(221,623)	2,828,778	221,623	2,607,155
Bonds payable, net of discounts premiums	66,215,401	—	(4,746,623)	61,468,778	5,011,623	56,457,155
City of Murray payable	5,705,000	—	(450,000)	5,255,000	465,000	4,790,000
Total bonds and notes payable	$ 71,920,401	$ —	$ (5,196,623)	$ 66,723,778	$ 5,476,623	$ 61,247,155

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

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
2024	$ 4,790,000	$ 465,000	$ 5,255,000	$ 2,259,088	$ 7,514,088
2025	4,885,000	475,000	5,360,000	2,070,086	7,430,086
2026	5,150,000	485,000	5,635,000	1,867,545	7,502,545
2027-2031	22,975,000	2,650,000	25,625,000	6,387,430	32,012,430
2032-2036	16,670,000	1,180,000	17,850,000	2,154,575	20,004,575
2037-2041	3,425,000	—	3,425,000	374,625	3,799,625
2042	745,000	—	745,000	11,175	756,175
Total	$ 58,640,000	$ 5,255,000	$ 63,895,000	$ 15,124,524	$ 79,019,524

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Original Issue	Balance Due June 30, 2023	Interest Expense, Current Year	Bonds and Notes Maturing 2023-2024
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	$ 4,120,000	$ 175,097	$ 385,000
Series C 2011 refunding bonds dated July 12, 2011, with an interest rate of 2.00% to 4.00%; final principal payment date September 1, 2027; refunding of Housing and Dining bonds series P & Q	15,620,000	4,965,000	205,585	1,055,000
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	9,600,000	314,587	745,000
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	22,050,000	920,771	960,000

	Original Issue	Balance Due June 30, 2023	Interest Expense, Current Year	Bonds and Notes Maturing 2023-2024
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	$ 4,295,000	$ 106,356	$ 820,000
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	2,900,000	112,872	435,000
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; Renovation of Curris Center, Wrather Hall, and Lovett Auditorium	11,050,000	10,710,000	389,275	390,000
Total general receipts bonds payable	88,370,000	58,640,000	2,224,543	4,790,000
Plus bond premium	—	2,828,778	—	221,623
Total bonds payable	88,370,000	61,468,778	2,224,543	5,011,623
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	5,255,000	165,460	465,000
Total All Bond Issues and Notes Payable	$ 97,620,000	$ 66,723,778	$ 2,390,003	$ 5,476,623

The revenue bond indentures require the University to maintain a reserve balance as a percentage of outstanding balances. As of June 30, 2023, and 2022, the sinking fund and reserve fund requirements have been funded as required.

15. 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 ended June 30, 2020. Deferred Inflows, revenues which will be recognized in a future period, related to the contract are $5.3 million and $6.2 million as of June 30, 2023 and 2022, respectively.

16. Unrestricted Net Position

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

	2023	Restated 2022
Unrestricted net position		
Allocated for:		
Departmental operations	$ 39,995,163	$ 43,216,170
Encumbrances	294,307	269,103
Board designated projects	9,637,849	10,539,354
Capital projects	2,952,893	1,719,601
Renovation and maintenance	8,473,401	9,117,302
Plant reserves	3,623,094	3,751,966
Working capital	16,137,773	13,140,590
Revenue contingency	2,600,285	2,351,235
General contingency	40,775,013	44,354,470
Self-insurance	607,260	722,000
Leases	1,470,575	1,242,884
SBITAs	697,415	—
SBITAs restatement	—	661,052
Total unrestricted net position before pension/OPEB adjustments	127,265,028	131,085,727
Pension/OPEB current year adjustments, KERS non-hazardous	(99,096,087)	(108,580,869)
Pension/OPEB current year adjustments, KERS hazardous	(1,511,097)	(1,589,411)
Pension/OPEB current year adjustments, TRS	(58,978,655)	(67,286,555)
Total unrestricted net position	$ (32,320,811)	$ (46,371,108)

17. 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.

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

Non-Hazardous

	Tier 1 Defined Benefit	Tier 2 Defined Benefit	Tier 3 Hybrid 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	5-High (fiscal years with the highest average monthly rate, payments for compensatory time included, minimum of 48 months) / Total Months Worked x 12 (to annualize)	Last 5 (average of the last five full fiscal years of salary, payments for compensatory time not included, minimum of 60 months) / 60 Months x 12 (to annualize)	Does not apply to Tier 3 Members.
Benefit Factor	1.97% if member does not have 13 months credit for 1/1/1998-1/1/1999. 2.00% if member has 13 months credit from 1/1/1998-1/1/1999.	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)	Does not apply to Tier 3 Members.
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	Age 65 or older with 1-47 months of service credit OR age 65 or older with at least 48 months of service credit OR any age with 27 or more years of service credit.	Age 57 or older, if the member's age and years of service equal 87 (Rule of 87) OR age 65 or older with at least 60 months of service credit.	Age 57 or older, if the member's age and years of service equal 87 (Rule of 87) OR age 65 or older with at least 60 months of service credit.
Reduced Retirement Benefit	Prior to age 65, with at least 25 but less than 27 years of service OR Age 55 with at least 5 years of service credit.	Age 60 with at least 10 years of service.	Does not apply to Tier 3 Members.

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

Hazardous

	Tier 1 Defined Benefit	Tier 2 Defined Benefit	Tier 3 Hybrid 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	3-High (fiscal years with the highest average monthly rate, payments for compensatory time included, minimum of 24 months) / Total Months Worked x 12 (to annualize)	3-High (average of the highest three full fiscal years of salary, payments for compensatory time not included, minimum of 36 months) / 36 Months x 12 (to annualize)	Does not apply to Tier 3 Members.
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%	Does not apply to Tier 3 Members.
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	Age 55 or older with 1-59 months of hazardous service credit OR age 55 or older with at least 60 months of hazardous service credit OR any age with 20 or more years of service credit.	Age 60 or older with at least 60 months of hazardous service credit OR any age with 25 or more years of service credit.	Age 60 or older with at least 60 months of hazardous service credit OR any age with 25 or more years of service credit.
Reduced Retirement Benefit	Age 50 with at least 15 years of service.	Age 50 with at least 15 years of service.	Does not apply to Tier 3 Members.

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

<table>
<tr><th></th><th>Tier 1</th><th>Tier 2</th><th>Tier 3</th><th>Tier 4</th></tr>
<tr><td>Participation</td><td>Prior to 7/1/2002</td><td>7/1/2002 through 6/30/2008</td><td>7/1/2008 through 12/31/2021</td><td>1/1/2022 and after</td></tr>
<tr><td>Covered Employees</td><td colspan="4">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.</td></tr>
<tr><td>Benefit Formula</td><td colspan="3">Service Credit x Multiplier x Final Average Salary = Annual Benefit</td><td>Service Credit x Multiplier x Final Average Salary = Annuity</td></tr>
<tr><td>Service Credit</td><td colspan="3">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).</td><td>Total number of years worked in a TRS-covered position or purchased. Any service credit awarded for unused sick lease counts in the total years (except it cannot be used for retirement eligibilty).</td></tr>
<tr><td>Mulipliers</td><td>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%</td><td>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%</td><td>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%</td><td><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></td></tr>
<tr><td>Final Average Salary</td><td colspan="3">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.</td><td>Average of highest five salaries. Increases in the last five years prior to retirement are limited to the ighest percentage increase generally available to a district's or agency's TRS-covered employees.</td></tr>
<tr><td>Unreduced Retirement Benefit</td><td>Any age with 27 years of service credit
OR
Age 60 with at least 5 years of service credit</td><td>Any age with 27 years of service credit
OR
Age 60 with at least 5 years of service credit</td><td>Any age with 27 years of service credit
OR
Age 60 with at least 5 years of service credit</td><td>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</td></tr>
<tr><td>Reduced Retirement Benefit</td><td>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.</td><td>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.</td><td>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.</td><td>Age 57 with 10 years of service credit. Early retirement penalty up to 18%.</td></tr>
</table>

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, 2023, was 9.97 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, 2023, was 31.82 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 for Tiers 1, 2, and 3 and 9.775 percent for Tier 4. The participating employers' contractually required contribution rate for the year ended June 30, 2023, was 15.865 percent of annual payroll for Tiers 1, 2, and 3 and 9.775 percent 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, 2023 and 2022 were:

	June 30, 2023			June 30, 2022		
	Pension	OPEB	Total Contributions	Pension	OPEB	Total Contributions
KERS-nh	$ 5,994,659	$ 1,648,148	$ 7,642,807	$ 6,187,259	$ 1,723,034	$ 7,910,293
KERS-h	245,039	-	245,039	246,054	-	246,054
Total KERS	6,239,698	1,648,148	7,887,846	6,433,313	1,723,034	8,156,347
TRS	3,938,651	861,272	4,799,923	4,115,069	689,993	4,805,062
Total	$ 10,178,349	$ 2,509,420	$ 12,687,769	$ 10,548,382	$ 2,413,027	$ 12,961,409

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

The University reported a liability of $145,698,207 and $138,336,517 for the years ended June 30, 2023 and 2022, 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, 2022 and June 30, 2021 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, 2022, the University's proportion was 0.682238 percent for KERS-nh, 0.330614 percent for KERS-h, and 0.302319 percent for TRS, and 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.

For the years ended June 30, 2023 and 2022, the University recognized a pension benefit of $12,858,864 and $27,021,418, respectively. At June 30, 2023 and 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ (1,843,112)	$ 136,175	$ (689,535)	$ 884,958
Change in assumptions	4,853,003	—	7,741,613	3,996,459
Net difference between projected and actual earnings on investments	5,690,905	1,859,499	353,967	13,761,434
Change in proportionate share	403,110	5,215,920	1,155,359	10,091,180
Contributions subsequent to the measurement date	10,178,349	—	10,548,382	—
Total	$ 19,282,255	$ 7,211,594	$ 19,109,786	$ 28,734,031

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, 2024. 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 2.02 years for KERS-nh employees, 2.08 years for KERS-h employees, and 3.9 years for TRS employees as of the June 30, 2022 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2023 will be recognized in pension expense (benefit) as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Increase (Decrease) in Pension Expense
2024	$ 3,681,854	$ 5,389,815	$ (1,707,961)
2025	3,700,841	2,149,319	1,551,522
2026	297,547	1,758,344	(1,460,797)
2027	1,423,664	(2,085,884)	3,509,548
	$ 9,103,906	$ 7,211,594	$ 1,892,312

Actuarial assumptions. For KERS, the actuarial valuation for financial reporting as of June 30, 2022 was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2021. House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from participating employers. 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. Actuarially determined contributions for fiscal year 2022 are based on the contribution rate calculated with the June 30, 2020 valuation, as amended by HB8 (2021 legislative session). The following assumptions based on the June 30, 2020 actuarial valuation report were used to calculate the required contributions:

	KERS-nh	KERS-h
Actuarial Valuation Date	June 30, 2020	June 30, 2020
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	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.
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, 2022 was performed by Cavanaugh Macdonald Consulting (CMC). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021 and rolled forward. The actuarial valuation prepared as of June 30, 2022 reflects the new tier of benefits for members hired on or after January 1, 2022 (Tier 4). A summary of the actuarial assumptions as of the actuarial valuation are as follows:

	TRS
Actuarial Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of pay, closed
Remaining Amortization Period	21.9 Years
Asset Valuation Method	Five-year smoothed market
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation
Inflation Rate	2.50%
Projected Salary Increases	3.00% - 7.50%, including wage 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 94%.
Date of Experience Study	July 1, 2015 - June 30, 2020

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	**June 30, 2022**	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	32.50%	4.45%
Private Equity	7.00%	10.15%
Core Fixed Income	20.50%	0.28%
Specialty Credit	15.00%	2.28%
Cash	5.00%	-0.91%
Real Estate	10.00%	3.67%
Real Return	10.00%	4.07%
	100.00%	

KERS-nh	**June 30, 2021**	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S Equity	16.25%	5.70%
International Equity	16.25%	6.35%
Private Equity	7.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	20.50%	0.00%
Cash	5.00%	-0.60%
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
	100.00%	

KERS-h	**June 30, 2022**	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	43.50%	4.45%
Private Equity	10.00%	10.15%
Core Fixed Income	10.00%	0.28%
Specialty Credit	15.00%	2.28%
Cash	1.50%	-0.91%
Real Estate	10.00%	3.67%
Real Return	10.00%	4.07%
	100.00%	

KERS-h	**June 30, 2021**	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
	100.00%	

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	**June 30, 2022**	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
International Equity	16.5%	5.3%
Emerging Markets Equit	5.5%	5.4%
Fixed Income	15.0%	-0.1%
High Yield Bonds	2.0%	1.7%
Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	-0.3%
Total	100.0%	

TRS	**June 30, 2021**	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	-0.1%
High Yield Bonds	2.0%	1.7%
Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	-0.3%
Total	100.0%	

Discount rate. For KERS the discount rates used to measure the total pension liability as of the Measurement Date (June 30, 2022) and Prior Measurement Date (June 30, 2021) 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 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, 2022) and Prior Measurement Date (June 30, 2021) was 7.1 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, 2022		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	$ 104,106,807	$ 90,514,856	$ 79,323,133
	4.25%	5.25%	6.25%
University's proportionate share - KERS-h	2,217,123	1,677,919	1,240,954
	5.25%	6.25%	7.25%
University's proportionate share - TRS	68,368,884	53,505,432	41,236,891
	6.10%	7.10%	8.10%

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

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 $26,029,343 and $23,273,501 years ended June 30, 2023 and 2022, 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, 2022 and June 30, 2021 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, 2022, the University's proportion was 0.521679 percent for KERS-nh, 0.330497 percent for KERS-h, 0.571582 percent for TRS-medical, and 0.881983 percent for TRS-life. 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.

For the years ended June 30, 2023 and 2022, the University recognized an OPEB benefit of $3,537,780 and $3,460,688, respectively. At June 30, 2023 and 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 316,585	$ 7,026,115	$ 934,681	$ 7,047,770
Change in assumptions	3,675,953	922,478	3,882,236	57,917
Net difference between projected and actual earnings on investments	1,918,183	822,207	313,910	2,347,130
Change in proportionate share	5,027,485	4,605,776	121,566	4,435,175
Contributions subsequent to the measurement date	2,509,420	—	2,413,027	—
Total	$ 13,447,626	$ 13,376,576	$ 7,665,420	$ 13,887,992

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, 2024. 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 3.44 years for KERS-nh employees, 4.66 years for KERS-h employees, and 6.43 years for TRS employees, as of the June 30, 2022 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2023 will be recognized in OPEB expense (benefit) as follows:

Year ended June 30:	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Net Increase (Decrease) in OPEB Expense**
2024	$ 2,876,110	$ 5,425,041	$ (2,548,931)
2025	2,496,193	4,271,759	(1,775,566)
2026	2,015,651	1,993,188	22,463
2027	2,040,972	941,201	1,099,771
Thereafter	1,509,280	745,387	763,893
	$ 10,938,206	$ 13,376,576	$ (2,438,370)

Actuarial assumptions. For KERS, the actuarial valuation for financial reporting as of June 30, 2022 was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service attained over certain thresholds, depending on a member's retirement eligibility requirement. The Total OPEB liability as of June 30, 2022 was determined using these updated benefit provisions. There were no other material plan provision changes. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

	KERS-nh	**KERS-h**
Actuarial Valuation Date	June 30, 2020	June 30, 2020
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-specifc 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-specifc 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 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 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 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 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, 2022 was performed by Cavanaugh Macdonald Consulting (CMC). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021 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:

TRS

Actuarial Valuation Date	June 30, 2021
Investment Rate of Return - Health	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 2022 decreasing to an ultimate rate of 4.50% by FYE 2032
Ages 65 and Older	5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2025
Medicare Part B Premiums	6.97% for FYE 2022 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, 2022	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	43.50%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	15.00%	2.28%
Cash	1.50%	-0.91%
Real Estate	10.00%	3.67%
Real Return	10.00%	4.07%
	100.00%	

KERS-nh and h	June 30, 2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
	100.00%	

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-Medical

	June 30, 2022	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional Categories, High Yield	8.0%	1.7%
Other Additional Categories	9.0%	2.2%
Cash (LIBOR)	1.0%	-0.3%
Total	100.0%	

TRS-Medical

	June 30, 2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional Categories, High Yield	8.0%	1.7%
Other Additional Categories	9.0%	2.2%
Cash (LIBOR)	1.0%	-0.3%
Total	100.0%	

TRS-Life

	June 30, 2022	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Other Additional Categories	6.0%	2.1%
Cash (LIBOR)	2.0%	-0.3%
Total	100.0%	

TRS-Life

	June 30, 2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Other Additional Categories	6.0%	2.1%
Cash (LIBOR)	2.0%	-0.3%
Total	100.0%	

Discount rate. For KERS the discount rates used to measure the total OPEB liability as of the Measurement Date (June 30, 2022) were 5.72 percent for non-hazardous and 5.59 percent for hazardous. The discount rates used to measure the total OPEB liability as of the Prior Measurement Date (June 30, 2021) were 5.26 percent for non-hazardous and 5.01 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 3.69 percent, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. 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.

For TRS, the discount rates used to measure the total OPEB liability as of the Measurement Date (June 30, 2022) and Prior Measurement Date (June 30, 2021) for both medical and life were 7.1 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 75. The projection's basis was an actuarial valuation performed as of June 30, 2021 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 statue 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, 2022		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	$ 13,815,537	$ 11,540,118	$ 9,446,134
	4.72%	5.72%	6.72%
University's proportionate share - KERS-h	302,240	25,207	(199,681)
	4.59%	5.59%	6.59%
University's proportionate share - TRS-medical	17,803,117	14,189,695	11,198,083
	6.10%	7.10%	8.10%
University's proportionate share - TRS-life	424,117	274,323	153,706
	6.10%	7.10%	8.10%

	June 30, 2021		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	$ 18,399,974	$ 15,067,126	$ 12,333,949
	4.26%	5.26%	6.26%
University's proportionate share - KERS-h	302,008	(42,259)	(318,595)
	4.01%	5.01%	6.01%
University's proportionate share - TRS-medical	10,414,550	8,134,461	6,249,706
	6.10%	7.10%	8.10%
University's proportionate share - TRS-life	263,226	114,173	(7,193)
	6.10%	7.10%	8.10%

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.

18. 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.

During the years ended June 30, 2023 and 2022, the Foundation made payments of $5,601,044 and $4,148,095, respectively, on behalf of the University from restricted sources. Accounts receivable at June 30, 2023 and 2022, from the Foundation were $452,027 and $650,991, respectively. Accounts payable to the Foundation as of June 30, 2023 and 2022 were $94,420 and $64,650, 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:

	2023	2022
Money market mutual funds	$ 1,000,415	$ 1,241,663
Equity securities	753,702	833,280
Cash value of life insurance policies	264,477	242,753
Mutual funds	104,051,394	91,494,275
Government bonds	25,866,902	27,667,187
Sovereign debt	1,544,690	1,426,664
Municipal bonds	229,291	234,607
Corporate bonds	17,037,639	15,384,954
Beneficial interests in trusts	8,713,165	7,546,317
	$ 159,461,675	$ 146,071,700

Total investment return is comprised of the following:

	2023	2022
Interest and dividend income	$ 2,174,292	$ 5,521,434
Realized gains (losses) on investments	2,424,817	(189,277)
Unrealized gains (losses) on investments	8,561,186	(25,523,971)
Management fees	650,702	756,823
	$ 13,810,997	$ (19,434,991)

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:

	2023	2022
Murray State University	$ 30,418,154	$ 29,696,268
Murray State University Alumni Association	1,354,802	1,262,914
	$ 31,772,956	$ 30,959,182

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, 2023 and 2022, $1,282,079 and $1,221,070, 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, 2023, and 2022, cash, cash equivalents, and investments relative to split interest agreements and other liabilities discussed in the Foundation’s Note 11 total $9,725,531 and $8,867,249, 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 $3,828,151 and $4,301,950 as of June 30, 2023 and 2022, respectively, which was calculated using discount rates ranging from 1.8 percent to 8.0 percent, and applicable mortality tables.

d) Net Assets with Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose:		
Scholarships	$ 7,534,180	$ 7,519,642
Instruction and institutional support	10,830,742	11,836,588
Chairs, professorships, academic stipends and seminars	981,996	842,707
Operations of the golf course	325,650	277,697
Promise to give, the proceeds from which have been restricted by donors for:		
Scholarships	78,619	161,540
Institutional support	183,007	111,378
	19,934,194	20,749,552
Subject to passage of time:		
Assets held under split-interest agreements	625,710	(243,192)
Subject to appropriation and expenditure when a specific event occurs:		
Scholarships	1,486,357	1,324,980
Instruction and institutional support	2,586,542	2,349,944
Promise to give, the proceeds from which have been restricted by donors for:		
Scholarships	90,445	102,970
Instruction and Institutional support	182,062	212,792
	4,345,406	3,990,686
Net Assets Released from Restriction		
Subject to endowment spending policy and appropriation:		
Scholarships	57,923,039	48,308,000
Instruction and institutional support	15,996,395	18,107,392
Chairs and professorships	3,526,889	3,452,948
Operations of the golf course	1,701,218	1,655,968
Any activity of the Foundation	529,837	703,561
	79,677,378	72,227,869
Total net assets with donor restrictions	$ 104,582,688	$ 96,724,915

19. 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. Effective July 1, 2021 the University has a contract with the 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, including the COVID-19 tuition refund case, could prevail over those defenses.

Commitments

The University has outstanding commitments under construction contracts of $5,719,960 and $4,173,852 as of June 30, 2023 and 2022, 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.

20. 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.

The University has the following recurring fair value measurements as of June 30, 2023:

- Cash equivalents with a value of $137,058,950 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 $315,472 held by US Bank in money market accounts; fair value hierarchy level 1.

- Restricted quasi-endowment and endowment investments with a value of $30,418,154 held by the Foundation in an investment pool; fair value hierarchy levels 1, 2, or 3.

21. Natural Expense Classifications with Functional Classifications

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

	Year Ended June 30, 2023					
	Natural Classification					
Fund Classification	Compensation and Benefits	Operations	Utilities	Noncapitalized Equipment	Scholarships	Total
Instruction	$ 53,977,286	$ 8,112,783	$ 7,357	$ 538,228	$ —	$ 62,635,654
Research	1,584,663	588,076	—	20,489	—	2,193,228
Public service	4,125,383	2,358,053	417,446	65,763	—	6,966,645
Libraries	1,955,252	1,619,542	—	8,263	—	3,583,057
Academic support	4,767,422	2,926,360	9,407	131,479	—	7,834,668
Student services	11,287,702	8,690,728	13,400	223,273	482	20,215,585
Institutional support	19,680,746	(450,741)	92,976	84,670	—	19,407,651
Operations and maintenance	5,383,169	11,140,441	6,279,870	42,047	—	22,845,527
Student financial aid	—	—	—	—	15,505,604	15,505,604
Depreciation	—	8,171,535	—	—	—	8,171,535
Amortization	—	2,151,247	—	—	—	2,151,247
State pension expense (benefit) GASB 68	(12,858,864)	—	—	—	—	(12,858,864)
State OPEB expense (benefit) GASB 75	(3,537,780)	—	—	—	—	(3,537,780)
Auxiliary enterprises	2,973,137	10,716,577	2,681,605	49,519	74,946	16,495,784
Auxiliary depreciation	—	3,764,557	—	—	—	3,764,557
Total expenses	$ 89,338,116	$ 59,789,158	$ 9,502,061	$ 1,163,731	$ 15,581,032	$ 175,374,098

	Year Ended June 30, 2022					
	Natural Classification					
Fund 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

22. Segment Information

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

Susan E. Bauernfeind Student Recreation and Wellness Center

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

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

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

	2023	2022
Assets		
Current assets	$ 1,171,008	$ 1,031,046
Noncurrent assets	1,459,388	1,443,646
Capital assets, net of accumulated depreciation	5,631,644	5,900,360
Total assets	8,262,040	8,375,052
Deferred outflows of resources		
Bond refunding loss	188,840	208,126
Total deferred outflows of resources	188,840	208,126
Liabilities		
Current liabilities	39,456	29,487
Noncurrent liabilities	5,255,000	5,705,000
Total liabilities	5,294,456	5,734,487
Net position		
Invested in capital assets, net of related debt and accumulated depreciation	565,484	403,485
Restricted		
Expendable capital	606,468	623,315
Expendable debt service	805,239	790,874
Unrestricted	1,179,233	1,031,017
Total net position	$ 3,156,424	$ 2,848,691

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

	2023	2022
Operating revenues	$ 66,138	$ 51,697
Operating expenses	(386,633)	(386,549)
Depreciation expense	(268,715)	(268,715)
Operating loss	(589,210)	(603,567)
Nonoperating revenues	896,943	792,902
Change in net position	307,733	189,335
Net position, beginning of year	2,848,691	2,659,356
Net position, end of year	$ 3,156,424	$ 2,848,691

Wellness Center - Condensed Statements of Cash Flows

	2023	2022
Cash flows from		
Operating activities	$ (308,984)	$ (350,467)
Noncapital financing activities	510,175	451,827
Capital and related financing activities	(59,054)	(59,570)
Investing activities	13,564	(20,505)
Net increase in cash	155,701	21,285
Cash, beginning of year	2,474,662	2,453,377
Cash, end of year	$ 2,630,363	$ 2,474,662

23. 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.

MURRAY STATE UNIVERSITY
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Years ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Proportionate Share of the Net Pension and OPEB Liabilities

KERS-Non-Hazardous Pension Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
University's proportion of the net pension liability	0.682238%	0.686639%	0.667879%	0.830936%	0.889474%	0.858544%	0.836194%	0.854037%	0.882259%
University's proportionate share of the net pension liability	$ 90,514,856	$ 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	$ 9,776,198	$ 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	925.87%	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	18.51%	18.48%	14.01%	13.66%	12.84%	13.00%	14.80%	18.83%	22.32%

KERS-Hazardous Pension Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
University's proportion of the net pension liability	0.330614%	0.366704%	0.358942%	0.399507%	0.411530%	0.389490%	0.396922%	0.388584%	0.405301%
University's proportionate share of the net pension liability	$ 1,677,919	$ 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	$ 623,697	$ 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	269.03%	258.00%	326.28%	340.16%	330.29%	278.47%	265.40%	270.73%	197.84%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	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.

See Report of Independent Auditors

MURRAY STATE UNIVERSITY
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Years ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

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

TRS Pension Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
University's proportion of the net pension liability	0.302319%	0.332672%	0.341099%	0.341570%	0.429000%	0.404176%	0.698165%	0.722622%	0.710400%
University's proportionate share of the net pension liability	$ 53,505,432	$ 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	$ 11,719,369	$ 12,105,618	$ 12,174,727	$ 11,945,449	$ 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	456.56%	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	56.40%	65.60%	58.27%	58.76%	59.28%	39.83%	35.22%	42.49%	45.59%

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

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Schedules of Required Supplementary Information

Years ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

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

KERS-Non-Hazardous OPEB Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
University's proportion of the net OPEB liability	0.521679%	0.661034%	0.667876%	0.830936%	0.888860%	0.858544%
University's proportionate share of the net OPEB liability	$ 11,540,118	$ 15,067,126	$ 16,956,758	$ 18,470,843	$ 21,074,087	$ 21,772,351
University's covered-employee payroll	$ 7,497,216	$ 9,600,494	$ 9,900,801	$ 12,596,599	$ 13,989,750	$ 13,677,439
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	153.93%	156.94%	171.27%	146.63%	150.64%	159.18%
Plan fiduciary net position as a percentage of the total OPEB liability	38.15%	38.38%	29.47%	30.92%	27.32%	24.40%

KERS-Hazardous OPEB Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
University's proportion of the net OPEB liability	0.330497%	0.366672%	0.358863%	0.399241%	0.411632%	0.389490%
University's proportionate share of the net OPEB liability	$ 25,207	$ (42,259)	$ 153,482	$ (107,192)	$ (136,532)	$ 23,490
University's covered-employee payroll	$ 623,476	$ 633,334	$ 653,881	$ 604,643	$ 783,406	$ 666,367
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	4.04%	-6.67%	23.47%	-17.73%	-17.43%	3.53%
Plan fiduciary net position as a percentage of the total OPEB liability	98.72%	101.85%	92.42%	105.29%	106.83%	98.80%

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

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

TRS OPEB - Medical	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
University's proportion of the net OPEB liability	0.571582%	0.379104%	0.386360%	0.402916%	0.417902%	0.443448%
University's proportionate share of the net OPEB liability	$ 14,189,695	$ 8,134,461	$ 9,750,760	$ 11,792,493	$ 14,500,008	$ 15,812,389
University's covered-employee payroll	$ 22,157,325	$ 13,795,234	$ 13,790,201	$ 14,090,843	$ 14,441,272	$ 15,145,665
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	64.04%	58.97%	70.71%	83.69%	100.41%	104.40%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	51.70%	39.10%	32.60%	25.54%	21.18%

TRS OPEB - Life	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
University's proportion of the net OPEB liability	0.881983%	0.873016%	0.877560%	0.903787%	0.948638%	0.970240%
University's proportionate share of the net OPEB liability	$ 274,323	$ 114,173	$ 304,618	$ 280,825	$ 267,497	$ 213,055
University's covered-employee payroll	$ 34,189,992	$ 31,768,223	$ 31,322,416	$ 31,607,384	$ 32,781,704	$ 33,137,887
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.80%	0.36%	0.97%	0.89%	0.82%	0.64%
Plan fiduciary net position as a percentage of the total OPEB liability	74.00%	89.20%	71.60%	73.40%	74.97%	79.99%

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, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Murray State University Contributions

KERS-Non-Hazardous Pension Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually required contribution	$ 7,032,530	$ 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	(7,032,530)	(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	$ 9,776,198	$ 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	71.94%	29.43%	39.66%	40.42%	41.53%	38.83%	33.55%	33.51%	28.11%

KERS-Hazardous Pension Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually required contribution	$ 199,871	$ 232,213	$ 215,996	$ 217,297	$ 146,694	$ 136,435	$ 94,306	$ 115,000	$ 183,317
Contributions in relation to the contractually required contribution	(199,871)	(232,213)	(215,996)	(217,297)	(146,694)	(136,435)	(94,306)	(115,000)	(183,317)
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 623,697	$ 633,389	$ 616,806	$ 641,608	$ 629,378	$ 695,282	$ 585,712	$ 492,259	$ 523,146
Contributions as a percentage of covered-employee payroll	32.05%	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.

See Report of Independent Auditors

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Schedules of Required Supplementary Information

Years ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Murray State University Contributions ***(Continued)***

TRS Pension Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually required contribution	$ 3,948,769	$ 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	(3,948,769)	(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	$ 11,719,369	$ 12,105,618	$ 12,174,727	$ 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	33.69%	32.51%	32.49%	33.46%	36.09%	38.59%	23.47%	22.77%	22.56%

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See Report of Independent Auditors

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Schedules of Required Supplementary Information

Years ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Murray State University Contributions *(Continued)*

KERS-Non-Hazardous OPEB Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually required contribution	$ 869,313	$ 596,529	$ 800,831	$ 1,022,149	$ 1,142,681	$ 1,108,416
Contributions in relation to the contractually required contribution	(869,313)	(596,529)	(800,831)	(1,022,149)	(1,142,681)	(1,108,416)
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 7,497,216	$ 9,600,494	$ 9,900,801	$ 12,596,599	$ 13,989,750	$ 13,677,439
Contributions as a percentage of covered-employee payroll	11.60%	6.21%	8.09%	8.11%	8.17%	8.10%

KERS-Hazardous OPEB Plan	**2022**	**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	$ 623,476	$ 633,334	$ 653,881	$ 604,643	$ 783,406	$ 666,367
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	2.36%	2.57%	1.97%	2.66%

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See Report of Independent Auditors

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Schedules of Required Supplementary Information

Years ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Murray State University Contributions ***(Continued)***

TRS-Medical OPEB Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually required contribution	$ 758,417	$ 672,912	$ 682,339	$ 701,586	$ 744,415	$ 759,751
Contributions in relation to the contractually required contribution	(758,417)	(672,912)	(682,339)	(701,586)	(744,415)	(759,751)
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 22,157,325	$ 13,795,234	$ 13,790,201	$ 14,090,843	$ 14,441,272	$ 15,145,665
Contributions as a percentage of covered-employee payroll	3.42%	4.88%	4.95%	4.98%	5.15%	5.02%

TRS-Life OPEB Plan	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually required contribution	$ 20,935	$ 17,494	$ 14,667	$ 11,874	$ 9,288	$ 9,362
Contributions in relation to the contractually required contribution	(20,935)	(17,494)	(14,667)	(11,874)	(9,288)	(9,362)
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 34,189,992	$ 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%	0.06%	0.05%	0.04%	0.03%	0.03%

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

See Report of Independent Auditors

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

Report of Independent Auditors

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, 2023, 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, 2023.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 Dorton Allen Ford, PLLC

Louisville, Kentucky
October 4, 2023