

Financial Statements

for

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE  
COMMONWEALTH OF KENTUCKY

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

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## Report of Independent Auditors

Board of Regents  
Murray State University  
Murray, Kentucky

Secretary of Finance and Administration  
Cabinet of the Commonwealth of Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Murray State University (the University), a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes



















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Financial Statements of the University of Murray  
June 30, 2021

June 30, 2021

Net Position

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

- o Invested in capital assets, net of related debt - 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.
- o Restricted - This category represents those assets which are subject to externally imposed restrictions governing their use and includes classifications of nonexpendable and expendable.
  - f 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.
  - f 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.
- o Unrestricted - This category represents the net position held by the University that has no formal restrictions. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the unrestricted net position has been designated for various programs and initiatives, capital projects and working capital requirements.

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Financial Statements of the University of Murray  
for the year ended June 30, 2021

June 30, 2021

#### Infrastructure Assets

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

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

#### Economic Factors Affecting Future Periods



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Statements of Net Position

June 30, 2021 and 2020

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

See accompanying notes.

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Statements of Net Position, continued

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

June 30, 2021 and 2020

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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

See accompanying notes.

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

Years ended June 30, 2020 and 2019

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

See accompanying notes.





MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues, Gains/(Losses) And Other Support			
Contributions	\$ 25	\$ 2,964,849	\$ 2,964,874
Revenues from operations of the			
Frances E. Miller Memorial Golf Course	405,901	/	405,901
Fees and rental income	45,601	31,330	76,931
Investment return, net	1,711,419	2,951,548	4,662,967
Other	/	20,325	20,325
Change in value of annuities payable	/	(338,263)	(338,263)
Net assets released from restrictions	3,431,851	(3,431,851)	/
Total Revenues, Gains/(Losses) And Other Support	5,594,797	2,197,938	7,792,735
Expenses:			
Program services expenses:			
Support provided to MSU, including scholarships	3,601,553	/	3,601,553
Frances E. Miller Memorial Golf Course	550,531	/	550,531
Total Program Services Expense	4,152,084	/	4,152,084
Supporting services expenses:			
Management and general	409,228	/	409,228

See accompanying notes.

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Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

The University is a state-supported institution of higher education located in Murray, Kentucky, and is

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Notes to the Financial Statements

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

Net Position

Net position represents the University's net investment in capital assets, net of

**Net investment in capital assets** This represents the University's net investment in capital assets, net of outstanding debt obligations















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Notes to the Financial Statements

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

	Balance June 30, 2019		Deletions/ Retirements		Balance June 30, 2020
Land	\$ 10,442,742	\$ 443,721	\$ /	\$ /	\$ 10,886,463
Construction in progress	18,831,090	10,593,540	(23,508,045)	(3,555,580)	2,361,005
Museum and collectibles	694,737	5,000	/	/	699,737
Total capital assets not being depreciated	29,968,569	11,042,261	(23,508,045)	(3,555,580)	13,947,205
Buildings	372,556,320	/	23,508,045	(1,311,016)	394,753,349
Nonbuilding improvements	18,507,858	/	/	/	18,507,858
Equipment	35,864,174	1,674,538	/	(673,731)	36,864,981

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Notes to the Financial Statements

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

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year	Long-Term Portion
Bonds payable	\$ 64,400,000	\$ 4,110,000	\$ (8,445,000)	\$ 60,065,000	\$ 3,875,000	\$ 56,190,000
Less bond discounts	(46,219)	/	46,219	/	/	11111111
Plus bond premiums	1,826,529	344,816	(155,243)	2,016,102	155,244	1,860,858
Bonds payable, net of discounts premiums	66,180,310	4,454,816	(8,554,024)	62,081,102	4,030,244	58,050,858
City of Murray payable	6,995,000	/	(415,000)	6,580,000	435,000	6,145,000
Total bonds and notes payable	<u>\$ 73,175,310</u>	<u>\$ 4,454,816</u>	<u>\$ (8,969,024)</u>	<u>\$ 68,661,102</u>	<u>\$ 4,465,244</u>	<u>\$ 64,195,858</u>

Maturity Information

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

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

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Notes to the Financial Statements

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

	Original Issue	Balance Due June 30, 2021	Interest Expense, Current Year	Bonds and Notes Maturing 2021-2022
<b>General Receipts Bonds Payable</b>				
Series A 2011 bonds dated July 12, 2011, with an interest rate of 2.00% to 4.50%; final principal payment date September 1, 2031; renovation of Elizabeth Hall	\$ 7,645,000	\$ 4,845,000	\$ 203,631	\$ 355,000
Series B 2011 refunding bonds dated July 26, 2011, with an interest rate of 2.00% to 3.75%; final principal payment date September 1, 2021; refunding of Housing and Dining bonds series M, N, & O	4,670,000	110,000	4,767	110,000
Series C 2011 refunding bonds dated July 12, 2011, with an interest rate of 2.00% to 4.00%; final principal payment date September 1, 2027; refunding of Housing and Dining bonds series P & Q	15,620,000	6,970,000	279,161	985,000
Series A 2013 bonds dated May 29, 2013, with an interest rate of 2.00% to 4.00%; final principal payment date September 1, 2033; renovation of Hester Hall, College Courts, Sprinkler and Fire projects under \$600,000				





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Notes to the Financial Statements

15. Pension Plans and Other Postemployment Benefits (OPEB)

a) General Information about the Pension/OPEB Plans

Plan Descriptions

**Kentucky Public Pensions Authority** Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement System (KERS, listed herein as KERS- — ' 1 • ~ › 1-hazardous and KERS- ' 1 • ~ › 1 ' Š Ě Š › • ž œ ü 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 • ' Ž 1 œ ç œ • Ž - œ 1 Š › Ž 1 ' — Ÿ Ž œ • Ž • 1 Š œ 1 Š 1 ' ~ • Ž ð 1 Ž Š Œ ' 1 œ ç œ vž œ 1 œ Š œ 1 Š œ 1 Š 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-

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Notes to the Financial Statements

	Tier 1	Tier 2	Tier 3
Participation	Defined Benefit	Defined Benefit	Cash Balance
Covered Employees	Prior to 9/1/2008	9/1/2008 through 12/31/2013	1/1/2014 and after
Benefit Formula	All regular full-time members employed in non-haf025 Tf 1 0 0375.59(m)30(e)2t.		
	Final Compensation x Benefit Factor x Years of Service	Final Compensation x Benefit Factor x Years of Service	Accumulated Account Balance / Actuarial Factor
Final Compensation	Average of the highest 5 fiscal years (must contain at least 48 months Includes lump-sum compensation payments (before and at retirement)	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not included in creditable compensation. 10 years or less: 1.10% 10 to 20 years: 1.30% 20 to 26 years: 1.50% 26 to 30 years: 1.75% 30 years or more: 2.0% (2% benefit factor only applies to service earned in excess of 30 years)	No Final Compensation.
Benefit Factor	1.97% OR 2.0% for those retiring with service for all months between 1/98 and 1/		No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA)			
Unreduced Retirement Benefit	Any age with 27 years of service OR Age 65 with 48 months of service *Money Purchase for age 65 with less than 48 months, based on contributions and interest.	Rule of 87: Member must be at least age 57 and age + earned service must equal 87 years at retirement to retire under this provision. OR Age 65 with 5 years of earned service. No Money Purchase calculations	Rule of 87: Member must be at least age 57 and age + earned service must equal 87 years at retirement retire under this provision. OR Age 65 with 5 years of earned service.
Reduced Retirement Benefit	Any age with 25 years of service OR Age 55 with 60 months of service	Age 60 with 120 months of service Excludes purchased service (exception: refunds, omitted, free military)	No reduced retirement benefit.

MURRAY STATE UNIVERSITY  
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Notes to the Financial Statements

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

**Hazardous**

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



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Notes to the Financial Statements

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 actuarially determined contribution rate for the year ended June 30, 2021, was 49.47 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**KERS-h.** Per KRS 61.565 contribution requirements of the active employees and the participating employers are established and may be amended by the KRS Board. Employees are required to contribute 8 percent of their annual pay. The actuarially determined contribution rate for the year ended June 30, 2021, was 36 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**TRS.** Per KRS 161.250, contribution requirements of the active employees and the participating employers are established and may be amended by the TRS Board. Employees are required to contribute 8.185 percent of their annual pay. The actuarially determined contribution rate for the year ended June 30, 2021, was 15.865 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The actuarially determined contribution rates to KERS and TRS for the years ended June 30, 2021 and 2020 were:

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

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Notes to the Financial Statements

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

The University reported a liability of \$147,217,292 and \$168,362,848 for the years ended June 30, 2021 and 2020, respectively, for its proportionate shares of the net pension liability in the plans. The net pension liability for TRS and KERS plans were measured as of June 30, 2020 and June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for all plans. The University's share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the University's share was 0.341099 percent for TRS, 0.667876 percent for KERS-nh, and 0.358942 percent for KERS-h, and at June 30, 2019, the University's share was 0.341570 percent for TRS, 0.830936 percent for KERS-nh, and 0.399507 percent for KERS-h.

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

June 30, 2021

June 30, 2020

The deferred outflows of resources related to the University contributions to the pension plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The deferred outflows and inflows of resources related to the net difference between projected and actual earnings on pension plan investments are amortized and recognized in pension expense over five years. All other amounts reported as deferred outflows of resources and deferred inflows of resources are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided pensions through the respective pension plan. The average expected remaining service lives of the

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Notes to the Financial Statements

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

**assumptions.** For KERS, the actuarial valuation for financial reporting as of June 30, 2020 was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity analysis as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward to June 30, 2020 based on generally accepted actuarial principles. The Board of Trustees adopted new actuarial assumptions since June 30, 2019, including new actuarial



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Notes to the Financial Statements

KERS-nh

KERS-nh

June 30, 2019

Long-Term  
Expected

Asset Class

Target  
Allocation

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

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Notes to the Financial Statements

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

**Discount rate.**

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Notes to the Financial Statements

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

  

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

Pension plan fiduciary net position. The University's proportionate share of the net OPEB liability in the plans is available in the separately issued KERS and TRS financial reports.

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

The University reported a liability of \$27,165,618 and \$30,436,969 years ended June 30, 2021 and 2020, respectively, for its proportionate shares of the net OPEB liability in the plans. The net OPEB liability for TRS and KERS plans were measured as of June 30, 2020 and June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date for all plans. The University's proportionate share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined, was 0.863600 percent for TRS-medical, 0.877560 percent for TRS-life, 0.667876 percent for KERS-nh, and 0.358863 percent for KERS-h. At June 30, 2019, the University's proportionate share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined, was 0.863600 percent for TRS-medical, 0.903787 percent for TRS-life, 0.8390936 percent for KERS-nh, and 0.399241 percent for KERS-h.

For the years ended June 30, 2021 and 2020, the University recognized an OPEB benefit of \$1,371,485



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Notes to the Financial Statements

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

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

	Deferred Outflows	Deferred Inflows
Year ended June 30:		

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

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Notes to the Financial Statements

	KERS-nh	KERS-h
Inflation Rate	2.30%	2.30%
Payroll Growth Rate	0%	0%
Projected Salary Increases	3.55% to 15.30%, varies by service	3.55% to 20.05%, varies by service
Investment Rate of Return	6.25%	6.25%
<b>Mortality Tables:</b>		
Pre-retirement (non-disabled)	PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 Public Safety Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.	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 2010.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4 year set-forward for both male and female rates projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	

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

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**Discount rate.** For KERS the discount rates used to measure the total OPEB liability as of the Measurement Date (June 30, 2020) were 5.43 percent for nonhazardous and 5.28 percent for hazardous. The discount rates used to measure the total OPEB liability as of the Prior Measurement Date (June 30, 2019) were 5.73 percent for nonhazardous and 5.66 percent for hazardous. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. Future contributions are projected in accordance with the current funding policy, as most recently revised by Senate Bill 249. Legislation has been enacted for multiple years that allowed certain employees to contribute 4.41 percent of pay into the insurance fund, which is less than the actuarially determined contribution rate. GRS confirmed that the single discount rate used in the GASB calculations remains unchanged if these Quasi agencies were assumed to continue making contributions at a reduced rate in future years.

For TRS the discount rates used to measure the total OPEB liability as of the Measurement Date (June 30, 2020) and Prior Measurement Date (June 30, 2019) were 8.0 percent for medical and 7.5 percent for life. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates.

The following table shows the change in the discount rate used to calculate the OPEB liability as of the Measurement Date:

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

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for the year ended June 30, 2019

	1% Decrease	June 30, 2019 Discount Rate	1% Increase
University's proportionate share - KERS-nh	\$ 21,993,233	\$ 18,470,843	\$ 15,570,921

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

d) Recent Legislation

House Bill 1 passed during the Special Session also contains provisions in the KERS and TRS financial reports.

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Notes to the Financial Statements

During the years ended June 30, 2021 and 2020, the Foundation made payments of \$3,660,549 and \$3,431,851, respectively, on behalf of the University from restricted sources. Accounts receivable at June 30, 2021 and 2020, from the Foundation were \$114,769 and \$257,746, respectively. Accounts payable to the Foundation as of June 30, 2021 and 2020 were \$42,664 and \$61,699, respectively. Complete financial statements for the Foundation can be obtained from the MSU Foundation Office, 100 Nash House, Murray, Kentucky 42071.

Significant notes

**a) Investments and Investment Return**

Investments at June 30 consisted of:

	2021	2020
Money market mutual funds	\$ 761,209	\$ 2,435,439
Equity securities	758,880	744,000
Cash value of life insurance policies	230,747	214,965
Mutual funds	109,230,511	79,836,690
Asset-backed bonds	8,107,359	4,689,323
U.S. treasuries	23,663,404	

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Notes to the Financial Statements

Total investment return is comprised of the following:

**b) Assets Held for Others**

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

	<u>2021</u>	<u>2020</u>
Murray State University	\$ 32,794,334	\$ 26,581,904
Murray State University Alumni Association	1,611,469	1,240,260
	<u>\$ 34,405,803</u>	<u>\$ 27,822,164</u>

**c) Annuities and Trusts Payable**

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from donors are recorded at fair value on the date of the gift. The Foundation has recorded a liability as of June 30, 2021 and 2020



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**d) Net Assets with Donor Restrictions**

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

	2021	2020
 <u>Net Assets Released from Restriction</u>		
Subject to endowment spending policy and appropriation:		
Scholarships	58,274,559	45,577,065
Instruction and institutional support	18,561,549	14,424,686
Chairs and professorships	4,195,771	3,352,746
Operations of the golf course	2,014,117	1,609,459
Any activity of the Foundation	796,607	505,512
	83,842,603	65,469,468
Total net assets with donor restrictions	\$ 109,362,397	\$ 85,231,508

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17. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and accident benefits. Claims for employee health and accident benefits have not exceeded this commercial coverage in any of the three preceding years. Effective June 30, 2018, Murray State withdrew from the Kentucky Personnel Cabinet's Workers' Compensation Program and entered into a full insurance contract with BrickStreet Insurance Company for the period July 1, 2018 through June 30, 2020. On July 1, 2020 the University entered into a new insurance contract with Liberty Mutual Insurance Company. Effective July 1, 2021 the University entered into a new insurance contract with Kentucky Employers Mutual Insurance Company (KEMI).

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Notes to the Financial Statements

Fund Classification	Compensation and Benefits	Operations	Utilities	Noncapitalized Equipment	Scholarships	Total
Instruction	\$ 51,361,241	\$ 5,889,415	\$ 1,329	\$ 476,964	\$ /	\$ 57,728,949
Research	1,425,041	1,023,514	130	33,148	/	2,481,833
Public service	4,408,432	1,771,134	343,061			

20. Segment Information

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

Susan E. Bauernfeind Student Recreation and Wellness Center

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

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

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

**Wellness Center - Condensed Statements of Net Position**

	2021	2020
Assets		
Current assets	\$ 962,054	\$ 932,845



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Notes to the Financial Statements

22. Current Economic Conditions (unaudited)

The COVID-19 pandemic continues to present the University with unprecedented circumstances and challenges as well as

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Schedules of Required Supplementary Information

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

Proportionate Share of the Net Pension and OPEB Liabilities

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

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

**See Report of Independent Auditors**



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Schedules of Required Supplementary Information

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

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

TRS Pension Plan	2020	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability	0.341099%	0.341570%	0.429000%	0.404176%	0.698165%	0.722622%	0.710400%
University's proportionate share of the net pension	\$ 50,602,469	\$ 48,827,257	\$ 58,888,449	\$ 114,216,721	\$ 215,900,958	\$ 176,518,973	\$ 153,391,029
University's covered-employee payroll	\$ 12,174,717	\$ 11,945,441	\$ 14,824,781	\$ 13,804,356	\$ 23,671,557	\$ 24,966,648	\$ 24,460,052

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

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Schedules of Required Supplementary Information

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

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

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

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

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Schedules of Required Supplementary Information

Years ended June 30, 2020, 2019, 2018, [Š — • 1 X V W ]

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

TRS OPEB - Medical	2020	2019	2018	2017
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These schedules will ultimately present ten years of data when available.

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MURRAY STATE UNIVERSITY  
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Schedules of Required Supplementary Information

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

Schedule of Murray State University Contributions

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

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

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Schedules of Required Supplementary Information

Years ended June 30, 2020, 2019, 2018, [Š — • 1 X V W ]

Schedule of Murray State University Contributions (Continued)

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

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

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Schedules of Required Supplementary Information

Years ended June 30, 2020, 2019, 2018, [Š — • 1 X V W ]

Schedule of Murray State University Contributions (Continued)

TRS-Medical OPEB Plan	2020	2019	2018	2017
Contractually required contribution	\$ 682,339	\$ 701,586	\$ 744,415	\$ 759,751
Contributions in relation to the contractually required contribution	(682,339)	(701,586)	(744,415)	(759,751)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -
University's covered-employee	\$ 13,790,201	\$ 14,090,843	\$ 14,441,272	\$ 15,145,665

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

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# DEANDORTON



Compliance and Other Matters