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

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Š — Š • Ž — Ž — • section 401 analysis, continued

June 30, 2023

Financial Highlights

- ¾ The University implemented Governmental Accounting Standards Board (GASB) Statement No. 68 - **Accounting and Financial Reporting for Pensions**

MURRAY STATE UNIVERSITY
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Statement of Net Assets
Section 170(b)(1)(C) Assets

June 30, 2023

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.

- ¾ 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.
- ¾ 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 contribution to the Public Employees Retirement Authority (PERA) for 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 contribution to the Public Employees Retirement Authority (PERA) for 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 contribution to the Public Employees Retirement Authority (PERA) for administrative support for KERS, resulted in a (\$0.8 million) reduction in pension liability and a (\$3.5 million) reduction in OPEB liability.

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Statement of Net Position, continued

June 30, 2023

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

Financial statements for the fiscal years ended June 30, 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.

Assets

MURRAY STATE UNIVERSITY
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Š — Š • Ž — Ž — • section analysis, continued

MURRAY STATE UNIVERSITY
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Statement of Financial Position and Analysis, continued

June 30, 2023

- x (\$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.
- x (\$5.2 million) . Decrease in long-term debt. This decrease is the result of the 2023 principal payments on bonds and notes payable.
- x (\$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.
- x \$10.1 million . — OE) Ž Š œ Ž 1 ' — 1 — Ž • 1 ™ Ž — œ ' ~ — & 1 • ' Š ' • ' • ç ï 1 1 ' ' œ 1) Ž ™) Ž œ Ž — • 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:

- x (\$12.8 million) . Ž OE) Ž Š œ Ž 1 ' — 1 — Ž • 1 ™ Ž — œ ' ~ — & 1 • ' Š ' • ' • ç ï 1 1 ' ' œ 1) Ž ™) Ž œ Ž — • 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).
- x \$2.1 million . Increase in accounts payable. This increase is primarily due to the timing of routine payables related to the dining services contract.
- x (\$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.
- x \$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.
- x (\$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.
- x \$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.

MURRAY STATE UNIVERSITY
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Š — Š • Ž — Ž — • section 101.05 analysis, continued

June 30, 2023

Condensed Statements of Net Position

	June 30, 2023	Restated* June 30, 2022	Restated* June 30, 2021
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
	440,378,261	450,718,203	454,341,026
Deferred Outflows	34,113,305	28,376,099	20,531,106
Current liabilities	29,282,185	27,914,138	27,512,600
Noncurrent liabilities	235,941,323	231,808,105	235,966,440
	265,223,508	259,722,243	263,479,040
Deferred Inflows	26,495,262	49,476,067	68,292,310
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

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Š — Š • Ž — Ž — • section and analysis, continued

June 30, 2023

Statements of Revenues, Expenses and Changes in Net Position

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

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Š — Š • Ž — Ž — • section analysis, continued

June 30, 2023

MURRAY STATE UNIVERSITY
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Š — Š • Ž — Ž — • section analysis, continued

June 30, 2023

MURRAY STATE UNIVERSITY
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Š — Š • Ž — Ž — • section analysis

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Financial Statements, continued

June 30, 2023

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 cash flows of the University and to show how the University meets obligations as they become due, as well as its need for external financing.

For the year ended June 30, 2023:

MURRAY STATE UNIVERSITY
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Š — Š • Ž — Ž — • section 1601 analysis, continued

June 30, 2023

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		

MURRAY STATE UNIVERSITY
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Š — Š • Ž — Ž — • section 101 analysis, continued

June 30, 2023

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:

MURRAY STATE UNIVERSITY

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Š — Š • Ž — Ž — • section 405.2
section 405.2 analysis, continued

June 30, 2023

- ¾ 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 buildiRa

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Š — Š • Ž — Ž — • section 16B analysis, continued

June 30, 2023

- ¾ 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.

- ¾ The General Assembly approved funding for a new School of Nursing and Health Professions building on the Ž — ' Ÿ Ž › 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
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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

See accompanying notes.

MURRAY STATE UNIVERSITY
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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	259,001,333

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		

See accompanying notes.

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

Years ended June 30, 2023 and 2022

See accompanying notes.

MURRAY STATE UNIVERSITY
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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		

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			

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			

|

See accompanying notes.

MURRAY STATE UNIVERSITY
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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 services	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	

See accompanying notes.



MURRAY STATE UNIVERSITY

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

Accounts Receivable

Accounts receivable consists of tuition and fee charges, other operational activities and auxiliary enterprise services and amounts due from component units. Accounts receivable also include amounts due from the federal government, state and local governments or private sources, for nonexchange type agreements defined in accordance with GASB Statement No. 33, **Accounting and Financial Reporting for Nonexchange Transactions** or in connection with reimbursement of allowable expenditures made pursuant to the 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.

MURRAY STATE UNIVERSITY

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Notes to the Financial Statements

Release of Restricted Net Position

When an expense is incurred for which both restricted and unrestricted net position are available, the University first determines whether to first apply

MURRAY STATE UNIVERSITY

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

3. Inventories

Inventories as of June 30 consisted of:

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

4. Loans

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

5.

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

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	154,241,241

Investments

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

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

Restricted investments for debt service purposes are comprised of amounts invested for sinking fund and debt service reserves. Investments in U.S. Government securities and the collateral for repurchase agreements are registered in the name of Murray State University or held in trust by 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.

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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		

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

7. Capital , Leased, and SBITA Assets

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

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Notes to the Financial Statements

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

	Balance June 30, 2022		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)	 \$ 1,045,506

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

	Balance June 30, 2022		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)	 3,074,116

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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

	Balance June 30, 2021				Deletions/ Retirements		Balance June 30, 2022
Land	\$ 10,886,463	\$	/	\$	/	\$	\$ 10,886,463

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Notes to the Financial Statements

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

	Balance June 30, 2021	Additions	Deletions/ Retirements	Balance June 30, 2022
Equipment	\$ 871,005	\$ 53,582	\$ (101,645)	\$ 822,942
Buildings	3,402,577	/	(211,351)	\$ 3,191,226
Vehicles	53,003	106,710	(53,003)	\$ 106,710
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-

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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

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

	<u>2023</u>	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

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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

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, G(,)TJETQq0.00000912 0 612 792 reW* nBT/F2 9.96 Tf1 0 :2(-)-2(a)6(s o)-8(f)-30

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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 amortizBT6BT6B 9.96 Tf1 0

MURRAY STATE UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

	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.

MURRAY STATE UNIVERSITY
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Notes to the Financial Statements

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- — ' 1 • ~ › 1-hazardous and KERS- ' 1 • ~ › 1 ' Š £ 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 romrred t1PC/-7(ri)12%00

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Notes to the Financial Statements

	Tier 1	Tier 2	Tier 3
Participation	Defined Benefit	Defined Benefit	Hybrid Cash Balance
Covered	Prior to 9/1/2008	9/1/2008 through 12/31/2013	1/1/2014 and after
Employees			
Benefit Formula	Final Compensation x Benefit Facto		

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Notes to the Financial Statements

	Tier 1	Tier 2	Tier 3	Tier 4
Participation	Prior to 7/1/2002	7/1/2002 through 6/30/2008	7/1/2008 through 12/31/2021	1/1/2022 and after
Covered Employees				
Benefit Formula				Service Credit x Multiplier x Final Average Salary = Annuity
Service Credit				Total number of years worked in TRS-covered position or purchased. Any service credit awarded for unused sick leave counts in the total years (except cannot be used for retirement eligibility).
Multipliers	10 years or less: 2.00% 10.01 to 20.0 years: 2.00% 20.01 to 26.99 years: 2.00% 27 years or more: 2.00%	10 years or less: 2.00% 10.01 to 20.0 years: 2.00% 20.01 to 26.99 years: 2.00% 27 years or more: 2.00%	10 years or less: 1.50% 10.01 to 20.0 years: 1.70% 20.01 to 26.99 years: 1.85% 27 years or more: 2.00%	
Final Average Salary				Average of highest five salaries. Increases in the last five years prior to retirement are limited to the highest percentage increase generally available to a district's or agency TRS-covered employees.
Unreduced Retirement Benefit	Any age with 27 years of service credit OR Age 60 with at least 5 years of service credit	Any age with 27 years of service credit OR Age 60 with at least 5 years of service credit	Any age with 27 years of service credit OR Age 60 with at least 5 years of service credit	Age 57 with 30 years of service credit ; Age 60 with 10 years of service credit ; OR Age 65 with 5 years of service credit
Reduced Retirement Benefit	Age 55 with at least 5 years of service credit. Reduction is 5% for each year under age 60 or under 27 years of service, whichever less.	Age 55 with at least 5 years of service credit. Reduction is 5% for each year under age 60 or under 27 years of service, whichever less.	Age 55 with at least 10 years of service credit. Reduction is 6% for each year under age 60 or under 27 years of service, whichever less.	Age 57 with 10 years of service

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Notes to the Financial Statements

Contributions

MURRAY STATE UNIVERSITY
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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 \$145,698,207 and \$138,336,517 for the years ended June 30, 2023 and 2022.

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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
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
	<u>\$ 9,103,906</u>	<u>\$ 7,211,594</u>	<u>\$ 1,892,312</u>

Actuarial assumptions. For KERS, the actuarial valuation for financial reporting as of June 30, 2022 was

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Notes to the Financial Statements

	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 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.
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:

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Notes to the Financial Statements

Discount rate.

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Notes to the Financial Statements

Pension plan fiduciary net position. The University's pension plan fiduciary net position is reported 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 proportionate 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 proportionate share of contributions 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, 2023, the University's proportionate share of contributions for KERS-nh, 0.361675 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

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Notes to the Financial Statements

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:

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-

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Notes to the Financial Statements

	KERS-nh	KERS-h
Actuarial Valuation Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry Age Normal 30-year closed period at June 30, 2019 (gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases).	Entry Age Normal 30-year closed period at June 30, 2019 (gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases).
Amortization Period	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.
Asset Valuation Method	2.30%	2.30%
Inflation Rate	0%	0%
Payroll Growth Rate	3.30% to 15.30%, varies by service	3.55% to 20.05%, varies by service
Projected Salary Increases	6.25%	6.25%
Investment Rate of Return	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using base year of 2011 Initial trend starting at 6.40% at January 1, 2011 and gradually decreasing to an ultimate trend of 4.05% over a period of 14 years. The 2011 premiums were known at the time of the	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using base year of 2011
Mortality		
Healthcare Trend Rates (Pre-65)		

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:

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Notes to the Financial Statements

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 2032
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		KERS-nh and h	June 30, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return		Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	43.50%	4.45%	U.S Equity	21.75%	5.70%
Private Equity	10.00%	10.15%	International Equity	21.75%	6.35%
Core Bonds	10.00%	0.28%	Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.28%	Specialty Credit/High Yield	15.00%	2.80%
Cash	1.50%	-0.91%	Core Bonds	10.00%	0.00%
Real Estate	10.00%	3.67%	Cash	1.50%	-0.60%
Real Return	10.00%	4.07%	Real Estate	10.00%	5.40%
	<u>100.00%</u>		Real Return	10.00%	4.55%
				<u>100.00%</u>	

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Notes to the Financial Statements

	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	\$ 18,399,974 4.26%	\$ 15,067,126 5.26%	\$ 12,333,949 6.26%
University's proportionate share - KERS-h	302,008	(42,259)	

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.

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

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Notes to the Financial Statements

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a) Investments and Investment Return

Investments at June 30 consisted of:

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

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Notes to the Financial Statements

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.

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Notes to the Financial Statements

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

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
	<u>79,677,378</u>	<u>72,227,869</u>
Total net assets with donor restrictions	<u>\$ 104,582,688</u>	<u>\$ 96,724,915</u>

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Notes to the Financial Statements

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 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 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.

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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	

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

See Report of Independent Auditors

MURRAY STATE UNIVERSITY
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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)

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	

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

See Report of Independent Auditors

MURRAY STATE UNIVERSITY
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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

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

See Report of Independent Auditors

MURRAY STATE UNIVERSITY

MURRAY STATE UNIVERSITY
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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

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.

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