

MURRAY STATE UNIVERSITY  
A COMPONENT UNIT OF THE  
COMMONWEALTH OF KENTUCKY  
For the Year Ended June 30, 2018  
with Report of Independent Auditors

## CONTENTS

Pages

Report of Independent Auditors .....	1-2
Management's Discussion and Analysis .....	3-21
Financial Statements	
Statements of Net Position – Murray State University .....	22-23
Statements of Financial Position – Murray State University Foundation, Inc. ....	24
Statements of Revenues, Expenses and Changes in Net Position – Murray State University .....	25-26
Statements of Activities – Murray State University Foundation, Inc. ....	27-28
Statement of Cash Flows – Murray State University .....	29-30
Notes to Financial Statements .....	31-74
Supplementary Information .....	75-82
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <b>Government Auditing Standards</b> .....	83-84

Report of Independent Auditors 1

Board of Regents 1  
Murray State University 1  
Murray, Kentucky 1

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and the discretely presented component unit of Murray State University as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2018

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2018

## Using the Financial Statements

The University's financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to the Financial Statements. These financial statements and accompanying notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements.

These financial statements provide an entity-wide perspective and focus on the financial condition, results of operations and cash flows of the University as a whole.

Financial statements have also been included for the MSU Foundation, a component unit, in accordance with the requirements of GASB Statement No. 39, **Determining Whether Certain Organizations are Component Units**. Financial statements for this entity consist of Statements of Financial Position and Statements of Activities. These statements are prepared in accordance with the appropriate Financial Accounting Standards Board (FASB) pronouncements.

### Statements of Net Position

The Statement of Net Position presents a financial picture of the University's financial condition at the end of the 2018 and 2017 fiscal years by reporting assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position. Net position, the difference between total assets plus deferred outflows less total liabilities and deferred inflows, are an important indicator of the current financial condition, while the change in net position is an indicator of whether the overall financial position has improved or declined during the year.

### Assets

Total assets at the end of the fiscal year 2018 were \$430.4 million, of which capital assets, net of depreciation, represented the largest portion. Capital assets totaled approximately \$233.7 million or 54% of total assets and were primarily comprised of University-owned land, buildings, equipment, and library holdings. Cash and cash equivalents amounted to \$143.2 million or 34% of total assets. Total assets decreased by \$3.2 million during the 2018 fiscal year. This decrease in gross total assets is due primarily to the following items:

- x (\$16.6 million) - Decrease in net capital assets. Primarily due to (\$12 million) in current year depreciation combined with the (\$9.5 million) decrease due to the J. H. Richmond impairment. This combined (\$21.5 million) decrease was offset by \$3.6 million increase in equipment, \$2.1 million of which was related to equipping the new Engineering and Physics building as well as \$0.3 million in land purchases, \$0.4 non-building improvements with the remaining \$0.6 increase related to the reduction in construction-in-progress and related increase in buildings for the capitalization of Breathitt Veterinary Center, H.C. Franklin Hall and the Engineering and Physics building.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2018

- x \$3.4 million - Increase in cash and cash equivalents. This increase was the result of a \$1.7 million increase in operating cash explained by increases in Education & General (E&G) net position prior to the pension expense (non-cash) adjustment, and an increase of \$1.4 in Auxiliary cash explained by an increase in Auxiliary net position prior to the pension expense (non-cash) adjustment as well as an increase in restricted net position of \$0.7 million. These increases were offset by an increase in collection expenses of \$0.4 million.
  
- x \$10.1 million -

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2018

Deferred Outflows of Resources

A new section of the Statement of Net Position was added in 2014 in compliance with GASB Statement No. 65 - **Items Previously Reported as Assets and Liabilities**. This statement required that the deferred bond refunding loss, previously reported as part of the "Long-term debt" lines, be reported instead as a deferred outflow of resources in fiscal year 2014. GASB statement 65 also required that we restate this deferred outflow for all prior years reported within these financial statements. Deferred outflows consisted of bond refunding loss from the refunding of housing and dining bond series M, N, O, P, and Q which totaled \$2.2 million for fiscal year 2018, \$1.7 million for 2017, and \$1.9 million for 2016. Also included is a bond refunding loss from the refunding of 2007 General Receipts bonds Series A which totaled \$0.7 million for fiscal year 2018, \$0.8 million for 2017 and \$0.8 million for 2016. Deferred outflows also consisted of \$51.3 million for fiscal year 2018, \$53.8 million for 2017, and \$25.7 million for 2016 related to reporting requirements specified in GASB Statements No. 68 - **Accounting and Financial Reporting for Pensions**, an amendment of GASB Statement No. 27 and No. 75 - **Accounting and Financial Reporting for Postemployment Benefits other than Pension-5(an)-2(P)-2(e)3(n)-9(s)3(ion)-10(-5(an)-2(Pa)7(l)-9(3(h)-**

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2018

- x \$49.2 million - Increase in net pension liability. GASB Statement No. 68 - **Accounting and Financial Reporting for Pensions / an amendment of GASB Statement No. 27** required the reporting of the pension liability for the first time in fiscal year 2015. This represents the University's proportionate share 3

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2018

- 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.

	June 30, 2018	June 30, 2017	June 30, 2016
Current assets	\$ 116,557,371	\$ 103,706,220	\$ 91,608,769
Noncurrent assets	80,169,828	79,651,477	85,228,207
Capital assets	233,647,333	250,242,436	236,282,533
	430,374,532	433,600,133	413,119,509
<b>Deferred Outflows</b>	53,839,367	56,508,116	28,685,297
Current liabilities	22,447,918	26,072,558	32,635,586
Noncurrent liabilities	342,364,235	390,780,206	346,173,839
	364,812,153	416,852,764	378,809,425
<b>Deferred Inflows</b>	73,205,305	7,034,713	6,235,951
Invested in capital assets, net of related debt	159,215,284	173,041,810	157,389,810
Restricted for			
Nonexpendable	22,285,087	21,973,233	19,218,207
Expendable			
Scholarships, research, instruction and other	6,979,462	6,271,792	7,164,586
Loans	3,469,792	4,081,721	

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2018

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

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

The financial statements are prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. A public university's dependency on state appropriations will result in reported operating losses. The Governmental Accounting Standards Board requires state appropriations to be classified as non-operating revenues. The utilization of long-lived capital assets is reflected in the financial statements as depreciation, which expenses the costs of an asset over its expected useful life.

Revenues

Total operating revenues, which exclude state appropriations, for fiscal year 2018 were \$119.1 million, including student tuition and fees, net of related discounts and allowances, of \$68.2 million, operating restricted grants and contracts revenues of \$6.7 million, sales, services and other revenues of \$12.5 million, and auxiliary services net revenues of \$31.8 million.

During fiscal year 2018, operating revenues decreased by (\$0.4 million). This decrease from the prior year is comprised primarily of (\$3.9 million) in actual net tuition and fees, and (\$0.1 million) in grants and contracts revenue, offset by increases of \$5.1 million in sales, services, and other revenues and (\$0.7 million) decrease in auxiliary services, specifically housing, dining and bookstore.

The University received \$45.3 million in state appropriations for operations, including performance pool funding, for fiscal year 2018, and \$45.9 million for fiscal year 2017 as well as a \$1 million return of a prior year reduction received in fiscal year 2017. The (\$0.6 million) decrease was the result of 1% decrease in state appropriations. State appropriations are required to be classified as nonoperating

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis



MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2018

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis, continued

June 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Operating revenues</b>			
Student tuition and fees, net	\$ 68,175,108	\$ 72,053,962	\$ 73,544,641
Grants and contracts	6,650,616	6,787,113	6,030,275
Other	12,453,726	7,306,302	7,680,689
Auxiliary, net	31,779,351	32,473,936	31,863,895
Total operating revenues	<u>119,058,801</u>	<u>118,621,313</u>	<u>119,119,500</u>
<b>Operating expenses</b>			
Instruction	56,419,272	74,414,980	68,688,820
Other educational and general	93,849,737	92,386,004	88,453,700
Depreciation	9,330,382	8,585,227	8,151,607
Auxiliary enterprises	24,256,797	23,602,184	23,045,892
Auxiliary depreciation	2,757,883	2,872,348	2,035,798
Total operating expenses	<u>186,614,071</u>	<u>201,860,743</u>	<u>190,375,817</u>
Operating loss	<u>(67,555,270)</u>	<u>(83,239,430)</u>	<u>(71,256,317)</u>
<b>Nonoperating revenues</b>			
State appropriations	45,344,100	46,824,500	47,064,600
Other nonoperating revenues	25,496,375	23,916,782	22,388,681
Total nonoperating revenues	<u>70,840,475</u>	<u>70,741,282</u>	<u>69,453,281</u>
<b>Other revenues</b>			
State capital appropriations and other	<u>8,831,567</u>	<u>21,959,490</u>	<u>34,715,769</u>
Increase in net assets	12,116,772	9,461,342	32,912,733
Net position, beginning of year	66,220,772	56,759,430	23,846,697
Restatement of 2018 beginning net position for OPEB liability	(32,141,103)	—	—
<b>Net position, beginning of year</b>	<u>34,079,669</u>	<u>56,759,430</u>	<u>23,846,697</u>
<b>Net position, end of year</b>	<u>\$ 46,196,441</u>	<u>\$ 66,220,772</u>	<u>\$ 56,759,430</u>

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Di

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Management's Di

MURRAY STATE UNIVERSITY

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Statements of Net Position

June 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 92,230,046	\$ 89,167,632
Accounts receivable, net	18,727,240	8,666,971
Interest receivable	197,854	—
Inventories	3,141,909	3,372,508
Loans to students, net	582,137	

See accompanying notes.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Statements of Net Position

June 30, 2018 and 2017

	2018	2017
Liabilities		
Current Liabilities		
Accounts payable	\$ 6,646,037	\$ 9,799,016
Accrued payroll	6,775,768	6,721,821

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

June 30, 2018 and 2017

Assets

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,503,097	\$ 2,772,417
Accounts receivable	2,765,584	64,049
Investments	118,849,706	111,563,622
Real estate held for investment	2,552,957	4,646,309
Prepaid and other current assets	67,464	74,194
Contributions receivable, net	740,133	847,578
Property and equipment, net	6,563,619	4,260,557
<b>Total Assets</b>	<b>\$ 133,042,560</b>	<b>\$ 124,228,726</b>

See accompanying notes.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2018 and 2017

	2018	2017
<b>Operating Revenues</b>		
Tuition and fees	\$ 111,009,473	\$ 115,006,235
Less: Discounts and allowances	(42,834,365)	(42,952,273)
Net tuition and fees	68,175,108	72,053,962
Federal grants and contracts	5,358,956	4,993,405
State grants and contracts	924,241	1,395,807
Private grants and contracts	367,419	397,901
Total grants and contracts	6,650,616	6,787,113
Sales and services of educational activities	5,548,567	4,936,631
Other operating revenues	6,905,159	2,369,671
Total sales, services, and other revenues	12,453,726	7,306,302
Auxiliary enterprises	32,268,637	32,992,256
Less: Discounts and allowances	(489,286)	(518,320)
Net auxiliary revenue	31,779,351	32,473,936
<b>Total Operating Revenues</b>	<b>119,058,801</b>	<b>118,621,313</b>
<b>Operating Expenses</b>		
Instruction	56,419,272	74,414,980
Research	2,415,697	2,288,416
Public service	6,570,379	8,601,413
Libraries	3,613,999	3,743,775
Academic support	6,339,326	7,674,313
Student services	16,563,970	16,808,823
Institutional support	19,094,877	22,340,304
Operation and maintenance of plant	26,515,669	18,848,211
Student financial aid		

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

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

Years ended June 30, 2018 and 2017

	2018	2017
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	\$ 45,344,100	\$ 45,864,000
State appropriations return of prior year reduction	—	960,500
Restricted student fees (revenues are pledged as security for the City of Murray debt agreement)	620,681	658,385
Federal grants and contracts	12,878,368	12,149,103
State grants and contracts	8,663,326	8,164,321
Local and private grants and contracts	602,347	445,649
Gifts	1,369,510	1,220,027
Investment income	3,191,632	3,288,456
Interest on capital asset-related debt	(1,630,671)	(1,762,317)
Loss on deletion and disposal of capital assets	(79,417)	(127,441)
Bond amortization	(119,401)	(119,401)
<b>Nonoperating Revenues (Expenses), Net</b>	<b>70,840,475</b>	<b>70,741,282</b>
<b>Income Before Other Revenues, Expenses</b>		
Gains and Losses	3,285,205	(12,498,148)
<b>State Capital Appropriations</b>	<b>4,378,656</b>	<b>21,144,514</b>
<b>Gain on the Insurance Proceeds from the Impairment of JH Richmond Hall</b>	<b>2,845,855</b>	<b>—</b>
<b>Other Insurance Proceeds</b>	<b>1,194,604</b>	<b>155,824</b>
<b>Capital Gifts</b>	<b>403,899</b>	<b>69,635</b>
<b>Additions to Permanent Endowment</b>	<b>42,551,863</b>	<b>42,551,863</b>

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.

Statements of Activities

Year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues, Gains/(Losses) And Other Support				
Contributions	\$ —	\$ 1,405,953	\$ 4,013,947	\$ 5,419,900
Revenues from operations of the				

See accompanying notes.

MURRAY STATE UNIVERSITY FOUNDATION, INC.





MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Change in Accounting Principle

Effective July 1, 2017, Murray State University (University) was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) Statement 75). Statement 75 replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple Employer Plans for OPEB. GASB 75 is applicable for government agencies that provide defined benefit OPEB to recognize their long-term obligation for OPEB as a liability to more comprehensively and comparably



MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

Accounts Receivable

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

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

Compensated Absences

For employees participating in the Teachers' Retirement System (TRS), vacation pay is accrued at year end for financial statement purposes. The liability and expense incurred are included at year end with accrued payroll, and as a component of compensation and benefit expense. Sick leave benefits are expected to be realized as paid time off or used to purchase service credits upon retirement. These are recognized as expense when the time off occurs or when service credit payments are incurred. No liability is accrued for such benefits employees have earned while participating in the TRS plan, but not yet realized. For employees participating in optional retirement plans (ORP), sick time is accrued as it is earned.

Unearned Revenue

Unearned revenue includes amounts for tuition and fees, international program fees and certain auxiliary activities received prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from state capital appropriations and grant and contract sponsors for which eligibility requirements have not been fully satisfied or that have not yet been earned. Such amounts are recognized in the period to which the service relates or the grant/contract requirements have been met.

Deferred Outflow of Resources and Deferred Inflow of Resources

In addition to assets, financial statements may report a separate section for deferred outflows of resources. Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period and so will not be recognized as an outflow of resources until then. Deferred outflows of resources related to refunding long-term debt and certain pension/OPEB contributions are reported in the statement of net position. The deferred bond refunding amount results from the difference in the carrying value of refunded debt and its reacquisition price, and is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow for pension/OPEB contributions represent contributions made to the plan between the measurement date, which was the end of fiscal year 2017, of the pension/OPEB obligations and the end of fiscal year 2018.

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 state reimbursements as well as certain changes in pension/OPEB obligations that are amortized over future periods.

Net Position

The University's net position is classified as follows:

**Net investment in capital assets:** This represents the University's total investment in capital assets, net of outstanding debt obligations and accumulated depreciation related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.





MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

2. **Accounts Receivable**

Accounts receivable as of June 30 consisted of:

	2018	2017
Current accounts receivable:		
Student tuition and fees	\$ 7,946,542	\$ 8,438,342
Grants and contracts	1,735,708	1,768,773
Auxiliary fees	2,599,254	2,394,656
MSU Foundation	249,045	265,114
Employee computer and bicycle loans	13,030	5,205
Outside sales	484,405	522,067
Capital construction receivable – Richmond incident*	10,465,183	142
Allowance for doubtful accounts	(4,765,927)	(4,727,328)
	\$ 18,727,240	\$ 8,666,971

\*The University is required to recognize revenues for any known recoveries to impaired assets even if those recoveries have not yet taken place. This receivable represents the insurance recovery for the J.H. Richmond incident which will reimburse for expenses made to bring J.H. Richmond Hall back to its original condition prior to the incident.

3. **Inventories**

Inventories as of June 30 consisted of:

	2018	2017
University bookstore - resale	\$ 1,411,102	\$ 1,602,024
Physical plant - supplies	1,502,698	1,548,146
Food services - resale and supplies	156,572	159,038
Art supplies	55,269	50,380
CFSB concessions	16,268	12,920
	\$ 3,141,909	\$ 3,372,508

4. **Loans Receivable**

Student loans made through the Federal Perkins Loan Program (Program) comprise substantially all of the loans receivable at June 30, 2018 and 2017. The Program provides for service cancellation of a loan at rates of 12.5% to 30% per year up to a maximum of 100% if the participant complies with certain provisions.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. The allowance for uncollectible loans at June 30, 2018 and 2017 was \$253,715 and \$242,170, respectively.

Loans receivable as of June 30 consisted of:

5. Deposits, Investments and Investment Income

Deposits

At June 30, 2018 and 2017, the carrying amounts of the University's bank balances and deposits were \$143,192,525 and \$139,755,912, respectively.

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

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

The University also maintains cash deposits with the Commonwealth of Kentucky, as overseen by the State Investment Commission (Commission). The Commission is charged with the oversight of the Commonwealth's investment programs pursuant to KRS 42.500. The Commonwealth's investments are categorized into two distinct classifications or "pools." The Short-Term Pool consists primarily of General Fund cash balances. The Intermediate-Term Pool

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

Investments

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

	<u>2018</u>	<u>2017</u>
Money market funds restricted for debt service purposes	\$ 305,072	\$ 310,430
Restricted assets held by the Foundation	<u>26,250,195</u>	<u>25,926,934</u>
Total investments	<u>\$ 26,555,267</u>	<u>\$ 26,237,364</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

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

7. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017			Deletions/ Retirements	Balance June 30, 2018
Land	\$ 9,920,222	\$ 256,476	\$ —	\$ —	\$ 10,176,698
Construction in progress	36,057,601	8,200,446	(30,965,499)	(7,028,198)	6,264,350
Museum and collectibles	692,546	2,191	—	—	694,737
Total capital assets not being depreciated	46,670,369	8,459,113	(30,965,499)	(7,028,198)	17,135,785
Buildings	341,536,804	—	30,613,000	—	372,149,804

\*Accumulated depreciation for buildings includes a \$9,515,220 adjustment for the impairment of J.H. Richmond. This adjustment was based on the historic value of the restoration cost.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016			Deletions/ Retirements	Balance June 30, 2017
Land	\$ 9,920,222	\$ —	\$ —	\$ —	\$ 9,920,222
Construction in progress	76,632,426	24,957,519	(64,344,225)	(1,188,119)	36,057,601
Museum and collectibles	677,635	14,911	—	—	692,546
Total capital assets not being depreciated	87,230,283	24,972,430	(64,344,225)	(1,188,119)	46,670,369
Buildings	278,366,153	555,432	62,615,219	—	341,536,804
Nonbuilding improvements	16,464,827	—	910,169	(555,432)	16,819,564
Equipment	31,208,716	1,911,550	818,837	(1,609,607)	32,329,496
Library holdings	30,122,072	63,465	—	(18,964,089)	11,221,448
Livestock	165,750	18,499	—	(32,500)	151,749
Software	1,932,019	—	—	—	1,932,019
Total other capital assets	358,259,537	2,548,946	64,344,225	(21,161,628)	403,991,080
Total capital assets before depreciation	445,489,820	27,521,376	—	(22,349,747)	450,661,449
Less accumulated depreciation:					
Buildings	146,626,036	8,539,436	—	—	155,165,472
Improvements other than buildings	10,584,191	622,372	—	—	11,206,563
Equipment	23,416,353	1,777,902	—	(1,271,296)	23,922,959
Library holdings	26,576,276	490,320	—	(18,958,303)	8,108,293
Livestock	88,500	11,458	—	(16,250)	83,708
Software	1,915,931	16,087	—	—	1,932,018
Total accumulated depreciation	209,207,287	11,457,575	—		

8. Accounts Payable

Accounts payable at June 30 consisted of:

	2018	2017
Current accounts payable:		
Vendors	\$ 3,977,873	\$ 7,182,082
Payroll benefits and withholdings	2,597,152	2,546,539
MSU Foundation	65,489	63,608
Loans	5,523	6,787
	\$ 6,646,037	\$ 9,799,016
Total current accounts payable	\$ 6,646,037	\$ 9,799,016

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

9. University Health Self-

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

11.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

**Maturity Information**

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

Years Ending					
June 30	Bonds	Notes	Total Principal	Interest	Total Payments
2019	\$ 3,950,000	\$ 395,000	\$ 4,345,000	\$ 2,586,138	\$ 6,931,138
2020	4,130,000	415,000	4,545,000	2,464,706	7,009,706
2021	3,905,000	435,000	4,340,000	2,338,784	6,678,784
2022	4,105,000	440,000	4,545,000	2,206,984	6,751,984
2023	4,210,000	450,000	4,660,000	2,062,736	6,722,736
2024-2028	23,920,000	2,445,000	26,365,000	7,714,995	34,079,995
2029-2033	17,470,000	2,810,000	20,280,000	3,482,613	23,762,613
2034-2036	6,600,000	—	6,600,000	330,400	6,930,400
<b>Total</b>	<b>\$ 68,290,000</b>	<b>\$ 7,390,000</b>	<b>\$ 75,680,000</b>	<b>\$ 23,187,356</b>	<b>\$ 98,867,356</b>

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

Long-term liability activity for the year ended June 30, 2018 was as follows:

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

	Original Issue	Balance Due June 30, 2018	Interest Expense, Current Year	Bonds/Notes/ Leases Maturing 2018-2019
<b>City of Murray Payable</b>				
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	7,390,000	210,093	395,000
<b>Master Lease Payable</b>				
Campus energy performance upgrade - Master lease dated February 10, 2005, with interest of 3.94%; final principal payment due August 10, 2017	6,707,876	—	1,547	—
Total master lease payable	6,707,876	—	1,547	—
Less: Capitalized Interest	—	—	(1,037,348)	—
<b>Total All Bond Issues, Notes Payable and Capital Leases</b>	<u>\$ 116,052,876</u>	<u>\$ 77,576,450</u>	<u>\$ 1,630,671</u>	<u>\$ 4,461,140</u>

The revenue bond indentures require the University to maintain a reserve balance as a percentage of outstanding balances. As of June 30, 2018 and 2017, the sinking fund and reserve fund requirements have been funded as required.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

12. Deposits

The deposits held as of June 30 consisted of:

2018                      2017

Noncurrent housing deposit additions were \$88,950 and \$136,800 for the years ended June 30, 2018 and 2017, respectively. Noncurrent housing deposit deductions were \$125,400 and \$135,900 for the years ended June 30, 2018 and 2017, respectively.

13. Unrestricted Net Position

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

	2018	2017
Unrestricted net position		
Allocated for:		
Departmental operations	\$ 26,686,695	\$ 27,911,057
Encumbrances	326,867	439,871
Board designated projects	12,957,700	10,899,378
Capital projects	2,115,672	5,246,316
Renovation and maintenance	11,034,770	10,008,866
Plant reserves	11,115,771	11,074,264
Working capital	11,247,321	11,418,803
Revenue contingency	2,290,105	2,293,200
General contingency	48,524,351	44,112,858
Self-insurance	624,291	574,953
Total unrestricted net position before pension/OPEB adjustments	126,923,543	123,979,566
Pension/OPEB current year adjustments, KERS non-hazardous	(95,925,318)	(84,685,305)
Pension/OPEB current year adjustments, KERS hazardous	(1,364,618)	(1,219,935)
Pension/OPEB current year adjustments, TRS	(161,345,618)	(180,125,998)
OPEB prior year adjustments, KERS non-hazardous	(17,030,754)	-
OPEB prior year adjustments, KERS hazardous	224,399	-
OPEB prior year adjustments, TRS	(15,334,748)	-
Total unrestricted net position	\$ (163,853,114)	\$ (142,051,672)

MURRAY STATE UNIVERSITY

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

KERS -nh, members on and after 1/1/2014 Benefits are available with attainment of age 65 and five years of service, or attainment of age 57 and age plus years of service are greater than or equal to 87. Reduced benefits are not available.

The annual retirement allowance is equal to the average of the last complete five years of service multiplied by an increasing percent based on service at retirement plus 2.00% for each year of service over 30. The increasing percent based on service at retirement is 1.10% for 10 years of service or less, 1.30% for 10 to 20 years of service, 1.50% for 20 to 26 years of service, and 1.75% for 26 to 30 years of service.

KERS -nh, Other benefits. If the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit. Disability benefits are also provided at various levels depending on participation dates and circumstances.

Insurance benefits are available for members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003 and before September 1, 2008 are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

KERS-h, members on and after 1/1/2014 Benefits are available with completion of 25 years of service or attainment of age 60 and 5 years of service. Reduced benefits are not available.

The annual retirement allowance is equal to an increasing percent, based on service at retirement, of the average of the three highest years of compensation multiplied by years of service for members participating prior to 1/1/2014. The increasing percent is as follows: 1.30% for 10 years or less, 1.50% for 10 to 20 years, 2.25% for 20 to 25 years, and 2.50% for 25 years or more.

For members participating on or after 1/1/2014: Each year that a member is an active contributing member to KRS, the member and the member's employer will contribute 8.00% and 7.50% of creditable compensation respectively into an account. This account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If KRS's geometric average net investment return for the previous five years exceeds 4%, then the account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from KRS as a lump sum or annuitized into a single life annuity option.

KERS-h, Other benefits. If the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit. Disability benefits are also provided at various levels depending on participation dates and circumstances.

For both KERS-nh and KERS-h, monthly retirement allowances are increased July 1 each year by one and one-half percent (1.5%). The Kentucky General Assembly has the authority to increase, suspend or reduce Cost of Living Adjustments (COLA). HB 265 of 2012 eliminated the July 1, 2012 and July 1, 2013 COLAs for all retirees. SB2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Hazardous duty members are also eligible for an additional contribution for dependents based upon hazardous service only. Members participating on or after July 1, 2003 and before September 1, 2008 are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$15 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Upon termination of employment, a refund of member contributions and accumulated interest is available to the member.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

Active member accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1981; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter. For employees hired prior to September 1, 2008, the interest paid is set by the Board of Trustees and will not be less than 2.0%, for employees hired on or after September 1, 2008, interest will be credited at a rate of 2.5%.

TRS, members before 7/1/2008 Benefits are available with completion of 27 years of service or attainment of age 55 and five years of service. The annual retirement allowance for non-university members is equal to 2.0% of final average salary multiplied by service before July 1, 1983, plus 2.5% of final average salary multiplied by service after July 1, 1983. For individuals who become members of TRS on or after July 1, 2002 and have less than 10 years of service at retirement, the retirement allowance is 2.0% of final average salary multiplied by service. If, however, they have 10 or more years, they receive a benefit percentage of 2.5% for all years of service up to 30 years. For members retiring on or after July 1, 2004, the retirement allowance formula is 3.0% of final average salary for each year of service credit earned in excess of 30 years.

The annual retirement allowance for university members is equal to 2.0% of final average salary multiplied by all years of service. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

TRS, members on and after 7/1/2008 Benefits are available with completion of 27 years of service, attainment of age 60 and five years of service or attainment of age 55 and 10 years of service. The annual retirement allowance for non-university members is equal to 1.7% of final average salary if service is 10 years or less, 2.0% of final average salary if service is greater than 10 years and no more than 20 years, 2.3% of final average salary if service is greater than 20 years but no more than 26 years, 2.5% of final average salary if service is greater than 26 years but no more than 30 years, 3.0% of final average salary for years of service greater than 30 years.

The annual retirement allowance for university members is equal to 1.5% of final average salary if service is 10 years or less, 1.7% of final average salary if service is greater than 10 years and no more than 20 years, 1.85% of final average salary if service is greater than 20 years but less than 27 years, 2.0% of final average salary if service is greater than or equal to 27 years.

For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

TRS, Other benefits Disability benefits are provided for employees totally and permanently incapable of being employed as a teacher and under age 60 but after completing 5 years of service. The disability allowance is equal to the greater of the service retirement allowance or 60% of the member's final average salary. The disability allowance is payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. After the disability entitlement period has expired and if the member remains disabled, he will be retired under service retirement. The service retirement allowance will be computed with service credit given for the period of disability retirement. The allowance will not be less than \$6,000 per year. The service retirement allowance will not be reduced for commencement of the allowance before age 60 or the completion of 27 years of service.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS medical plan offers coverage to members under the age of 65 through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement.

Any member who ceases to be in servic



MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

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

The University reported a liability of \$231,097,640 and \$312,777,307 for the years ended June 30, 2018 and 2017, 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, 2017 and June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for all plans. The University's proportions of the net pension liabilities were based on projections of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the University's proportion was 0.40417645% for TRS, 0.858544% for KERS-nh, and 0.38949% for KERS-h, and at June 30, 2016 the University's proportion was 0.698165% for TRS, 0.836194% for KERS-nh, and 0.396922% for KERS-h.

For the years ended June 30, 2018 and 2017, the University recognized the pension (benefit) expense of (\$3,008,564) and \$22,513,537, respectively. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

In the years ended June 30, 2018 and 2017 deferred outflows of resources of \$11,293,553 and \$11,104,198, respectively, related to pensions resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2018 and 2017, respectively

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

**Actuarial assumptions.** The total pension liability in the June 30, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2017

June 30, 2016

As of June 30, 2017 and 2016, mortality rates for KERS were based on the RP-2000 Combined Mortality Table projected with scale BB to 2013 for all active and healthy retired members and the RP-2000 Combined Disabled Mortality Table projected.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

TRS:	June 30, 2016	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45%	6.40%
Non U.S. Equity	17%	6.50%
Fixed Income	24%	1.60%
High Yield Bonds	4%	3.10%
Real Estate	4%	5.80%
Alternatives	4%	6.80%
Cash	2%	1.50%
Total	100%	

**Discount rate.**For KERS the discount rates used to measure the total pension liability as of the Measurement Date (June 30, 2017) and Prior Measurement Date (June 30, 2016) were 5.25% and 6.75%, respectively, for nonhazardous and 6.25% and 7.50%, respectively, for hazardous. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 5.25% for the year ending June 30, 2017 and 7.50% for the year ending June 30, 2016. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

For TRS the discount rates used to measure the TPL as of the Measurement Date and Prior Measurement Date were 4.49% and 4.20%, respectively. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 4.20% was calculated using the Municipal Bond Index Rate as of the Measurement Date (3.01%). This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 68.

The following presents the University's proportionate share of the net pension liability calculated using the discount rates as of the Measurement Date and the Prior Measurement Date:

	June 30, 2017		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	\$ 131,243,928 4.25%	\$ 114,944,761 5.25%	\$ 101,392,774 6.25%
University's proportionate share - KERS-h	2,462,793 5.25%	1,936,158 6.25%	1,499,167 7.25%
University's proportionate share - TRS	141,583,047 3.49%	114,216,721 4.49%	91,761,714 5.49%
	June 30, 2016		
	1% Decrease	Discount Rate	1% Increase
University's proportionate share - KERS-nh	\$ 107,389,598 5.75%	\$ 95,321,852 6.75%	\$ 85,179,607 7.75%
University's proportionate share - KERS-h	1,953,070 6.50%	1,554,497 7.50%	1,219,969 8.50%
University's proportionate share - TRS	264,867,295 3.20%	215,900,958 4.20%	175,721,790 5.20%

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

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

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

The University reported a liability of \$37,821,285 year ended June 30, 2018, 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, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an



MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

KERS

June 30, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	

For TRS the long-

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

**Discount rate.**For KERS the discount rates used to measure the total OPEB liability as of the Measurement Date (June 30, 2017) was 5.83% for nonhazardous and 5.87% for hazardous. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

For TRS the discount rates used to measure the total OPEB liability as of the Measurement Date



MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

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>2018</u>	<u>2017</u>
Murray State University	\$ 26,250,195	\$ 25,926,934
Murray State University Alumni Association	1,207,232	1,200,638
Others	44,304	39,725
	<u>\$ 27,501,731</u>	<u>\$ 27,167,297</u>

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

**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, 2018 and 2017, \$7,ei

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

Permanently restricted net assets at June 30 are restricted to:

	2018	2017
Investment in perpetuity, the income of which is expendable to support:		
Scholarships	\$ 36,751,888	\$ 31,194,546
Instruction and institutional support	10,707,098	10,439,390
Chairs and professorships	2,566,888	2,565,385
Operations of the Golf Course	1,342,737	1,342,202
Operating activities of the Foundation	480,449	473,253
	\$ 51,849,060	\$ 46,014,776

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2018	2017
Scholarships	\$ 1,650,824	\$ 1,497,125
Instruction and institutional support	1,228,254	1,425,607
	\$ 2,879,078	\$ 2,922,732

16. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, natural disasters and employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. Effective June 30, 2018, Murray State withdrew from the Kentucky Personnel Cabinet's Workers' Compensation Program and entered into a full insurance contract with BrickStreet Insurance Company on July 1, 2018. This change has provided a higher level of institutional support for the safety and loss control management service.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

18.

MURRAY STATE UNIVERSITY

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

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**

	2018	2017
Assets		
Current assets	\$ 899,978	\$ 826,078
Noncurrent assets	1,786,542	1,846,489
Capital assets, net of accumulated depreciation	6,975,221	7,243,937
Total assets	9,661,741	9,916,504
Deferred outflows of resources		
Bond refunding loss	285,268	304,554
Total deferred outflows of resources	285,268	304,554
Liabilities		
Current liabilities	29,347	32,146
Noncurrent liabilities	7,389,999	7,764,999
Total liabilities	7,419,346	7,797,145
Net position		
Invested in capital assets, net of related debt and accumulated depreciation	(129,510)	(216,509)
Restricted		
Expendable capital	995,348	1,060,290
Expendable debt service	762,996	754,046
Unrestricted	898,829	826,086
Total net position	\$ 2,527,663	\$ 2,423,913

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

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

	2018	2017
Operating revenues	\$ 91,197	\$ 100,865
Operating expenses	(495,515)	(536,891)
Depreciation expense	(268,715)	(268,715)
Operating loss	(673,033)	(704,741)
Nonoperating revenues	776,783	874,651
Change in net position	103,750	169,910
Net position, beginning of year	2,423,913	2,254,003
Net position, end of year	\$ 2,527,663	\$ 2,423,913

**Wellness Center- Condensed Statements of Cash Flows**

	2018	2017
Cash flows from		
Operating activities	\$ (505,218)	\$ (510,283)
Noncapital financing activities	495,584	490,115
Capital and related financing activities	15,166	113,069
Investing activities	7,262	3,747

20. **Risk and Uncertainties**

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the investment amounts reported in the statements of net position.

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Notes to the Financial Statements, continued

21. **Contingency**

As of this date, June 30, 2018, the damages to J.H. Richmond are expected to cost \$12,361,075 to restore the building to the condition it was in prior to the event.

Other claims related to personal property damage and bodily injury are on file with the Kentucky Claims Commission. The maximum amount/total award for all claims filed with the Kentucky Claims Commission is \$400,000 which is within the limits of general liability insurance in effect at the time of the event. The cause of the explosion remains under investigation.

22. **Current Economic Conditions (unaudited)**

The current economic environment presents the University with unprecedented circumstances and challenges which, in some cases, have resulted in declines in contributions, governmental support and grant revenue. The financial statements have been prepared using values and information currently available to the University



MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Schedules of Required Supplementary Information

Years ended June 30, 2017, 2016, 2015, and 2014

**Proportionate Share Of The Net Pension and OPEB Liabilities (Continued)**

	2017
KERS-Non-Hazardous OPEB Plan	
University's proportion of the net OPEB liability	0.858544%
University's proportionate share of the net OPEB liability	\$ 21,772,351
University's covered-employee payroll	\$ 13,677,439
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	159.18%
Plan fiduciary net position as a percentage of the total OPEB liability	24.40%
KERS-Hazardous OPEB Plan	
University's proportion of the net OPEB liability	0.389490%
University's proportionate share of the net OPEB liability	\$ 23,490

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky  
Schedules of Required Supplementary Information  
Years ended June 30, 2017, 2016, 2015, and 2014

**Proportionate Share Of The Net Pension and OPEB Liability (Continued)**

TRS Pension Plan	2017	2016	2015	2014
University's proportion of the net pension liability	0.404176%	0.698165%	0.722622%	0.710400%

TRS OPEB - Medical	2017
University's proportion of the net OPEB liability	0.443448%
University's proportionate share of the net OPEB liability	\$ 15,812,389
University's covered-employee payroll	\$ 15,145,665
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	104.40%

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Schedules of Required Supplementary Information

Years ended June 30, 2017, 2016, 2015, and 2014

**Proportionate Share Of The Net Pension and OPEB Liability (Continued)**

TRS OPEB - Life	<u>2017</u>
University's proportion of the net OPEB liability	0.970240%
University's proportionate share of the net OPEB liability	\$ 213,055
University's covered-employee payroll	\$ 33,137,887
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.64%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%

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

MURRAY STATE UNIVERSITY

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky

Schedules of Required Supplementary Information

Years ended June 30, 2017, 2016, 2015, and 2014

Schedules of Murray State University Contributions (Continued)

	2017
KERS-Non-Hazardous OPEB Plan	
Contractually required contribution	\$ 1,108,416
Contributions in relation to the contractually required contribution	(1,108,416)
Contribution deficiency	\$ -
University's covered-employee payroll	
Contributions as a percentage of covered-employee payroll	8.10%
KERS-Hazardous OPEB Plan	
Contractually required contribution	\$ 17,734
Contributions in relation to the contractually required contribution	(17,734)
Contribution deficiency	\$ -
University's covered-employee payroll	
Contributions as a percentage of covered-employee payroll	2.66%

MURRAY STATE UNIVERSITY  
A Component Unit of the Commonwealth of Kentucky



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

Report of Independent Auditors

Board of Regents  
Murray State University  
Murray, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Murray State University (the University), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements which collectively related

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the University's financial statements.

f