



Financial Statements

for

**MOREHEAD STATE UNIVERSITY**

For the Years Ended June 30, 2022 and 2021  
with Report of Independent Auditors

## CONTENTS

Management's Discussion and Analysis .....	1
Report of Independent Auditors.....	12
Financial Statements	
Morehead State University Statements of Net Position.....	15
Morehead State University Foundation, Inc. Statements of Financial Position .....	17
Morehead State University Statements of Revenues, Expenses and Changes in Net Position .....	18
Morehead State University Foundation, Inc. Statements of Activities.....	20
Morehead State University Foundation, Inc. Statements of Functional Expenses.....	22
Morehead State University Statements of Cash Flows .....	24
Morehead State University Notes to the Financial Statements.....	26
Morehead State University Foundation, Inc. Notes to the Financial Statements.....	70
Supplemental Information	
Morehead State University	
Schedule of Bonds and Lease Obligations .....	86
Schedule of Morehead State University's Proportionate Share of the Net Pension Liability – Kentucky Teachers Retirement System .....	88
Schedule of Morehead State University's Pension Contributions – Kentucky Teachers Retirement System .....	89
Schedule of Morehead State University's Proportionate Share of the Net OPEB Liability - Medical Insurance Plan – Kentucky Teachers Retirement System .....	90
Schedule of Morehead State University's Contributions for OPEB – Medical Insurance Plan – Kentucky Teachers Retirement System .....	91
Schedule of Morehead State University's Proportionate Share of the Net OPEB Liability - Life Insurance Plan – Kentucky Teachers Retirement System .....	92
Schedule of Morehead State University's Contributions for OPEB – Life Insurance Plan – Kentucky Teachers Retirement System .....	93
Schedule of Morehead State University's Proportionate Share of the Net Pension Liability – Kentucky Retirement System .....	94
Schedule of Morehead State University's Pension Contributions – Kentucky Retirement System .....	95
Schedule of Morehead State University's Proportionate Share of the Net OPEB Liability – Kentucky Retirement System .....	96
Schedule of Morehead State University's OPEB Contributions – Kentucky Retirement System .....	97
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	98
Schedule of Findings and Responses.....	100

# MOREHEAD STATE UNIVERSITY

## Management's Discussion and Analysis



### MANAGEMENT'S DISCUSSION AND ANALYSIS

Morehead State University's (the University) Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of the University for the year ended June 30, 2022. Management has prepared this discussion, along with the financial statements and related footnotes, to provide summary financial information. MD&A should be read in conjunction with the accompanying financial statements and footnotes.

#### Financial Highlights

- Financial operations were conducted in accordance with the approved budget plan, which continues to demonstrate the University's commitment to advance the University's mission by focusing on the goals and objectives as defined in the *SOAR 2018-2022 Vision & Strategic Plan*.
- Total assets and deferred outflows of resources were \$373 million versus \$348 million at June 30, 2021. The increase is primarily related to increases in cash of \$11 million and increases in pension deferred outflows of \$29 million and was offset by a decrease in capital assets, net of \$11 million and a decrease in accounts, grants and loans receivable, net of \$6 million.

## MOREHEAD STATE UNIVERSITY

### Management's Discussion and Analysis, continued

- Total liabilities and deferred inflows of resources were \$274 million versus \$263 million at June 30, 2021. The increase is primarily related to increases in Morehead State University's proportionate share of the Commonwealth of Kentucky's net pension liability of \$33 million, a decrease in bond and lease obligations of \$5 million, and a decrease in deferred inflows of resources of \$13 million.
- Total net position was \$98.7 million at June 30, 2022 and \$84.9 million at June 30, 2021.

### Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These financial statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

One of the most important questions asked about University finances is whether the University is better off as a result of the year's activities. The information needed to answer this question can be found in the:

- Statement of Net Position,
- Statement of Revenues, Expenses and Changes in Net Position and
- Statement of Cash Flows.

These statements present financial information of the University in a format similar to that used by corporations and present a long-term view of the University's finances. To get a full understanding of the University's financial condition these statements should be reviewed as a whole and not individually. Further important information can be found in the Notes to the Financial Statements, beginning on page 26 of the Financial Statements. The Notes to the Financial Statements contain policies, explanations and schedules that should be reviewed before, during and after reviewing the Financial Statements in order to get a complete understanding.

## MOREHEAD STATE UNIVERSITY

### Management's Discussion and Analysis, continued

#### **The Statement of Net Position**

This statement includes all assets, deferred outflows, deferred inflows and liabilities. It is prepared under 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. The University's net position (the difference between assets and liabilities) is one indicator of the University's financial health. Over time, increases or decreases in net position can indicate improvement or erosion of the University's financial health. Changes in net position should be considered in conjunction with non-financial factors such as enrollment levels and conditions of facilities.

#### **The Statement of Revenues, Expenses and Changes in Net Position**

This statement presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. GASB 35 requires state appropriations and gifts to be classified as non-operating revenues. Accordingly, the University will generate a net operating loss prior to the addition of non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

#### **The Statement of Cash Flows**

This statement presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital financing and investing activities. An important factor to consider when evaluating financial viability is the University's ability to meet financial obligations as they mature.

#### **Reporting Entity**

Morehead State University is a component unit of the Commonwealth of Kentucky.

**MOREHEAD STATE UNIVERSITY**

Management's Discussion and Analysis, continued

**Condensed Financial Information  
Statements of Net Position (in thousands)**

	<u>2022</u>	<u>2021</u>
<b><u>Assets</u></b>		
Current assets	\$ 75,445	\$ 70,334
Capital assets	226,098	236,892
Other noncurrent assets	<u>22,309</u>	<u>26,972</u>
Total assets	<u>323,852</u>	<u>334,198</u>
Deferred outflows of resources	<u>48,682</u>	<u>13,405</u>
Total assets and deferred outflows of resources	<u>372,534</u>	<u>347,603</u>
<b><u>Liabilities</u></b>		
Current liabilities	16,110	22,431
Net pension liability	125,035	91,627
Net OPEB Liability	20,990	17,905
Other noncurrent liabilities	<u>73,244</u>	<u>79,067</u>
Total liabilities	<u>235,379</u>	<u>211,030</u>
Deferred inflows of resources	<u>38,480</u>	<u>51,712</u>
Total liabilities and deferred inflows of resources	<u>273,859</u>	<u>262,742</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	151,502	157,661
Restricted, expendable	8,685	3,991
Restricted, nonexpendable	11,492	11,687
Unrestricted	<u>(73,004)</u>	<u>(88,478)</u>
Total net position	<u>\$ 98,675</u>	<u>\$ 84,861</u>

**Assets and deferred outflows of resources**

As of June 30, 2022, the University's total assets and deferred outflows of resources were approximately \$373 million versus \$348 million at June 30, 2021. Investment in capital assets, net of depreciation, represented the University's largest asset, totaling \$226 million compared to \$237 million at June 30, 2021. Cash and investments, totaling \$81 million at June 30, 2022 and \$73 million at June 30, 2021, were the University's next largest asset. Total assets and deferred outflows of resources increased by approximately \$25 million during the year ended June 30, 2022. The principal areas of change were:

## MOREHEAD STATE UNIVERSITY

### Management's Discussion and Analysis, continued

- Cash and cash equivalents increased approximately \$11 million. This increase primarily relates to Higher Education Emergency Relief Funds received under the *Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)* and the American Rescue Plan Act to defray expenses associated with the Covid-19 pandemic.
- Capital assets, net of accumulated depreciation, decreased approximately \$11 million primarily due to depreciation.
- Deferred outflows of resources pensions increased \$29 million, due to increases in Morehead State University's proportionate share of the Commonwealth of Kentucky's net pension liability.

#### Liabilities and deferred inflows of resources

At June 30, 2022, the University's total liabilities and deferred inflows of resources were approximately \$274 million versus \$263 million in the previous year. Net pension liability represented \$125 million and Net OPEB Liability represented \$21 million at June 30, 2022. Bonds and lease obligations for capital assets represented \$76 million at June 30, 2022 and \$81 million at June 30, 2021. Total liabilities and deferred inflows of resources increased by \$11 million during the year ended June 30, 2022. This increase was primarily due to the following:

- Net pension liability increased \$33 million due to increases in Morehead State University's proportionate share of the Commonwealth of Kentucky's net pension liability.
- Bonds and lease obligations decreased \$5 million, due to debt payments and bond premium amortization.
- Deferred inflows of resources decreased \$13 million, due to increases in Morehead State University's proportionate share of the Commonwealth of Kentucky's net pension and OPEB liability.

#### Net Position

Net position at June 30, 2022 totaled approximately \$98.7 million compared to \$84.9 million at June 30, 2021. Net investment in capital assets, totaled \$152 million versus \$158 million at June 30, 2021. Restricted net position totaled \$20 million compared to \$16 million at June 30, 2021. Unrestricted net position totaled (\$73) million versus (\$88) million at June 30, 2021. Total net position increased by approximately \$13.8 million during the year ended June 30, 2022.

## MOREHEAD STATE UNIVERSITY

### Management's Discussion and Analysis, continued

#### *Net Investment in Capital Assets*

Net investment in capital assets includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net investment in capital assets decreased by \$6 million. This decrease is primarily related to depreciation of capital assets. This was offset by reductions in bonds and lease obligations due to debt service payments made during the year.

#### *Restricted Net Position*

Restricted net position is subject to stipulations made by entities external to the University that govern the use of these funds. Restricted net position increased by \$4 million at June 30, 2022 due to timing of revenue recognition on grants and timing of debt service payment transfers.

#### *Unrestricted Net Position*

Unrestricted net position increased by \$15 million from the previous year to (\$73) million. This increase is primarily due to changes in Morehead State University's proportionate share of the Commonwealth of Kentucky's net pension and OPEB liability and also related to Higher Education Emergency Relief Funds received to defray expenses associated with the Covid-19 pandemic. Unrestricted net position is not subject to externally imposed restrictions. However, substantially all of the unrestricted net position is used for the support of academic programs and other initiatives, the completion of capital projects, or working capital requirements.



**MOREHEAD STATE UNIVERSITY**

Management's Discussion and Analysis, continued

**Statements of Revenues, Expenses and Changes in Net Position (in thousands)**

	<u>2022</u>	<u>2021</u>
<b><u>Operating Revenues</u></b>		
Student tuition and fees, net	\$ 25,900	\$ 26,251
Federal grants and contracts	13,913	12,934
State and local grants and contracts	285	305
Nongovernmental grants and contracts	1,744	323
Sales and services of educational activities	2,907	2,150
Auxiliary enterprises	13,770	15,649
Other operating revenues	<u>7,191</u>	<u>5,509</u>
Total operating revenues	<u>65,710</u>	<u>63,121</u>
<b><u>Operating Expenses</u></b>		
Educational and general	124,703	106,458
Auxiliary enterprises	11,066	9,883
Depreciation	12,936	13,101
Amortization	541	511
GASB 68 pension benefit	(10,517)	(39,005)
GASB 75 OPEB benefit	(1,289)	(2,243)
Other operating loss	<u>84</u>	<u>123</u>
Total operating expenses	<u>137,524</u>	<u>88,828</u>
<b>Operating loss</b>	<u>(71,814)</u>	<u>(25,707)</u>
<b><u>Non-operating Revenues (Expenses)</u></b>		
Grants and contracts	43,812	42,216
State appropriations	43,324	37,447
Investment (loss) income, net	(1,094)	172
Interest on capital assets – debt related	<u>(2,428)</u>	<u>(2,660)</u>
Net non-operating revenues	<u>83,614</u>	<u>77,175</u>
<b>Income before capital appropriations</b>	11,800	51,468
Capital appropriations	<u>2,014</u>	<u>1,314</u>
<b>Increase in net position</b>	13,814	52,782
Net position, beginning of year	<u>84,861</u>	<u>32,079</u>
<b>Net position, end of year</b>	<u>\$ 98,675</u>	<u>\$ 84,861</u>

## MOREHEAD STATE UNIVERSITY

### Management's Discussion and Analysis, continued

#### Revenues

Total operating revenues were approximately \$66 million for the year ended June 30, 2022 and \$63 million for the year ended June 30, 2021. The most significant sources of operating revenues for the University are net student tuition and fees \$26 million, federal grants and contracts \$14 million, and auxiliary enterprises revenue \$14 million.

- Gross tuition and fees revenue decreased approximately \$4.5 million due to a decrease in enrollment. This decrease was offset by a reduction in the scholarship allowance, which resulted in a net decrease of \$351 thousand in net tuition and fees.

#### Expenses

Operating expenses totaled approximately \$138 million compared to \$89 million at June 30, 2021. The increase in operating expenses was primarily related to GASB 68 and 75 pension and OPEB benefit adjustments and increases in student aid expense. Approximately \$125 million was used for educational and general expenses related to functions such as instruction, research, public service, academic support, student services and operation and maintenance of plant.

- Operating expenses (excluding GASB 68 and 75 expense adjustments) increased approximately \$19 million from the prior year.
- Student aid expense increased \$7.6 million due to American Rescue Plan funds that were provided to students and also due to decreases in the scholarship allowance.
- KERS Non-Hazardous contributions increased \$5 million due to changes in the method for allocating the contribution requirement related to the amortization of the unfunded actuarial accrued liability among employers in the KERS Non-Hazardous system.
- Pension benefit decreased \$28 million as a result of changes in the University's proportionate share of the Commonwealth of Kentucky's net pension liability.
- OPEB benefit decreased \$955 thousand as a result of changes in the University's proportionate share of the Commonwealth of Kentucky's net OPEB liability.

## MOREHEAD STATE UNIVERSITY

### Management's Discussion and Analysis, continued

#### Cash Flows

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments made by the University during the period. The Statement of Cash Flows also helps financial statement readers assess:

- the University's ability to generate future net cash flows,
- the University's ability to meet obligations as they become due, and
- the University's need for external financing.

#### **Statements of Cash Flows (In Thousands) Years ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Provided By (Used In):</b>		
Operating activities	\$ (69,860)	\$ (50,519)
Noncapital financing activities	87,137	79,663
Capital and related financing activities	(8,293)	(9,065)
Investing activities	<u>2,057</u>	<u>(208)</u>
Net increase in cash	11,041	19,871
Cash and cash equivalents, beginning of the year	<u>55,115</u>	<u>35,244</u>
<b>Cash and cash equivalents, end of the year</b>	<u>\$ 66,156</u>	<u>\$ 55,115</u>

Major sources of funds included in operating activities are student tuition and fees, \$28 million for the year ended June 30, 2022 compared to \$26 million in the prior year and grants and contracts, \$14 million in both years. The largest cash payments for operating activities were made to suppliers in the amount of \$84 million for the year ended June 30, 2022 and \$65 million for fiscal year ended June 30, 2021 and to employees in the amount of \$52 million as compared to \$51 million in the prior year.

Noncapital financing activities include non-operating grants and contracts in the amounts of \$44 million for the year ended June 30, 2022 as compared to \$42 million in the prior year. The operating appropriation from the Commonwealth of Kentucky is also included as noncapital financing activities and was \$43 million for the year ended June 30, 2022 and \$37 million for the prior year. Cash used in capital and related financing activities was primarily due to the expenditure of funds for debt service obligations.

# MOREHEAD STATE UNIVERSITY

## Management's Discussion and Analysis, continued

### Capital Asset and Debt Administration

#### Capital Assets

Capital assets, net of accumulated depreciation (but not of related debt), totaled approximately \$226 million at June 30, 2022 versus \$237 million at June 30, 2021. The decrease of approximately \$11 million was primarily due to depreciation of capital assets.

#### Debt

At year-end, the University had \$76 million in outstanding debt versus \$81 million in the previous year. This includes \$58 million in bonds payable and premium amortization compared to \$62 million at June 30, 2021. In addition, the University had lease obligations of \$18 million compared to \$19 million in the previous year.

The University's debt is summarized by type of debt instrument as follows (in thousands):

	<b>June 30,</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
General Receipts bonds	\$ 56,110	\$ 59,965
Premium Amortization	1,897	2,043
Lease obligations	15,976	16,538
GASB 87 Leases	<u>1,776</u>	<u>2,211</u>
	<b><u>\$ 75,759</u></b>	<b><u>\$ 80,757</u></b>

Bonds and lease obligations decreased by \$5 million, due to debt payments and bond premium amortization.

## MOREHEAD STATE UNIVERSITY

### Management's Discussion and Analysis, continued

#### FACTORS IMPACTING FUTURE PERIODS

The following are known facts and circumstances that could affect future financial results:

- The University's Board of Regents has approved an operating budget for the fiscal year ending June 30, 2023 totaling \$140.6 million.
- State Appropriations for the 2022-23 fiscal year will increase to \$45.7 million from \$43.3 million in the previous fiscal year. The increase includes increases in operating funds for the Craft Academy for Excellence in Science and Mathematics, a non-recurring appropriation for the Space Science Center and an appropriation of debt service funds for asset preservation projects.
- In the 2022-2024 Biennial Budget, the University received approval for \$40.5 million to be utilized for Asset Preservation Pool Projects. The 2022-2023 fiscal year pool totaled \$20.25 million with \$17.61 million provided from Bonds to be issued by the Commonwealth of Kentucky and \$2.64 million to be matched by the University. The University also received approval to construct a new \$98 million Science and Engineering Building in the 2023-2024 fiscal year to be paid from Bonds to be issued by the Commonwealth of Kentucky
- During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future.

The extent to which COVID-19 continues to impact the University will depend on future developments, which are highly uncertain and cannot be predicted. As a result, the University has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2023.

Members of the Board of Regents and  
Dr. Joseph A. Morgan, President  
Morehead State University  
Morehead, Kentucky

Secretary of Finance and  
Administration Cabinet of the  
Commonwealth of Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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

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

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an

audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-11 and the pension and other post-employment benefits (OPEB) supplementary information on pages 88 - 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of Morehead State University's internal control over financial reporting and on our tests of its compliance

Board of Regents  
Morehead State University  
Report of Independent Auditors, continued

with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Dean Dotson Allen Ford, PLLC*

Lexington, Kentucky  
September 30, 2022



**MOREHEAD STATE UNIVERSITY**

Statements of Net Position

June 30, 2022 and 2021

<b>Assets and Deferred Outflows</b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Current assets:		
Cash and cash equivalents	\$ 66,155,991	\$ 55,114,946
Accounts, grants and loans receivable, net	7,412,051	13,319,604
Lease receivable	158,811	139,489
Prepaid expenses	565,425	33,322
Prepaid interest	114,023	114,023
Inventories	715,565	1,464,329
Other current assets	<u>322,962</u>	<u>148,273</u>
Total current assets	<u>75,444,828</u>	<u>70,333,986</u>
Noncurrent assets:		
Accounts, grants and loans receivable, net	1,769,082	2,442,662
Lease receivable	891,935	1,012,891
Prepaid interest	570,113	684,136
Prepaid lease	2,809,267	2,955,911
Investments	14,548,787	17,699,702
Capital assets, net	226,097,699	236,892,395
Lease assets, net	<u>1,719,879</u>	<u>2,176,600</u>
Total noncurrent assets	<u>248,406,762</u>	<u>263,864,297</u>
Total assets	<u>323,851,590</u>	<u>334,198,283</u>
Deferred outflows of resources:		
Pensions	38,648,503	9,854,431
OPEB	<u>10,033,911</u>	<u>3,550,955</u>
Total deferred outflows of resources	<u>48,682,414</u>	<u>13,405,386</u>
Total assets and deferred outflows of resources	<u>372,534,004</u>	<u>347,603,669</u>

**Liabilities, Deferred Inflows and Net Position**

Current liabilities:		
Accounts payable and accrued liabilities	6,880,899	7,753,708
Unearned revenue	3,897,256	9,321,918
Other current liabilities	253,025	272,793
Bonds and lease obligations, current portion	<u>5,079,146</u>	<u>5,082,464</u>
Total current liabilities	<u>16,110,326</u>	<u>22,430,883</u>
Long-term liabilities:		
Bonds and lease obligations, noncurrent portion	70,679,564	75,674,807
Advances from federal government for student loans	1,201,181	1,958,456
Unearned revenue	290,235	290,235
Deferred gain on disposal	1,072,383	1,143,875
Net pension liability	125,035,101	91,626,856
Net OPEB liability	<u>20,989,721</u>	<u>17,904,882</u>
Total long-term liabilities	<u>219,268,185</u>	<u>188,599,111</u>
Total liabilities	<u>235,378,511</u>	<u>211,029,994</u>

See accompanying notes

**MOREHEAD STATE UNIVERSITY**

Statements of Net Position, continued

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Deferred inflows of resources		
Bookstore Contract	100,000	-
Deferred bond reoffering contract	1,297,315	1,484,188
Leases	1,003,512	1,127,111
Pensions	23,018,478	38,149,723
OPEB	<u>13,060,898</u>	<u>10,951,570</u>
Total deferred inflows of resources	<u>38,480,203</u>	<u>51,712,592</u>
Net Position:		
Net investment in capital assets	151,501,575	157,660,766
Restricted:		
Expendable	8,685,368	3,991,257
Nonexpendable	11,492,080	11,687,509
Unrestricted	<u>(73,003,733)</u>	<u>(88,478,449)</u>
Total net position	<u>\$ 98,675,290</u>	<u>\$ 84,861,083</u>

*See accompanying notes.*

**MOREHEAD STATE UNIVERSITY FOUNDATION, INC.**

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 482,672	\$ 715,759
Accounts receivable	-	37,836
Current portion of pledges receivable	<u>589,751</u>	<u>855,563</u>
Total current assets	1,072,423	1,609,158
Noncurrent assets:		
Investments, at fair value	66,178,532	67,121,802
Cash surrender value – life insurance	158,329	152,200
Property and equipment, net	46,925	198,765
Asset held for sale	-	715,000
Pledges receivable, net of current portion	<u>3,570,326</u>	<u>4,331,032</u>
Total noncurrent assets	<u>69,954,112</u>	<u>72,518,799</u>
Total assets	<u>\$ 71,026,535</u>	<u>\$ 74,127,957</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of annuities payable	\$ 129,861	\$ 122,811
Accounts payable	14,525	4,388
Due to Morehead State University	<u>406,216</u>	<u>834,986</u>
Total current liabilities	550,602	962,185
Long-term liabilities:		
Funds held in trust for Morehead State University	10,427,195	10,427,195
Annuities payable, net of current portion	<u>442,916</u>	<u>499,829</u>
Total long-term liabilities	<u>10,870,111</u>	<u>10,927,024</u>
Total liabilities	<u>11,420,713</u>	<u>11,889,209</u>
Net (deficit) assets:		
Without donor restrictions	(1,333,715)	(1,049,055)
With donor restrictions	<u>60,939,537</u>	<u>63,287,803</u>
Total net assets	<u>59,605,822</u>	<u>62,238,748</u>
Total liabilities and net assets	<u>\$ 71,026,535</u>	<u>\$ 74,127,957</u>

See accompanying notes

**MOREHEAD STATE UNIVERSITY**

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$32,653,552 and \$36,758,989)	\$ 25,899,937	\$ 26,251,252
Federal grants and contracts	13,913,111	12,933,625
State and local grants and contracts	285,334	305,463
Nongovernmental grants and contracts	1,744,333	323,559
Sales and services of educational activities	2,906,878	2,149,588
Auxiliary enterprises:		
Residence halls (net of scholarship allowances of \$4,200,456 and \$1,345,401)	9,425,968	11,433,730
Bookstore	2,822,192	2,808,117
Other auxiliaries	1,521,146	1,407,073
Other operating revenues	<u>7,191,218</u>	<u>5,509,076</u>
Total operating revenues	65,710,117	63,121,483
Operating expenses:		
Education and general:		
Instruction	43,657,919	39,859,691
Research	4,956,065	3,896,737
Public service	3,961,062	3,745,559
Library	2,360,168	2,288,342
Academic support	4,569,693	3,983,768
Student services	19,817,157	16,557,869
Institutional support	12,839,716	11,781,178
Operation and maintenance of plant	10,317,195	9,688,909
Depreciation	12,936,074	13,100,727
Amortization	540,624	511,107
Student aid	22,224,190	14,656,374
Auxiliary enterprises:		
Residence halls	6,352,538	5,276,176
Bookstore	3,027,157	3,238,573
Other auxiliaries	1,686,825	1,368,194
GASB 68 pension benefit	(10,517,072)	(39,005,110)
GASB 75 OPEB benefit	(1,288,789)	(2,243,306)
Other operating loss	<u>83,824</u>	<u>123,872</u>
Total operating expenses	<u>137,524,346</u>	<u>88,828,660</u>
Operating loss	(71,814,229)	(25,707,177)

See accompanying notes.

**MOREHEAD STATE UNIVERSITY**

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

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Nonoperating revenues (expenses):		
Grants and contracts	43,812,069	42,215,685
State appropriations	43,324,900	37,447,000
Investment (loss) income, net	(1,094,135)	172,883
Interest on capital asset-related debt	<u>(2,427,922)</u>	<u>(2,660,148)</u>
Net nonoperating revenues	<u>83,614,912</u>	<u>77,175,420</u>
Income before capital appropriations	11,800,683	51,468,243
Capital appropriations	<u>2,013,524</u>	<u>1,313,789</u>
Increase in net position	13,814,207	52,782,032
Net position, beginning of year	<u>84,861,083</u>	<u>32,079,051</u>
Net position, end of year	<u>\$ 98,675,290</u>	<u>\$ 84,861,083</u>

*See accompanying notes.*

**MOREHEAD STATE UNIVERSITY FOUNDATION, INC.**

Statements of Activities

Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 72,024	\$ 4,521,798	\$ 4,593,822
Other revenue and gains:			
Investment income:			
Interest and dividend income (expense), net	27,033	(94,518)	(67,485)
Realized and unrealized losses	(263,004)	(2,710,819)	(2,973,823)
Gain on the sale of property and equipment	109,248		109,248
In-kind contributed services	126,506	-	126,506
Development activities	218,370	215,029	433,399
Annuities payable adjustment	(47,874)	-	(47,874)
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>4,264,615</u>	<u>(4,264,615)</u>	<u>-</u>
Total revenues, gains and other support	4,506,918	(2,333,125)	2,173,793
Expenses:			
Program services expenses:			
Contributions to Morehead State University for:			
Academic programs	2,304,085	-	2,304,085
Athletics	193,036	-	193,036
University support:			
Operations and materials	795,736	-	795,736
Student financial aid	1,113,106	-	1,113,106
Athletics	<u>76,007</u>	<u>-</u>	<u>76,007</u>
Total program expenses	4,481,970	-	4,481,970
General and administrative	246,987	-	246,987
Bad debt expense	3,619	15,141	18,760
Fundraising	<u>59,002</u>	<u>-</u>	<u>59,002</u>
Total expenses	<u>4,791,578</u>	<u>15,141</u>	<u>4,806,719</u>
Change in net assets	(284,660)	(2,348,266)	(2,632,926)
Net (deficit) assets, beginning of year	<u>(1,049,055)</u>	<u>63,287,803</u>	<u>62,238,748</u>
Net (deficit) assets, end of year	<u>\$ (1,333,715)</u>	<u>\$ 60,939,537</u>	<u>\$ 59,605,822</u>

*See accompanying notes.*

**MOREHEAD STATE UNIVERSITY FOUNDATION, INC.**

Statements of Activities

Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 223,661	\$ 3,152,252	\$ 3,375,913
Other revenue and gains:			
Investment income:			
Interest and dividend income, net	48,737	78,430	127,167
Realized and unrealized gains (losses)	(22,665)	12,981,855	12,959,190
In-kind contributed services	162,357	-	162,357
Development activities	376,751	295,065	671,816
Annuities payable adjustment	(80,661)	-	(80,661)
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>3,270,301</u>	<u>(3,270,301)</u>	<u>-</u>
Total revenues, gains and other support	3,978,481	13,237,301	17,215,782
Expenses:			
Program services expenses:			
Contributions to Morehead State University for:			
Academic programs	1,320,566	-	1,320,566
Athletics	153,065	-	153,065
University support:			
Operations and materials	337,943	-	337,943
Student financial aid	1,078,975	-	1,078,975
Athletics	<u>44,766</u>	<u>-</u>	<u>44,766</u>
Total program expenses	2,935,315	-	2,935,315
General and administrative	208,139	-	208,139
Bad debt expense	4,790	32,240	37,030
Fundraising	<u>132,716</u>	<u>-</u>	<u>132,716</u>
Total expenses	<u>3,280,960</u>	<u>32,240</u>	<u>3,313,200</u>
Change in net assets	697,521	13,205,061	13,902,582
Net (deficit) assets, beginning of year	<u>(1,746,576)</u>	<u>50,082,742</u>	<u>48,336,166</u>
Net (deficit) assets, end of year	<u>\$ (1,049,055)</u>	<u>\$ 63,287,803</u>	<u>\$ 62,238,748</u>

*See accompanying notes.*

MOREHEAD STATE UNIVERSITY FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2022

	Program Services									
	Contributions to MSU		University Support					General and Administrative	Fundraising	Total
	Academic Programs	Athletics	Operations and Materials	Student Financial Aid	Athletics	Total				
Transfers to MSU	\$ 2,129,648	\$ 193,036	\$ -	\$ -	\$ -	\$ 2,322,684	\$ -	\$ -	\$ 2,322,684	
Scholarship expense	-	-	-	1,113,106	-	1,113,106	-	-	1,113,106	
Program expense	-	-	591,903	-	74,329	666,232	-	-	666,232	
Contributions to MSU-GIK	172,145	-	-	-	-	172,145	-	-	172,145	
General operating expense	-	-	144,769	-	-	144,769	31,440	-	176,209	
Software & maintenance	-	-	-	-	-	-	148,178	-	148,178	
Special events/Cultivation	-	-	-	-	-	-	-	59,002	59,002	
Recognition & awards	-	-	8,410	-	-	8,410	-	-	8,410	
Depreciation	-	-	14,086	-	-	14,086	-	-	14,086	
External audit	-	-	-	-	-	-	19,650	-	19,650	
General operating - CC Fees	-	-	-	-	-	-	15,826	-	15,826	
Travel & entertainment	-	-	13,068	-	-	13,068	-	-	13,068	
Income tax expense	-	-	-	-	-	-	8,443	-	8,443	
President's discretionary fund	-	-	10,495	-	-	10,495	-	-	10,495	
Membership	-	-	8,212	-	-	8,212	-	-	8,212	
Insurance	-	-	-	-	1,678	1,678	15,487	-	17,165	
Interest expense	2,292	-	-	-	-	2,292	-	-	2,292	
Legal	-	-	-	-	-	-	7,963	-	7,963	
Vehicle & maintenance	-	-	3,896	-	-	3,896	-	-	3,896	
Materials & supplies	-	-	897	-	-	897	-	-	897	
<b>Total expenses by function</b>	<b>\$ 2,304,085</b>	<b>\$ 193,036</b>	<b>\$ 795,736</b>	<b>\$ 1,113,106</b>	<b>\$ 76,007</b>	<b>\$ 4,481,970</b>	<b>\$ 246,987</b>	<b>\$ 59,002</b>	<b>\$ 4,787,959</b>	

See accompanying notes.



MOREHEAD STATE UNIVERSITY FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2021

	Program Services								
	Contributions to MSU		University Support				General and Administrative	Fundraising	Total
	Academic Programs	Athletics	Operations and Materials	Student Financial Aid	Athletics	Total			
Transfers to MSU	\$ 1,192,532	\$ 153,065	\$ -	\$ -	\$ -	\$ 1,345,597	\$ -	\$ 118,395	\$ 1,463,992
Scholarship expense	-	-	-	1,078,975	-	1,078,975	-	-	1,078,975
Program expense	-	-	125,462	-	31,085	156,547	-	-	156,547
Contributions to MSU-GIK	125,818	-	-	-	-	125,818	-	-	125,818
General operating expense	-	-	173,814	-	-	173,814	17,784	-	191,598
Software & maintenance	-	-	-	-	-	-	143,142	-	143,142
Special events/Cultivation	-	-	-	-	-	-	-	14,321	14,321
Recognition & awards	-	-	5,000	-	-	5,000	-	-	5,000
Depreciation	-	-	19,071	-	-	19,071	-	-	19,071
External audit	-	-	-	-	-	-	24,103	-	24,103
General operating - CC Fees	-	-	-	-	-	-	15,389	-	15,389
Travel & entertainment	-	-	1,047	-	-	1,047	-	-	1,047
Income tax expense	-	-	-	-	-	-	3,721	-	3,721
President's discretionary fund	-	-	1,583	-	-	1,583	-	-	1,583
Membership	-	-	8,619	-	-	8,619	-	-	8,619
Insurance	-	-	-	-	13,681	13,681	-	-	13,681
Interest expense	2,216	-	-	-	-	2,216	-	-	2,216
Legal	-	-	-	-	-	-	4,000	-	4,000
Vehicle & maintenance	-	-	2,929	-	-	2,929	-	-	2,929
Materials & supplies	-	-	418	-	-	418	-	-	418
<b>Total expenses by function</b>	<b>\$ 1,320,566</b>	<b>\$ 153,065</b>	<b>\$ 337,943</b>	<b>\$ 1,078,975</b>	<b>\$ 44,766</b>	<b>\$ 2,935,315</b>	<b>\$ 208,139</b>	<b>\$ 132,716</b>	<b>\$ 3,276,170</b>

See accompanying notes.

**MOREHEAD STATE UNIVERSITY**

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Tuition and fees	\$ 28,198,453	\$ 26,124,903
Grants and contracts	13,977,691	13,831,945
Payments to suppliers	(83,978,798)	(64,671,598)
Payments to employees	(51,989,929)	(50,588,113)
Collection of loans issued to students	277,329	372,963
Auxiliary enterprises:		
Residence halls	9,425,968	11,433,730
Bookstore	2,728,571	3,309,754
Other auxiliaries	1,475,774	2,514,423
Sales and services of educational activities	2,732,484	2,333,024
Other receipts	<u>7,292,857</u>	<u>4,820,224</u>
Net cash used in operating activities	(69,859,600)	(50,518,745)
<b>Cash flows from noncapital financing activities:</b>		
Nonoperating grants and contracts	43,812,069	42,215,685
State appropriations	<u>43,324,900</u>	<u>37,447,000</u>
Net cash provided by noncapital financing activities	87,136,969	79,662,685
<b>Cash flows from capital and related financing activities:</b>		
Capital appropriations	2,013,524	1,313,789
Purchase of capital assets	(2,152,990)	(460,630)
Purchase of lease assets	(83,903)	(257,077)
Decrease in advances from federal government for student loans	(757,275)	(570,100)
Issuance of new debt	83,903	17,737,077
Principal paid on debt and leases	(4,936,813)	(23,352,887)
Interest paid on debt and leases	<u>(2,459,550)</u>	<u>(3,475,295)</u>
Net cash used in capital and related financing activities	(8,293,104)	(9,065,123)
<b>Cash flows from investing activities:</b>		
Proceeds from property sale	-	1,700,000
Changes in investments, net	<u>2,056,780</u>	<u>(1,907,963)</u>
Net cash provided by (used in) investing activities	<u>2,056,780</u>	<u>(207,963)</u>
Net increase in cash and cash equivalents	11,041,045	19,870,854
Cash and cash equivalents, beginning of year	<u>55,114,946</u>	<u>35,244,092</u>
Cash and cash equivalents, end of year	<u>\$ 66,155,991</u>	<u>\$ 55,114,946</u>

See accompanying notes.

**MOREHEAD STATE UNIVERSITY**

Statements of Cash Flows, continued

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (71,814,229)	\$ (25,707,177)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	12,936,074	13,100,727
Amortization	540,624	511,107
Loss on disposal of capital assets	11,612	52,992
Bad debt expense	224,627	908,590
Changes in assets and liabilities:		
Receivables, net	6,356,506	(3,220,652)
Lease receivable	101,634	(314,643)
Inventories	748,764	414,761
Other current assets	(174,689)	(16,682)
Prepaid lease	146,644	142,373
Prepaid expenses	(532,103)	1,184,958
Accounts payable and accrued liabilities	(872,809)	84,382
Unearned revenue	(5,424,662)	4,311,855
Deferred gain on disposal	(71,492)	(71,492)
Deferred outflows/inflows	(48,509,417)	(28,608,762)
Net pension liability	33,408,245	(9,817,339)
Net OPEB liability	3,084,839	(2,719,814)
Other liabilities	<u>(19,768)</u>	<u>(753,929)</u>
 Net cash used in operating activities	 <u>\$ (69,859,600)</u>	 <u>\$ (50,518,745)</u>

See accompanying notes.

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements

### 1. Organization and Summary of Significant Accounting Policies

#### Organization

Morehead State University (the University) is a comprehensive public university with robust undergraduate and graduate programs, emerging doctoral programs, and an emphasis on community engagement. MSU aspires to be the best public regional university in the South through prioritizing and focusing on the goals of student success; outcomes (performance-based funding); academic excellence; and rankings, reputation, and regional responsiveness. Located in Morehead, Kentucky, the University has provided educational service to the Commonwealth of Kentucky since 1887.

#### Reporting Entity

The University is a component unit of the Commonwealth of Kentucky and is included in the general-purpose financial statements of the Commonwealth. Morehead State University Foundation, Inc. (the Foundation) is a legally separate, tax-exempt organization supporting the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation's Board of Trustees is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the resources the Foundation holds and invests are restricted by the donors to the activities of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

#### Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB No. 35) and subsequent standards issued by GASB, the University reports as a Business Type Activity (BTA). BTAs are those activities that are financed in whole or in part by fees charged to external parties for goods and services.

GASB No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- **Net Investment in Capital Assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 1. Organization and Summary of Significant Accounting Policies, continued

#### Basis of Presentation, continued

- **Restricted:**

*Expendable*– Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

*Nonexpendable*– Net position subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

- **Unrestricted:** Net position whose use by the University is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation required by GASB No. 35 is intended to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflows, deferred inflows, liabilities, net position, revenues, expenses, changes in net position and cash flows.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the University has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

#### Allowance for Doubtful Accounts

The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing accounts that may become uncollectible.

#### Inventories

University store inventories representing approximately 0% and 57% of total inventories at June 30, 2022 and 2021 are stated at the lower of cost (retail inventory method) or market. The remainder of the inventories is stated at the lower of moving-average-cost or market.

#### Investments

The University values investments at fair value based on quoted market prices. Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 1. Organization and Summary of Significant Accounting Policies, continued

#### Capital Assets

Capital assets are stated at cost for purchased assets and at fair value at date of donation in the case of gifts. Expenditures which increase values or extend useful lives of the respective assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of assets is computed using the straight-line method over the assets' estimated useful lives. The University capitalizes, but does not depreciate, works of art and historical treasures that are held for exhibition, education, research and public service. Estimated lives used for depreciation purposes are as follows:

<u>Classification</u>	<u>Estimated Life</u>
Land improvements	20 years
Buildings	50 years
Building improvements	20 years
Vehicles	5-9 years
Equipment	5-15 years
Library books	10 years

#### Accrued Vacation Pay

Accrued vacation pay is included in accounts payable and accrued liabilities in the statement of net position and represents earned vacation available to employees at current compensation rates.

#### Unearned Revenue

Unearned revenue includes amounts received from grant and contract sponsors that have not yet been earned. Unearned revenue also includes tuition billed on or before June 30th for future terms.

#### Advances from Federal Government for Student Loans

Funds provided by the United States Government under the Federal Perkins Loan program are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the United States Government and, therefore, are recorded as a liability in the accompanying financial statements. Federally funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the University.

#### Pensions and OPEB

It is the University's policy to present total pension and other post-employment benefits (OPEB) expense related to the implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and 75 discretely on the Statements of Revenues, Expenses, and Changes in Net Position.

The University participates in the Kentucky Teachers Retirement System (TRS) and the Kentucky Retirement System (KRS). These are cost sharing, multiple employer defined benefit pension and OPEB plans, which cover all eligible full-time employees and provide for retirement, disability, death and survivor benefits and medical insurance.

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 1. Organization and Summary of Significant Accounting Policies, continued

#### Pensions and OPEB, continued

The University reports a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to or deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

All governments participating in the defined benefit pension plan are also required to disclose various information in the footnotes to the financial statements – see Note 7.

The University also reports a net OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all government agencies in the plan. For these purposes, amounts have been determined on the same basis as they are reported by TRS and KRS. The TRS and KRS financial statements are prepared using the accrual basis of accounting with benefits being recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value. All governments participating in the defined benefit OPEB plan are also required to disclose various information in the footnotes to the combined financial statements – see Note 7.

#### Restricted Asset Spending Policy

The University's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

#### Operating Activities

The University defines operating activities, as reported on the statement of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as certain grants, state appropriations, gifts and investment income, are recorded as non-operating revenues, in accordance with GASB No. 35.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Actual results could differ from the estimated amounts.

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 1. Organization and Summary of Significant Accounting Policies, continued

#### Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code, as amended and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

#### Subsequent Events

Management evaluated the period from July 1, 2022 to September 30, 2022 (the date the financial statements were ready to be issued) for items requiring recognition or disclosure in the financial statements.

#### Recent Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The objective of this statement is to address government lessee's recognition of lease liabilities, intangible assets, and report amortization expense for using the lease; interest expense on the lease liability; and, note disclosures about the lease. Another objective of this statement is to address government lessor's recognition of a lease receivable, deferred inflow, and report lease revenue, interest income, and note disclosures about the lease. In May 2020, GASB issued Statement No. 95, which deferred the effective date of Statement 87. The University adopted GASB 87 using the retrospective approach effective July 1, 2020. The net impact of the adoption was a reduction in net assets as of July 1, 2021 of \$9,801.

### 2. Cash, Cash Equivalents and Investments

The statement of net position classification "cash and cash equivalents" includes all readily available sources of cash such as petty cash, demand deposits, deposits with the Commonwealth of Kentucky, certificates of deposit and temporary investments in marketable securities with original maturities less than three months.

The state treasurer requires that all state funds be insured by Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. Government obligations. The University's deposits with the state treasurer are pooled with funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the state treasurer may determine, in the state's name.

The University requires that balances on deposit with financial institutions be insured by FDIC or collateralized in the University's name.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. As a means of limiting its exposure to losses from custodial credit risk, the University's deposits and investments are held by the state treasurer, collateralized by securities in the University's name, insured by the FDIC or in the University's name.



**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**2. Cash, Cash Equivalents and Investments, continued**

At June 30, 2022 and 2021, the University had petty cash funds totaling \$9,140 and \$7,140, respectively, and deposits as reflected by bank balances as follows:

	<u>2022</u>	<u>2021</u>
Insured, commercial banks	\$ 250,000	\$ 250,000
Uninsured, commercial banks; collateral held by pledging institution's agent in the University's name	16,368,231	14,275,784
Maintained by Commonwealth of Kentucky	<u>49,528,620</u>	<u>40,582,022</u>
	<u>\$ 66,146,851</u>	<u>\$ 55,107,806</u>

As of June 30, 2022 and 2021, investments consisted of:

	<u>2022</u>	<u>2021</u>
Insured and registered, with securities held by the counterparty or by its trust department or agent, in the University's name:		
Money market funds – restricted for capital purposes	\$ 3,056,707	\$ 6,012,194
Equity mutual funds	<u>939,918</u>	<u>1,138,870</u>
	3,996,625	7,151,064
Certificate of deposit	124,967	121,443
Restricted assets held by the Morehead State University Foundation, Inc.	<u>10,427,195</u>	<u>10,427,195</u>
	<u>\$ 14,548,787</u>	<u>\$ 17,699,702</u>

Restricted investments for capital purposes are comprised of amounts invested for cost of issuance fees and debt service reserves. 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 the Regional University Excellence Trust Fund endowment and other similar endowments (see Note 12). Assets held by the Foundation are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

The assets in the Foundation investment pool at June 30, 2022 and 2021, are invested as follows:

	<u>2022</u>	<u>2021</u>
Percentage of pool invested in:		
Registered investment companies fixed income funds	5%	6%
Registered investment companies equity fund	10%	4%
Registered investment companies alternative investments	<u>85%</u>	<u>90%</u>
	<u>100%</u>	<u>100%</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**2. Cash, Cash Equivalents and Investments, continued**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal policy to specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal policy for concentration of credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk.

**3. Receivables**

Accounts, grants and loans receivable

Accounts, grants and loans receivable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Student tuition and fees	\$ 2,575,503	\$ 3,485,049
Financing and interest receivable	-	42,365
Scholarship receivable	107,891	676,217
Student loans	1,786,009	2,479,724
Grants and contracts	4,594,632	8,900,347
Auxiliary enterprises	420,787	259,216
Other	<u>557,839</u>	<u>1,136,787</u>
	10,042,661	16,979,705
Allowance for doubtful accounts	<u>(861,528)</u>	<u>(1,217,439)</u>
	9,181,133	15,762,266
Current portion	<u>(7,412,051)</u>	<u>(13,319,604)</u>
Noncurrent portion	<u>\$ 1,769,082</u>	<u>\$ 2,442,662</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**3. Receivables, continued**

Lease receivable

The University, as a lessor, has entered into several real estate lease agreements. Lease receivable as of June 30, 2022 and 2021 was \$1,050,746 and \$1,152,380, respectively. The University recognized \$198,147 and \$100,316 in lease-related inflows from these leases during the years ended June 30, 2022 and 2021, respectively.

**4. Capital & Lease Assets, Net**

Capital assets as of June 30, 2022, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>CIP Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land and improvements	\$ 22,460,517	\$ 679,319	\$ 140,290	\$ -	\$ 23,280,126
Buildings	377,034,314	-	299,658	-	377,333,972
Library books	27,803,681	39,404	-	-	27,843,085
Vehicles	1,511,263	161,523	-	112,043	1,560,743
Equipment and livestock	32,609,089	551,181	-	2,353,281	30,806,989
Colleague	4,202,200	-	-	-	4,202,200
Art collection	1,106,605	-	-	-	1,106,605
Construction in progress	<u>293,435</u>	<u>721,563</u>	<u>(439,948)</u>	<u>-</u>	<u>575,050</u>
	467,021,104	2,152,990	-	2,465,324	466,708,770
<u>Accumulated depreciation</u>					
Land improvements	11,873,876	501,928	-	-	12,375,804
Buildings	159,423,945	9,441,195	-	-	168,865,140
Library books	26,802,638	350,001	-	-	27,152,639
Vehicles	1,477,437	14,134	-	101,293	1,390,278
Equipment and livestock	26,348,613	2,628,816	-	2,352,419	26,625,010
Colleague	<u>4,202,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,202,200</u>
	<u>230,128,709</u>	<u>12,936,074</u>	<u>-</u>	<u>2,453,712</u>	<u>240,611,071</u>
Capital assets, net	<u>\$ 236,892,395</u>	<u>\$ (10,783,084)</u>	<u>\$ -</u>	<u>\$ (11,612)</u>	<u>\$ 226,097,699</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**4. Capital & Lease Assets, Net, continued**

Lease assets as of June 30, 2022, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>CIP Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land & improvements	\$ 169,585	\$ 50,177	\$ -	\$ -	\$ 219,762
Buildings	985,650	33,726	-	-	1,019,376
Vehicles	142,853	-	-	-	142,853
Equipment	<u>1,389,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,389,619</u>
	<u>2,687,707</u>	<u>83,903</u>	<u>-</u>	<u>-</u>	<u>2,771,610</u>
 <u>Accumulated amortization</u>					
Land improvements	43,697	49,507	-	-	93,204
Buildings	98,969	104,590	-	-	203,559
Vehicles	11,904	28,571	-	-	40,475
Equipment	<u>356,537</u>	<u>357,956</u>	<u>-</u>	<u>-</u>	<u>714,493</u>
	<u>511,107</u>	<u>540,624</u>	<u>-</u>	<u>-</u>	<u>1,051,731</u>
 Lease assets, net	 <u>\$ 2,176,600</u>	 <u>\$ (456,721)</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,719,879</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**4. Capital & Lease Assets, Net, continued**

Capital assets as of June 30, 2021, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>CIP Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land and improvements	\$ 23,668,388	\$ -	\$ -	\$ 1,207,871	\$ 22,460,517
Buildings	378,090,651	-	-	1,056,337	377,034,314
Library books	27,775,714	27,967	-	-	27,803,681
Vehicles	1,588,488	52,785	-	130,010	1,511,263
Equipment and livestock	32,801,836	168,786	-	361,533	32,609,089
Colleague	4,202,200	-	-	-	4,202,200
Art collection	1,106,605	-	-	-	1,106,605
Construction in progress	<u>63,958</u>	<u>229,477</u>	<u>-</u>	<u>-</u>	<u>293,435</u>
	469,297,840	479,015	-	2,755,751	467,021,104
<u>Accumulated depreciation</u>					
Land improvements	11,563,208	536,477	-	225,809	11,873,876
Buildings	150,295,902	9,445,189	-	317,146	159,423,945
Library books	26,344,088	458,550	-	-	26,802,638
Vehicles	1,579,056	28,391	-	130,010	1,477,437
Equipment and livestock	24,027,902	2,650,505	-	329,794	26,348,613
Colleague	<u>4,202,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,202,200</u>
	<u>218,012,356</u>	<u>13,119,112</u>	<u>-</u>	<u>1,002,759</u>	<u>230,128,709</u>
Capital assets, net	<u>\$ 251,285,484</u>	<u>\$ (12,640,097)</u>	<u>\$ -</u>	<u>\$ (1,752,992)</u>	<u>\$ 236,892,395</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**4. Capital & Lease Assets, Net, continued**

Lease assets as of June 30, 2021, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>CIP Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land & improvements	\$ 169,585	\$ -	\$ -	\$ -	\$ 169,585
Buildings	899,811	85,839	-	-	985,650
Vehicles	-	142,853	-	-	142,853
Equipment	<u>1,361,234</u>	<u>28,385</u>	<u>-</u>	<u>-</u>	<u>1,389,619</u>
	<u>2,430,630</u>	<u>257,077</u>	<u>-</u>	<u>-</u>	<u>2,687,707</u>
 <u>Accumulated amortization</u>					
Land improvements	-	43,697	-	-	43,697
Buildings	-	98,969	-	-	98,969
Vehicles	-	11,904	-	-	11,904
Equipment	<u>-</u>	<u>356,537</u>	<u>-</u>	<u>-</u>	<u>356,537</u>
	<u>-</u>	<u>511,107</u>	<u>-</u>	<u>-</u>	<u>511,107</u>
 Capital assets, net	 <u>\$ 2,430,630</u>	 <u>\$ (254,030)</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,176,600</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**5. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities as of June 30, are as follows:

	<u>2022</u>	<u>2021</u>
Payable to vendors and contractors	\$ 549,075	\$ 1,426,778
Accrued vacation	1,874,494	2,003,187
Accrued sick leave liability	700,206	713,098
Accrued salaries and other liabilities	<u>3,757,124</u>	<u>3,610,645</u>
	<u>\$ 6,880,899</u>	<u>\$ 7,753,708</u>

**6. Long-Term Liabilities**

Long-term liabilities at June 30, 2022, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
General Receipts Bonds	\$ 59,965,000	\$ -	\$ 3,855,000	\$ 56,110,000	\$ 4,055,000	\$ 52,055,000
Premium amortization	2,042,972	-	145,651	1,897,321	145,651	1,751,670
Lease obligations	16,537,629	-	562,005	15,975,624	551,219	15,424,405
GASB 87 Leases	<u>2,211,670</u>	<u>83,903</u>	<u>519,808</u>	<u>1,775,765</u>	<u>327,276</u>	<u>1,448,489</u>
Total bonds and lease obligations	80,757,271	83,903	5,082,464	75,758,710	5,079,146	70,679,564
Federal refundable grants	<u>1,958,456</u>	-	<u>757,275</u>	<u>1,201,181</u>	-	<u>1,201,181</u>
Total long-term liabilities	<u>\$ 82,715,727</u>	<u>\$ 83,903</u>	<u>\$ 5,839,739</u>	<u>\$ 76,959,891</u>	<u>\$ 5,079,146</u>	<u>\$ 71,880,745</u>

Long-term liabilities at June 30, 2021, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
General Receipts Bonds	\$ 67,205,000	\$ 4,870,000	\$12,110,000	\$ 59,965,000	\$ 3,855,000	\$ 56,110,000
Premium amortization	2,188,623	-	145,651	2,042,972	145,651	1,897,321
Lease obligations	14,694,479	12,610,000	10,766,850	16,537,629	562,005	15,975,624
GASB 87 Leases	<u>2,430,630</u>	<u>257,077</u>	<u>476,037</u>	<u>2,211,670</u>	<u>519,808</u>	<u>1,691,862</u>
Total bonds and lease obligations	86,518,732	17,737,077	23,498,538	80,757,271	5,082,464	75,674,807
Federal refundable grants	<u>2,528,556</u>	-	<u>570,100</u>	<u>1,958,456</u>	-	<u>1,958,456</u>
Total long-term liabilities	<u>\$ 89,047,288</u>	<u>\$ 17,737,077</u>	<u>\$ 24,068,638</u>	<u>\$ 82,715,727</u>	<u>\$ 5,082,464</u>	<u>\$ 77,633,263</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**6. Long-Term Liabilities, continued**

The following is a summary of bonds and lease obligations at June 30:

	<u>2022</u>	<u>2021</u>
2.00-3.625% General Receipts Bonds, 2012 Series A Tax-Exempt Bonds, portion advance refunded by 2020 Series A General Receipts Bonds, remaining principle repayable in semi-annual installments with the final installment due November, 2031	<b>\$ 1,320,000</b>	\$ 1,320,000
1.00-4.375% General Receipts Bonds, 2013 Series A Tax-Exempt Bonds, portion advance refunded by 2020 Series A General Receipts Bonds, remaining principle repayable in semi-annual installments with the final installment due April, 2033	<b>2,970,000</b>	2,970,000
2.00-5.00% General Receipts Refunding Bonds, 2014 Series A, repayable in semi-annual installments with the final installment due October, 2028	<b>12,140,000</b>	13,625,000
1.00-5.00% General Receipts Refunding Bonds, 2014 Series B, repayable in semi-annual installments with the final installment due October, 2029	<b>2,780,000</b>	3,070,000
3.00-5.00% General Receipts Bonds, 2015 Series A, repayable in semi-annual installments with the final installment due April, 2035	<b>24,615,000</b>	26,090,000
1.00-3.00% General Receipts Refunding Bonds, 2016 Series A, repayable in semi-annual installments with the final installment due November, 2027	<b>2,155,000</b>	2,490,000
2.00-3.75% General Receipts Bonds, 2016 Series B, repayable in semi-annual installments with the final installment due November, 2036	<b>5,260,000</b>	5,530,000
2.05-2.40% General Receipts Bonds, 2020 Series A, repayable in semi-annual installments with the final installment due November, 2032	<b>4,870,000</b>	4,870,000
General Receipts Bonds, 2015 Series A Reoffering Premium, amortized over semi-annual installments with the final installment amortized April 2035	<b>1,897,321</b>	2,042,972
2.65% Lease obligation with JP Morgan/Chase, repayable in quarterly installments with the final installment due June, 2025	<b>3,342,773</b>	3,860,190
4.50-5.99% Lease obligation for land acquisition, repayable in monthly installments with the final installment due June, 2023	<b>22,851</b>	67,439
3.15% Lease obligation with Stockyards Bank & Trust, repayable in semi-annual installments with the final installment due February, 2037	<b>12,610,000</b>	12,610,000
3.13-3.64% Lease obligations under GASB 87, various payment amounts with final installments due in 2041	<u><b>1,775,765</b></u>	<u>2,211,670</u>
	<u><b>\$ 75,758,710</b></u>	<u>\$ 80,757,271</u>



**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**6. Long-Term Liabilities, continued**

Lease Assets

The University, as a lessee, has entered into lease agreements involving real estate, equipment and vehicles. The leased equipment includes items related to an energy savings project, multi-function printing devices, campus laundry equipment, and information technology (IT) infrastructure upgrade.

The following assets are held under lease obligations at June 30:

	<u>2022</u>	<u>2021</u>
Real estate, equipment and vehicles	\$ 22,590,339	\$ 23,514,271
Less: accumulated depreciation	<u>( 13,192,696)</u>	<u>( 10,320,177)</u>
	<u>\$ 9,397,643</u>	<u>\$ 13,194,094</u>

During the year ended June 30, 2021, the University entered into a capital lease obligation with Stockyards Bank & Trust that had a principal balance of \$12,610,000 as of both June 30, 2022 and 2021. This obligation is secured by various fixed assets as defined in the agreement.

The following is a schedule by years of future minimum payments required for the capital lease obligations as of June 30, 2022:

Year ending June 30,	
2023	\$ 1,399,681
2024	1,301,333
2025	1,511,627
2026	1,449,323
2027	1,418,938
Thereafter	<u>15,363,979</u>
Total minimum lease payments	22,444,881
Less: amounts representing interest	<u>(4,693,492)</u>
Present value of minimum lease payments	<u>\$ 17,751,389</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**6. Long-Term Liabilities, continued**

The principal and interest repayment requirements relating to the outstanding bonds at June 30, 2022, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2023	\$ 4,055,000	\$ 1,945,187	\$ 6,000,187
2024	4,095,000	1,905,195	6,000,195
2025	4,210,000	1,717,270	5,927,270
2026	4,385,000	1,541,645	5,926,645
2027	4,545,000	1,376,070	5,921,070
2028-2037	<u>34,820,000</u>	<u>5,037,353</u>	<u>39,857,353</u>
	<u>\$ 56,110,000</u>	<u>\$ 13,522,720</u>	<u>\$ 69,632,720</u>

If the University fails to make timely payment of any General Receipts Bond, the Secretary of the Finance and Administration Cabinet of the Commonwealth of Kentucky (the Cabinet) is obligated, pursuant to KRS 164A.608, to apply to such payment, any funds that have been appropriated to the University that have not yet been disbursed.

Advance Refunding

On December 15, 2020, the University issued General Receipts Refunding Bonds, 2020 Taxable Series A, in the amount of \$4,870,000. The bonds sold at net interest costs of 2.29%. The bonds consist of serial bonds bearing various fixed rates ranging from 2.05% to 2.40% with annual maturities from November 2029 through November 3032.

Bond proceeds of \$4,863,182 (net of underwriter's discount of \$6,818) and \$1,700,000 cash contributed by the University was used to pay issuance costs and advance refund the University's General Receipts, 2012 Series A bonds maturing November 1, 2021 through November 1, 2027 and prefund the interest due on the 2012 bonds maturing on and after November 1, 2028 for the interest payment dates to and including November 1, 2022 and advance refund the University's General Receipts 2013 Series A Bonds maturing April 1, 2021 through April 1, 2028 and prefund the interest due on the 2013 bonds maturing on and after April 1, 2028 for the interest payment dates to and including April 1, 2023. The 2012 Series A bonds that were refunded had total outstanding principal in the amount of \$1,920,000 with interest rates ranging from 3.00% - 3.375%. The 2013 Series A bonds that were refunded had total outstanding principal in the amount of \$3,785,000 and interest rates from 3.0% - 4.0%.

The net proceeds and amounts contributed by the University were deposited into an escrow fund and used to purchase state and local government securities to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased and the related liability for the bonds has been removed from the University's financial statements.

## MOREHEAD STATE UNIVERSITY

### Notes to the Financial Statements, continued

#### 6. Long-Term Liabilities, continued

##### Advance Refunding, continued

The advance refunding was done to achieve debt service savings and to reduce cash flow needed for future debt service payments. The refunding decreased the University's total debt service cash flow payments by \$3,024,948 over the approximate twelve-year life of the 2020 Taxable Series A General Receipts Refunding Bonds. The transaction resulted in present value savings of \$1,330,399.

#### 7. Pension & OPEB Plans

##### Kentucky Teachers Retirement System - Pension

All faculty and exempt employees required to hold a degree and occupying full-time positions, defined as seven-tenths (7/10) of normal full-time service on a daily or weekly basis, are required by state law to participate in the Kentucky Teachers Retirement System (TRS). TRS, a cost sharing, multiple-employer defined benefit pension and OPEB plan with a special funding situation, provides retirement and OPEB benefits based on an employee's final average salary and number of years of service. Benefits are subject to certain reductions if the employee retires before reaching age sixty, unless the employee has twenty-seven or more years of participation in the plan. The plan also provides for disability, retirement, death and survivor benefits and medical insurance. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

For the year ended June 30, 2022, eligible employees who began before January 1, 2022 contributed 8.185% of their salary through payroll deductions and the Commonwealth of Kentucky, indirectly contributed 15.865% of currently eligible employees' salaries to the TRS through appropriations to the University. Employees participating in TRS on or after January 1, 2022, contributed 9.755% of their salary which is matched by the University at 9.775%. Contribution requirements of the plan members and the University are established by Kentucky Revised Statute and the TRS Board of Trustees.

The University's contributions to TRS for the years ended June 30, 2021 and 2020 were \$3,799,231 and \$3,890,979, respectively.

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

At June 30, 2022 and 2021, the University reported a liability for its proportionate share of the net pension liability. The amount recognized by the University as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the University is as follows as of June 30:

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Pension, continued

	<u>2022</u>	<u>2021</u>
University’s proportionate share of the net pension liability	\$43,701,079	\$49,768,834
Commonwealth of Kentucky’s proportionate share of the net pension liability associated with the University	<u>46,136,557</u>	<u>52,341,065</u>
Total	\$89,837,636	\$102,109,899

The net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of TRS as of June 30, 2020. The University’s proportion of the net pension liability was based on a projection of the University’s long-term share of contributions to the pension plan relative to the projected contributions of all participating University’s and the State, actuarially determined. At June 30, 2021 and 2020, the University’s proportion was 0.321 and 0.335 percent, respectively.

For the years ended June 30, 2022 and 2021, the valuation of the University’s net pension liability resulted in the recognition of pension (benefit) expense of (\$13,359,634) and (\$21,384,751), respectively.

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (823,228)	\$ 395,860
Changes of assumptions	7,474,485	3,858,559
Net difference between projected and actual earnings on pension plan investments	-	10,773,918
Changes in proportion and differences between University contributions and proportionate share of contributions	908,808	3,991,415
University contributions subsequent to the measurement date	<u>3,830,755</u>	<u>-</u>
Total	<u>\$ 11,390,820</u>	<u>\$ 19,019,752</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Pension, continued

\$3,830,755 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30:	
2023	(\$6,993,561)
2024	(1,028,805)
2025	(671,676)
2026	<u>(2,765,645)</u>
	<u>(\$ 11,459,687)</u>

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (593,228)	\$ 1,630,066
Changes of assumptions	1,297,229	14,325,480
Net difference between projected and actual earnings on pension plan investments	459,639	-
Changes in proportion and differences between University contributions and proportionate share of contributions	2,320,197	10,079,202
University contributions subsequent to the measurement date	<u>3,799,231</u>	<u>-</u>
Total	<u>\$ 7,283,068</u>	<u>\$ 26,034,748</u>

\$3,799,231 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2022.

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Pension, continued

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following key actuarial assumptions:

Inflation	2.5%
Salary increases	3.00-7.50%, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation
Municipal Bond Index Rate	
Prior Measurement Date	2.19%
Measurement Date	2.13%
Year fiduciary net position (FNP)	
is projected to be depleted	N/A
Single Equivalent Interest rate, net of pension plan investment expense, including inflation	
Prior Measurement Date	7.50%
Measurement Date	7.10%
Post-Retirement Benefit Increases	1.50% annually

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	(0.1)%
High Yield Bonds	2.0%	1.7%
Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	(0.3)%

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Pension, continued

*Discount rate.* The discount rate used to measure the Total Pension Liability (TPL) as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. The projection assumes that Plan member contributions will be made at the current contribution rates and that the Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the University’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the University’s proportionate share of the net pension liability, calculated using the discount rate of 7.10 percent, as well as what the University’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
Morehead State University’s proportionate share of the Collective Net Pension Liability	\$ 59,162,134	\$ 43,701,079	\$ 30,986,173

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial reports.

Kentucky Teachers Retirement System – Medical Insurance

In addition to the pension benefits, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan 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.

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 7. Pension & OPEB Plans, continued

#### Kentucky Teachers Retirement System – Medical Insurance, continued

Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

In order to fund the post-retirement healthcare benefit, 5.55% of the gross annual payroll is contributed for members who began before January 1, 2022, with 2.775% paid by member contributions that are matched by the employer. For members who began on or after January 1, 2022, 4.775% of the gross annual payroll is contributed for members, with 2.775% paid by member contributions and 2% matched by the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The University's contributions to TRS for the years ended June 30, 2021 and 2020 were \$691,714 and \$715,179, respectively.

*TRS OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* - At June 30, 2022 and 2021, the University reported a liability for its proportionate share of the net OPEB liability. The amount recognized by the University as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the University is as follows:

	<u>2022</u>	<u>2021</u>
University's proportionate share of the net OPEB liability	\$ 8,368,000	\$ 10,220,000
Commonwealth of Kentucky's proportionate share of the		
Net OPEB liability associated with the University	<u>3,763,000</u>	<u>4,505,000</u>
Total	<u>\$ 12,131,000</u>	<u>\$ 14,725,000</u>

The net OPEB liability was measured as of June 30, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation of TRS as of June 30, 2020. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating organizations, actuarially determined. At June 30, 2021 and 2020, the University's proportion was 0.389 and 0.405 percent. The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at <https://trs.ky.gov/financial-reports-information>.



**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Medical Insurance, continued

For the year ended June 30, 2022 and 2021, the University recognized OPEB (benefit) expense of (\$768,000) and (\$329,000). At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,976,000
Changes of assumptions	2,189,000	-
Net difference between projected and actual earnings on pension plan investments	-	893,000
Changes in proportion and differences between University contributions and proportionate share of contributions	-	1,478,000
University contributions subsequent to the measurement date	<u>741,341</u>	<u>-</u>
Total	<u>\$ 2,930,341</u>	<u>\$ 7,347,000</u>

\$741,341 reported as deferred outflows of resources related to the University's contributions to the TRS OPEB plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources will be recognized in OPEB expense as follows:

Year ending June 30:	
2023	(\$1,290,000)
2024	(1,295,000)
2025	(1,179,000)
2026	(1,039,000)
2027	(313,000)
Thereafter	<u>(42,000)</u>
Total	<u>(\$5,158,000)</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Medical Insurance, continued

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,357,000
Changes of assumptions	620,000	-
Net difference between projected and actual earnings on pension plan investments	333,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	1,362,000
University contributions subsequent to the measurement date	<u>691,714</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,644,714</u></b>	<b><u>\$ 5,719,000</u></b>

\$691,714 reported as deferred outflows of resources related to the University's contributions to the TRS OPEB plan subsequent to the measurement date was recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

*Actuarial assumptions* – The total OPEB liability as of June 30, 2021 was determined based on an actuarial valuation as of June 30, 2020, using the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the five-year period ending June 30, 2020. The following actuarial assumptions are applied to all periods in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Medical Insurance, continued

Healthcare cost trend rates

Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	5.00% for FY 2022* decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034

\*Based on known expected increase in Medicare-eligible costs in the year following the valuation date, an increase rate of 20.00% was used for FYE 2021.

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2020 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	(0.1)%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
High Yield	8.0%	1.7%
Other Categories	9.0%	2.2%
Cash (LIBOR)	1.0%	(0.3)%

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Medical Insurance, continued

*Discount rate* - The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the University’s proportionate share of the net OPEB liability to changes in the discount rate* - The following presents the University’s proportionate share of the net OPEB liability, calculated using the discount rate of 7.10% as well as what the University’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
University’s share of net OPEB liability	\$ 10,713,000	\$ 8,368,000	\$ 6,429,000

*Sensitivity of the University’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates* - The following presents the University’s proportionate share of the net OPEB liability, as well as what the University’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>Current Healthcare</b>		
	<b>1% Decrease</b>	<b>Trend Rates</b>	<b>1% Increase</b>
University’s share of net OPEB liability	\$ 6,079,000	\$ 8,368,000	\$ 11,216,000

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report.

Kentucky Teachers Retirement System – Life Insurance

TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Life Insurance, continued

For employees who began prior to January 1, 2022, TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability and two thousand dollars payable for its active contributing members. For employees who began on or after January 1, 2022, TRS provides a life insurance benefit of ten thousand dollars payable for members who retire based on service or disability and of five thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member’s estate or to a party designated by the member. In order to fund the post-retirement life insurance benefit, seven hundredths of one percent (.07%) of the gross annual payroll of members is contributed by the University.

The University's contributions to TRS for the years ended June 30, 2021 and 2020 were \$17,049 and \$14,563, respectively.

*TRS OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* - At June 30, 2022 and 2021, the University reported a liability of \$111,000 and \$303,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation of TRS as of June 30, 2020. The University’s proportion of the net OPEB liability was based on a projection of the University’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating organizations, actuarially determined. At June 30, 2021 and 2020, the University’s proportion was 0.848 and 0.873 percent. The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at <https://trs.ky.gov/financial-reports-information>.

For the year ended June 30, 2022 and 2021, the University recognized OPEB expense of \$12,000 and \$51,000, respectively. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,000	\$ 3,000
Changes of assumptions	-	42,000
Net difference between projected and actual earnings on pension plan investments	-	102,000
Changes in proportion and differences between University contributions and proportionate share of contributions	-	18,000
University contributions subsequent to the measurement date	<u>19,924</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 24,924</u></b>	<b><u>\$ 165,000</u></b>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Life Insurance, continued

\$19,924 reported as deferred outflows of resources related to the University's contributions to the TRS OPEB plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30:		
2023	\$	(29,000)
2024		(38,000)
2025		(39,000)
2026		(39,000)
2027		(9,000)
Thereafter		<u>(6,000)</u>
Total		<u>\$ (160,000)</u>

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,000	\$ 5,000
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	42,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	15,000
University contributions subsequent to the measurement date	<u>17,049</u>	<u>-</u>
Total	<u>\$ 64,049</u>	<u>\$ 20,000</u>

\$17,049 reported as deferred outflows of resources related to the University's contributions to the TRS OPEB plan subsequent to the measurement date was recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 7. Pension & OPEB Plans, continued

#### Kentucky Teachers Retirement System – Life Insurance, continued

*Actuarial assumptions* – The total OPEB liability as of June 30, 2021 was determined based on an actuarial valuation as of June 30, 2020, using the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the five-year period ending June 30, 2020. The following actuarial assumptions are applied to all periods in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2020 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Teachers Retirement System – Life Insurance, continued

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

*Discount rate* - The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate* - The following presents the University's proportionate share of the net OPEB liability using the discount rate of 7.10% as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's share of net OPEB liability	\$ 257,000	\$ 111,000	\$ (7,000)

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.



## MOREHEAD STATE UNIVERSITY

### Notes to the Financial Statements, continued

#### 7. Pension & OPEB Plans, continued

##### Kentucky Retirement System - Pension

Under the provisions of Kentucky Revised Statute Section 78.782 and 61.645, the Kentucky Public Pensions Authority (KPPA) oversees the administration and operation of the personnel and accounting systems for the Kentucky Employees Retirement System – Nonhazardous Pension Plan (KERS Nonhazardous), Kentucky Employees Retirement System – Hazardous Pension Plan (KERS Hazardous), collectively KERS, County Employees Retirement System – Nonhazardous Pension Plan (CERS Nonhazardous), County Employees Retirement System – Hazardous Pension Plan (CERS Hazardous), collectively CERS, and State Police Retirement System (SPRS), which are administered by KPPA. Although the assets of the funds are invested as a whole, each plan's assets are accounted for separately; invested according to plan-specific asset allocation goals; and, are used only for the payment of benefits to the members of that plan and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 78.630, 61.570 and 16.555.

KERS Nonhazardous and Hazardous plans are cost-sharing multiple-employer defined benefit plans that cover all regular full-time members employees. The plans provide for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. KRS issues a publicly available financial report that includes financial statements and required supplementary information. That report is publicly available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling (502) 696-8800.

Funding for the plan for the year ended June 30, 2021 was provided from eligible hazardous and non-hazardous employees who contributed 8.00% and 5.00% for members prior to September 1, 2008 and 9.00% and 6.00% for members after September 1, 2008, respectively, of their salary through payroll deductions. The Commonwealth of Kentucky also indirectly contributes 36.00% and 49.47%, respectively, of current eligible hazardous and non-hazardous employees' salaries to the KRS through appropriations to the University. University contribution rates are determined by the Kentucky Revised Statute and the Board of Trustees of the Kentucky Retirement Systems each biennium.

The University's contributions to KRS for the years ended June 30, 2021 and 2020 were \$1,602,491 and \$1,807,433, respectively.

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

At June 30, 2022 and 2021, the University reported a liability of \$81,334,022 and \$41,858,022, respectively, for its proportionate share of the net pension liability. The net pension liability as of June 30, 2021 was based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. At June 30, 2021 and 2020, the University's proportion was 0.59 percent and 0.28 percent, respectively.

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Retirement System - Pension, continued

House Bill 8 passed during the 2021 legislative session and changed how employer contributions are allocated and collected from the participating employers in the KERS Non-Hazardous Plan. This change does not impact the calculation of the total pension liability but does impact the allocation of required contributions amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective Pension Amounts in the KERS Non-Hazardous Plan from 2020 to 2021.

House Bill 1 passed during the 2019 Special Legislative Session and allowed certain employers in the KERS Non-hazardous plan to elect to cease participating in the KERS Non-hazardous plan as of June 30, 2020 under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session and delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their current employees. There were no other material plan provision changes.

For the years ended June 30, 2022 and 2021, the University recognized pension expense (benefit) of \$12,986,603 and (\$12,222,577), respectively. At June 30, 2022 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 120,832	\$ 417,537
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	284,607	2,165,418
Changes in proportion and differences between University contributions and proportionate share of contributions	20,510,582	1,415,771
University contributions subsequent to the measurement date	<u>6,341,662</u>	<u>-</u>
Total	<u>\$ 27,257,683</u>	<u>\$ 3,998,726</u>

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Retirement System - Pension, continued

\$6,341,662 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2023	\$	15,987,652
2024		1,885,330
2025		(430,951)
2026		<u>(524,736)</u>
Total	\$	<u><u>16,917,295</u></u>

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 233,209	\$ 1,265
Changes of assumptions	491,968	-
Net difference between projected and actual earnings on pension plan investments	215,207	133,225
Changes in proportion and differences between University contributions and proportionate share of contributions	-	11,980,485
University contributions subsequent to the measurement date	<u>1,630,979</u>	<u>-</u>
Total	<u><u>\$ 2,571,363</u></u>	<u><u>\$ 12,114,975</u></u>

\$1,630,979 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2022.

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 7. Pension & OPEB Plans, continued

#### Kentucky Retirement System - Pension, continued

*Actuarial assumptions.* The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. The Total Pension liability as of June 30, 2021, was determined using these assumptions:

Inflation	2.30%
Salary Increases	3.30% to 15.30% varies by service for KERS non-hazardous 3.55% to 20.05% varies by service for KERS hazardous
Investment Rate of Return	6.25% for KERS hazardous, 5.25% for KERS non-hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was 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.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are 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 in the following table:

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Retirement System - Pension, continued

KRS Non-Hazardous Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Growth</b>		
US Equity	16.25%	5.70%
Non-US Equity	16.25%	6.35%
Private Equity	7.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>		
Core Bonds	20.50%	0.00%
Cash	5.00%	(0.60%)
<b>Diversifying Strategies</b>		
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
<b>Total</b>	100.00%	

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Retirement System - Pension, continued

KRS Hazardous

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Growth</b>		
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High	15.00%	2.80%
<b>Yield</b>		
<b>Liquidity</b>		
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60%)
<b>Diversifying Strategies</b>		
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
<b>Total</b>	100.00%	

*Discount rate.* The projection of cash flows used to determine the discount rate of 5.25% for the KERS Non-hazardous, and 6.25% for KERS Hazardous, assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy, established in Statute as amended by House Bill 8, passed during the 2021 legislative session, over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

*Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate.* The following presents the University's proportionate share of the net pension liability, calculated using the discount rate of 6.25% for Hazardous and 5.25% for Non-Hazardous, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent/4.25 percent) or 1-percentage-point higher (7.25 percent/6.25 percent) than the current rate:

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Retirement System - Pension, continued

**Hazardous**

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Morehead State University's proportionate share of the Collective Net Pension Liability	\$ 1,263,682	\$ 922,929	\$ 646,470

**Non-Hazardous**

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Morehead State University's proportionate share of the Collective Net Pension Liability	\$ 92,629,996	\$ 80,411,093	\$70,364,398

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS financial report.

Kentucky Retirement System - OPEB

Under the provisions of Kentucky Revised Statute Section 78.782 and 61.645, the Kentucky Public Pensions Authority (KPPA) oversees the administration and operation of the personnel and accounting systems for the CERS Nonhazardous and Hazardous, which are administered by the CERS Board; the KERS Nonhazardous and Hazardous and State Police Retirement System (SPRS), which are administered by the Kentucky Retirement Systems Board (KRS). Although the assets of the plans are invested as a whole, each plan's assets are accounted for separately; invested according to plan-specific asset allocation goals; and, are used only for the payment of benefits to the members of that plan and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 78.630, 61.570 and 16.555.

KERS Nonhazardous and Hazardous plans are cost-sharing multiple-employer other post-employment benefits (OPEB) plans that cover all regular full-time employees. The plans provide for health insurance benefits to plan members. Health insurance benefits may be extended to beneficiaries of plan members under certain circumstances. KRS issues a publicly available financial report that includes financial statements and required supplementary information. That report is publicly available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling (502) 696-8800.

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Retirement System - OPEB, continued

*KRS OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* - At June 30, 2022 and 2021, the University reported a liability of \$12,510,721 and \$7,381,882 for its proportionate share of the net OPEB liability. The net OPEB liability as of June 30, 2021, was based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using the generally accepted actuarial principles. At June 30, 2021 and 2020, the University's proportion was 0.552 and 0.286 percent.

The University's contributions to KRS for the years ended June 30, 2021 and 2020 were \$301,363 and \$353,414, respectively.

For the year ended June 30, 2022 and 2021, the University recognized OPEB expense (benefit) of \$1,176,068 and (\$856,415). At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	\$ 758,177	\$ 1,804,412
Changes of assumptions	1,387,219	12,200
Net difference between projected and actual earnings on OPEB plan investments	240,753	1,066,149
Changes in proportion and differences between University contributions and proportionate share of contributions	3,947,375	2,666,137
University contributions subsequent to the measurement date	745,122	-
<b>Total</b>	<b>\$ 7,078,646</b>	<b>\$ 5,548,898</b>



**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Retirement System - OPEB, continued

\$745,122 reported as deferred outflows of resources related to the University's contributions to the KRS OPEB plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30:		
2023	\$	(152,485)
2024		538,201
2025		648,595
2026		<u>(249,685)</u>
Total	\$	<u><u>784,626</u></u>

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual liability experience	\$ 648,754	\$ 803,522
Changes of assumptions	665,721	13,313
Net difference between projected and actual earnings on OPEB plan investments	198,492	60,096
Changes in proportion and differences between University contributions and proportionate share of contributions	22,027	4,335,639
University contributions subsequent to the measurement date	<u>307,198</u>	<u>-</u>
Total	<u><u>\$ 1,842,192</u></u>	<u><u>\$ 5,212,570</u></u>

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 7. Pension & OPEB Plans, continued

#### Kentucky Retirement System - OPEB, continued

\$307,198 reported as deferred outflows of resources related to the University's contributions to the KRS OPEB plan subsequent to the measurement date was recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

*Actuarial assumptions* – The total OPEB liability, net OPEB liability and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. The total OPEB liability as of June 30, 2021, was determined using these assumptions:

Inflation	2.30%
Payroll Growth Rate	0.0% for KRS non-hazardous and hazardous
Salary Increase	3.30% - 15.30% KERS Non-Hazardous, varies by service 3.55% - 20.05% KERS Hazardous, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates:	
Pre – 65	Initial trend starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was 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.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are 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 in the following table:

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Retirement System - OPEB, continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Growth</b>		
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High	15.00%	2.80%
<b>Yield</b>		
<b>Liquidity</b>		
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60%)
<b>Diversifying Strategies</b>		
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
<b>Total</b>	100.00%	

*Discount Rate* – The projection of cash flows used to determine the discount rate of 5.26% for the KERS Non-hazardous, and 5.01% for KERS Hazardous, assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy, established in Statute as amended by House Bill 8, passed during the 2021 legislative session.

*Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate* - The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**7. Pension & OPEB Plans, continued**

Kentucky Retirement System - OPEB, continued

**Non- Hazardous**

	<b>1% Decrease (4.26%)</b>	<b>Current Discount Rate (5.26%)</b>	<b>1% Increase (6.26%)</b>
University's share of net OPEB liability for Non-Hazardous	\$ 15,307,423	\$ 12,534,589	\$ 10,261,240

**Hazardous**

	<b>1% Decrease (4.01%)</b>	<b>Current Discount Rate (5.01%)</b>	<b>1% Increase (6.01%)</b>
University's share of net OPEB liability for Hazardous	\$ 170,576	(\$23,868)	(\$179,944)

*Sensitivity of the University's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:*

**Non-Hazardous**

	<b>1% Decrease</b>	<b>Current Healthcare Trend Rates</b>	<b>1% Increase</b>
University's share of net OPEB liability for Non-Hazardous	\$ 10,354,853	\$ 12,534,589	\$ 15,159,794

**Hazardous**

	<b>1% Decrease</b>	<b>Current Healthcare Trend Rates</b>	<b>1% Increase</b>
University's share of net OPEB liability for Hazardous	(\$163,836)	(\$23,868)	\$ 147,066

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 7. Pension & OPEB Plans, continued

#### Optional Retirement Plans

Optional retirement plans (ORP's) are available to employees hired on or after January 1, 1997, who would otherwise be participants in the Kentucky Teachers' Retirement System. The ORP is established as a 403(b) defined contribution plan under, the Internal Revenue Code guidelines. The providers of the University's ORP's are the Teachers Insurance and Annuity Association-College Retirement Equities Fund, TIAA/CREF, Variable Annuity Life Insurance Company, Fidelity and Voya Financial. Under these plans the employee's contribution is 8.185% of their gross salary and the University's contribution is 8.74%. The University's contributions to these plans for the years ended June 30, 2022 and 2021 were \$1,171,099 and \$1,104,281 respectively, equal to the required contributions for each year.

### 8. Prepaid Lease

On February 7, 2017, the University sold property located in West Liberty, Kentucky for \$5,395,000. The University received \$1,894,000 in cash and recorded \$3,501,000 in assets for a prepaid lease to leaseback a portion of the building. The University also recorded \$1,429,844 as a deferred gain on disposal of the property, which will be recognized over the term of the lease. The University amortized \$146,644 and \$142,372 as lease expense in 2022 and 2021, respectively. The University also recognized \$71,492 as a gain on disposal of the property in both 2022 and 2021.

### 9. Contingencies and Commitments

The University is a defendant in various lawsuits; however, University management is of the opinion, based on advice of legal counsel, that the ultimate resolution of these litigation matters will not have a material effect on the future operations or financial position of the University.

The University receives financial assistance from federal and state agencies in the form of grants and awards. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. The University has had no disallowed claims in the past. In the opinion of management, such potential disallowed claims, if any, would not have a material adverse effect on the overall financial position of the University at June 30, 2022.

The University has made certain commitments related to the completion of various construction projects in progress totaling approximately \$126,782. Such construction is principally financed by appropriations from the Commonwealth of Kentucky and proceeds from bonds.

### 10. Insurance Programs

The University maintains a self-insurance program for employees' health insurance which has three plan options; a PPO plan, Enhanced Value HRA and Life Long Savings Plan. Expenses incurred to cover claims paid by the University under the plan for the fiscal years ended June 30, 2022 and 2021 were \$8,064,003 and \$8,533,604, respectively.

## MOREHEAD STATE UNIVERSITY

### Notes to the Financial Statements, continued

#### 11. Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from theft of, damage to, destruction of assets; business interruption; natural disasters; and employee health and accident benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. As a sovereign entity of the Commonwealth of Kentucky, the Kentucky Board of Claims handles tort claims on behalf of the University.

The Commonwealth of Kentucky operates a public entity risk pool operating as a common risk management and insurance program for its members. The pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts. The University operates a self-insurance program for worker's compensation for its employees. The University purchases reinsurance through commercial carriers for claims in excess of specified stop loss amounts.

#### 12. Endowment Trust Funds

The Foundation holds endowment investments for the University, the majority of which are associated with the Regional University Excellence Trust Fund (RUETF). The RUETF was created by the Kentucky General Assembly with the passage of the Postsecondary Education Improvement Act of 1997 ("House Bill 1"). The RUETF Endowment Match Program, also known as "Bucks for Brains", provides state funds on a dollar-for-dollar basis. Funds are endowed for the purposes of supporting endowed chairs and professorships.

The Foundation also holds endowment investments for the University which are associated with the Technology Endowment Program. The University will provide matching funds of at least one dollar for every dollar of grant funds. At the end of twenty years, both the principal and the income derived will be used to upgrade and/or replace software/hardware of the University's Information Management System.

The fair market value of Morehead State University endowment funds held by the Foundation as of June 30, 2022 and 2021 was \$56,141,302 and \$58,794,332, respectively. The portion of the endowments representing the value of the funding received from the Kentucky General Assembly was \$7,774,998 for the years ended June 30, 2022 and 2021, and is included in investments held by the Foundation. The portion of the endowments representing the value of the funding received from the Technology Endowment Program was \$290,229 for both years ended June 30, 2022 and 2021, and is included in investments held by the Foundation.

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 13. Related Parties

The University and the Foundation are related parties. The Foundation's purpose is to assist in the development, growth, expansion and progress of the student programs of Morehead State University. The University authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the University. Related party transactions and funds held by the Foundation on behalf of the University are as follows during 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Funds disbursed by the University on behalf of the Foundation for employee salaries and benefits	\$ 126,506	\$ 162,357
Funds held by the Foundation on behalf or for the benefit of the University	10,427,195	10,427,195
Funds due to the University by the Foundation	406,215	834,986

The University entered into an agreement with the Foundation where the University will provide personnel, office space, support equipment and other services that may be necessary to the operation of the Foundation. The Foundation reimburses the University for these services at an annual rate determined mutually by the two entities, \$137,677 for the year ended June 30, 2022 and \$118,395 for the year ended June 30, 2021. Amounts disclosed above as funds disbursed by the University on behalf of the Foundation for employee salaries and benefits are net of the annual rate for the fiscal years ended June 30, 2022 and 2021.

### 14. Higher Education Emergency Relief Fund

The University received Higher Education Emergency Relief Funds from the United States Department of Education. These funds were awarded to institutions of higher education in three individual grants, two of which provided institutional aid to defray expenses associated with coronavirus and the third grant provided funding for emergency financial aid grants to students. The University received a total of \$21,647,823 in institutional aid funds and \$16,022,464 for student aid.

The University incurred \$21,647,823 defraying the impact of the coronavirus of which \$3,772,037 was incurred in the fiscal year ending June 30, 2022, with \$14,757,286 and \$3,118,500 incurred in the fiscal years ending June 30, 2021 and 2020, respectively. The University recognized offsetting revenues totaling \$21,647,823 through June 30, 2022, \$9,847,029 of which were recognized during the fiscal year ended June 30, 2022 with \$10,213,700 and \$1,587,094 recognized in the fiscal years ending June 30, 2021 and 2020, respectively. Revenues are reported in the Nonoperating Revenues (Expenses) section and expenses are reported in operating expenses of the Statement of Revenues, Expenses, and Changes in Net Position.

The University also had Student aid revenues which offset expenditures through the year ended June 30, 2022 which totaled \$16,022,464 of which \$10,006,024 was incurred through June 30, 2022 and \$4,724,211 and \$1,292,229, was incurred in the fiscal years ending June 30, 2021 and 2020, respectively. These revenues are reported in the Nonoperating Revenues (Expenses) section and the expenses are reported in Operating Expenses on the Statement of Revenues, Expenses, and Changes in Net Position.

## MOREHEAD STATE UNIVERSITY

### Notes to the Financial Statements, continued

#### 15. Morehead State University Foundation, Inc.

##### A. Nature of the Organization

Morehead State University Foundation, Inc. (the Foundation) is a corporation formed for educational, charitable and public purposes in accordance with the provisions of KRS 273.0010. The Foundation is a component unit of Morehead State University (the University). Specifically, it was founded to cooperate with the University and its Board of Regents in the promotion of the educational, civic and charitable purposes of the University in any lawful manner deemed appropriate by the Foundation's Board of Trustees. This purpose includes the encouragement of scholarship and research and the promotion of the prestige, expansion and development of the University's physical plant and faculty and the assistance of its students and alumni.

##### B. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Foundation in the preparation of its financial statements.

##### Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** include the portion of expendable funds that are not subject to donor-imposed stipulations.

**Net Assets With Donor Restrictions** include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions. The Foundation treats donor-restricted contributions whose restrictions are met in the same reporting period as support without donor restrictions.



## MOREHEAD STATE UNIVERSITY

### Notes to the Financial Statements, continued

#### 15. Morehead State University Foundation, Inc., continued

##### B. Summary of Significant Accounting Policies, continued

###### Cash

The Foundation maintains its cash balances in financial institutions, which at times, may exceed federally insured limits. The Foundation has not experienced any losses on such accounts. The Foundation believes it is not exposed to any significant credit risk related to its cash balances.

###### Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

###### Pledges Receivable

Pledges receivable of amounts greater than \$500, less an appropriate allowance amount, are recorded at the net present value of estimated future cash flows using a discount rate commensurate with the risks involved. Net present value was computed using discount rates ranging from .29% to 3.01%, depending upon the age of the pledge and the expected timing of the payment.

Pledges receivable are presented net of an allowance for doubtful accounts (\$462,231 and \$576,288 as of June 30, 2022 and 2021, respectively). The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. The allowance represents an amount, which in management's judgment, will be adequate to absorb probable losses on existing pledges that may become uncollectible.

###### Investments

Investments in mutual funds having a readily determinable fair value and all debt securities are carried at fair value. Investment returns include dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value. Investment returns that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included as unrestricted net assets. Other investment returns are reflected in the statement of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

## MOREHEAD STATE UNIVERSITY

### Notes to the Financial Statements, continued

#### 15. Morehead State University Foundation, Inc., continued

##### B. Summary of Significant Accounting Policies, continued

###### Property and Equipment

Property and equipment is stated at cost at the date of acquisition or fair value at date of donation. Expenditures with a cost greater than \$1,000, which increase values or extend useful lives of the respective assets, are capitalized, whereas expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of assets is computed using the straight-line method over the estimated useful lives of the respective assets.

###### Annuities Payable

The Foundation pays stipulated amounts periodically to individuals (annuitants) who have given to the Foundation certain assets and who have entered into agreements that such payments cease at the death of the annuitant. Total annuity payments for the years ended June 30, 2022 and 2021 were \$127,570 and \$120,595, respectively.

The June 30, 2022 and 2021 annuity liability balances of \$572,777 and \$622,640, respectively are the present values of the monthly, quarterly, or semiannual payments to the annuitants based on the life expectancies of the annuitants and interest rates ranging from .69% to 4.16%. The estimated remaining life expectancies of the annuitants ranged from 2.83 to 10.96 years and 0.00 to 12.73 years for the years ended June 30, 2022 and 2021, respectively.

###### Due to Morehead State University

Contributions were made to the Foundation related to a program that the University has prefunded. The Foundation and the University have agreed that contributions made to the Foundation on behalf of this program will be remitted to the University annually. The contributions have been included as a liability on the Foundation's statements of financial position.

###### Funds Held in Trust for Morehead State University

The Foundation is the custodian of funds owned by the University for the purpose of establishing certain endowment funds as authorized by the Kentucky Council on Postsecondary Education, the University Board of Regents and the Kentucky General Assembly. The Foundation invests the principal with a portion of the income derived from the principal to be remitted annually to the University. For both of the years ended June 30, 2022 and 2021, the Foundation held \$10,427,195 for the University's investment purposes.

## MOREHEAD STATE UNIVERSITY

### Notes to the Financial Statements, continued

#### 15. Morehead State University Foundation, Inc., continued

##### B. Summary of Significant Accounting Policies, continued

###### Income Taxes

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Except for tax on any unrelated business income activities, no provision for income taxes has been made.

###### Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risk 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 the value of investment securities will occur in the near term and that such change could materially affect the investment amounts reported in the statement of financial position.

###### Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with donor stipulations that limit their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are included in net assets without donor restrictions.

Gifts of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restriction unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in the reclassification of net assets with donor restrictions to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are recorded at the present value of estimated future cash flows. The resulting discount is computed using risk-free interest applicable to the years in which the promises are received. Amortization using the level-yield method is included in contribution revenue. Conditional gifts are not included as support until the conditions are substantially met.

## MOREHEAD STATE UNIVERSITY

### Notes to the Financial Statements, continued

#### 15. Morehead State University Foundation, Inc., continued

##### B. Summary of Significant Accounting Policies, continued

###### Donated Materials and Property

Donated materials and property are recorded at their estimated fair value when received. The statements of activities for the years ended June 30, 2022 and 2021 include in-kind contributions of \$499,145 and \$125,818, respectively.

###### Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the functional categories based on their relationship to various direct costs in those functions.

###### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU 2016-02), *Leases* (Topic 842), requiring all leases to be recognized on the Foundation's balance sheet as a right-of-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, the Foundation will recognize: 1) a lease liability for the Foundation's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents the Foundation's right to use, or control the use of, the specified asset for the lease term. The ASU originally required recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective transition method. In July 2018, the FASB issued ASU 2018-11, which provided an additional (and optional) transition method that permits application of the updated standard at the adoption date with recognition of a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2016-02. This updated standard will be effective for the Foundation for the year ending June 30, 2023, with early adoption permitted. The Foundation has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB issued the update in effort to improve transparency in reporting nonprofit gifts-in-kind, by requiring not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities and by enhancing the disclosures about the valuation of in-kind contributions and their use in other programs or activities. The ASU requires adoption of the new presentation and disclosures to be applied retrospectively. The updated standard will be effective for the Foundation for the year ending June 30, 2023. The Foundation is currently evaluating the effect that the new standard will have on its financial statements.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

B. Summary of Significant Accounting Policies, continued

Reclassification

Certain 2021 amounts have been reclassified to conform with current year presentation with no effect on total net assets or changes in net assets.

Subsequent Events

The Foundation has evaluated subsequent events and transactions for accounting and disclosure requirements through September 30, 2022, the date on which the financial statements were ready to be issued, for items requiring recognition or disclosure in the financial statements.

C. Liquidity and Availability

As of June 30, 2022 and 2021, the below assets, held by the Foundation, could readily be made available within one year of the statement of financial position date to meet general expenditures.

	<u>2022</u>	<u>2021</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and equivalents	\$ 482,672	\$ 715,759
Investments without donor restrictions	<u>3,148,985</u>	<u>2,866,533</u>
	<u>\$ 3,631,657</u>	<u>\$ 3,582,292</u>

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, as well as investment securities. The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses. The Finance Committee meets semi-annually to review cash needs and investment performance.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of providing scholarships and other reimbursements to the University, restricted expenditures on behalf of the University, as well as its own operating needs to be general expenditures. The Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**15. Morehead State University Foundation, Inc., continued**

**D. Investments**

Investments held as of June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 10,511,709	\$ 6,466,362
Alternative investments	55,590,060	60,573,651
Corporate bonds and stock	<u>76,763</u>	<u>81,789</u>
	<u>\$ 66,178,532</u>	<u>\$ 67,121,802</u>

Investment management fees were approximately \$219,000 and \$159,000 during the years ended June 30, 2022 and 2021, respectively.

**E. Assets Held of Sale**

During May 2021, the Foundation purchased real estate valued at \$715,000 with the intent to sell the property to the University. As of June 30, 2021, the property was included in assets held for sale and was valued at the carrying value, which approximates fair value. The fair value of the real estate was determined by management to be \$715,000. The Foundation sold all of the property during its fiscal year ending June 30, 2022.

**F. Pledges Receivable**

Pledges receivable have been designated to be paid by donors as follows:

Year ended June 30,	
2023	\$ 1,377,901
2024	1,246,788
2025	1,236,642
2026	350,923
2027	293,433
Thereafter	<u>277,009</u>
	4,782,696
Less: present value discount	(160,388)
Less: allowance for uncollectible pledges	<u>(462,231)</u>
Pledges receivable, net	4,160,077
Less: current pledges receivable	<u>(589,751)</u>
Noncurrent pledges receivable	<u>\$ 3,570,326</u>

# MOREHEAD STATE UNIVERSITY

## Notes to the Financial Statements, continued

### 15. Morehead State University Foundation, Inc., continued

#### F. Pledges Receivable, continued

During the years ending June 30, 2022 and 2021, the Foundation had bad debt expense of \$18,760 and \$37,030, respectively.

#### G. Property and Equipment

As of June 30, 2022 and 2021, property consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ -	\$ 53,000
Furniture and equipment	175,650	217,047
Buildings	<u>-</u>	<u>175,000</u>
	175,650	445,047
Less: accumulated depreciation	<u>(128,725)</u>	<u>(246,282)</u>
	<u>\$ 46,925</u>	<u>\$ 198,765</u>

Depreciation expense was \$14,086 and \$19,071 for the years ended June 30, 2022 and 2021, respectively.

#### H. Deferred Giving Program

The Foundation established a life insurance deferred giving program during 1983. The program consists of donors designating the Foundation as the owner and beneficiary of life insurance policies. There are eighteen giving programs with life insurance in effect totaling \$903,042 for both of the years ended June 30, 2022 and 2021. The cash surrender value of these policies as of June 30, 2022 and 2021 was \$158,329 and \$152,200, respectively.

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**15. Morehead State University Foundation, Inc., continued**

**I. Fair Value Measurements, continued**

The Foundation has determined the fair value of certain assets and liabilities as follows:

June 30, 2022	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Mutual funds:</b>				
<b>Equities:</b>				
Domestic	\$ 3,783,538	\$ 3,783,538	\$ -	\$ -
Energy sector	3,065,482	3,065,482	-	-
<b>Fixed income and cash:</b>				
Cash	540,663	540,663	-	-
Fixed income	3,122,026	3,122,026	-	-
<b>Alternative investments:</b>				
Hedge funds	5,740,291	-	-	5,740,291
Real assets	8,115,285	-	-	8,115,285
Private equity	8,046,927	-	-	8,046,927
Domestic equity	9,177,347	-	-	9,177,347
International equity	10,548,046	-	-	10,548,046
Fixed income	10,684,294	-	-	10,684,294
Global credit	3,277,870	-	-	3,277,870
Corporate bonds and stocks	76,763	-	76,763	-
<b>Total assets</b>	<b><u>\$ 66,178,532</u></b>	<b><u>\$ 10,511,709</u></b>	<b><u>\$ 76,763</u></b>	<b><u>\$ 55,590,060</u></b>
<b>Annuities payable</b>	<b><u>\$ 572,777</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 572,777</u></b>
<b>Total liabilities</b>	<b><u>\$ 572,777</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 572,777</u></b>



MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

I. Fair Value Measurements, continued

June 30, 2021	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Equities:				
Domestic	\$ 1,182,280	\$ 1,182,280	\$ -	\$ -
Energy sector	1,604,288	1,604,288	-	-
Fixed income and cash:				
Cash	830,169	830,169	-	-
Fixed income	2,849,625	2,849,625	-	-
Alternative investments:				
Hedge funds	6,117,141	-	-	6,117,141
Real assets	5,344,192	-	-	5,344,192
Private equity	4,914,843	-	-	4,914,843
Domestic equity	15,578,906	-	-	15,578,906
International equity	14,944,446	-	-	14,944,446
Fixed Income	10,998,046	-	-	10,998,046
Global credit	2,676,077	-	-	2,676,077
Corporate bonds and stocks	<u>81,789</u>	<u>-</u>	<u>81,789</u>	<u>-</u>
Total assets	<u>\$ 67,121,802</u>	<u>\$ 6,466,362</u>	<u>\$ 81,789</u>	<u>\$ 60,573,651</u>
Annuities payable	<u>\$ 622,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,640</u>
Total liabilities	<u>\$ 622,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,640</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

I. Fair Value Measurements, continued

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using level 3 inputs are valued using management’s assumptions about the assumptions market participants would utilize in pricing the asset or liability.

The following is a description of the valuation methodologies used for the assets and liabilities measured at fair value. There have been no changes in the methodologies used to determine fair value as of June 30, 2022 and 2021.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

*Corporate bonds and stocks:* Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

*Annuity payable:* Valued using the net asset value of the underlying funds as determined by the annuity’s custodian.

Financial assets and liabilities valued as follows:

Quantitative Information about Level 3 Fair Value Measurements

	Valuation Techniques	Unobservable Inputs
Alternative investments - hedge funds, domestic equity, international equity, fixed income, global credit	Capital contribution adjusted for allocated profits and losses based upon participation percentage (investor capital account divided total capital accounts) as determined at the beginning of the fiscal year.	- Valuation and performance of underlying fund(s) being invested in by the hedge fund - Diversification of the underlying fund(s) - Leverage model used by the underlying fund(s)
Alternative investments - real assets	Investment is in various funds, which are valued individually using the following methods: 1) Capped, float-adjusted, capitalization-weighted methodology 2) Net asset value of underlying companies/funds being invested in, which hold real estate 3) Current appraisal values and market information for properties held 4) Market comparable companies	- Valuation and performance of underlying fund(s) being invested in - Diversification of the underlying fund(s) - Leverage model used by the underlying fund(s) - Relative health of industry in which real assets held are associated with
Alternative investments - private equities	Market comparable companies	- Discount for lack of marketability - Control premium - Threats from competition and regulatory environment

## MOREHEAD STATE UNIVERSITY

### Notes to the Financial Statements, continued

#### 15. Morehead State University Foundation, Inc., continued

##### I. Fair Value Measurements, continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (level 3) inputs:

Balance, June 30, 2020	\$ 44,694,199
Additional investment	14,924,688
Funds sold	(9,672,152)
Realized and unrealized gains	10,646,891
Fees	<u>(19,975)</u>
Balance, June 30, 2021	<b>60,573,651</b>
Additional investment	7,845,727
Funds sold	<b>(10,331,396)</b>
Realized and unrealized losses	<u>(2,497,922)</u>
Balance, June 30, 2022	<b><u>\$ 55,590,060</u></b>

##### J. Endowment Funds

The Foundation has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation follows UPMIFA and its own governing documents. The Foundation has interpreted UPMIFA as maintaining historical dollar value and to retain in endowment funds a portion of the investment return to support the increasing cost of benefits in the future, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations made pursuant to an applicable gift agreement. The Foundation has determined that the balance of its endowments includes funds that require that the income and net appreciation be restricted to certain uses for the benefit of participants.

## MOREHEAD STATE UNIVERSITY

### Notes to the Financial Statements, continued

#### 15. Morehead State University Foundation, Inc., continued

##### J. Endowment Funds, continued

The Foundation, on the advice of legal counsel, has determined that the majority of contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Foundation has the ability to distribute as much of the original principal of any trust or separate gift, devise, bequest, or fund as the Foundation in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

The Foundation has established a financial management and investment policy for endowment assets that provides general guidelines for the prudent investment management of the endowment fund assets. The investment policy is established with the objective to preserve the real purchasing power of endowment assets as well as generate capital appreciation, after accounting for endowment spending, inflation, and costs of the portfolio and fund management, both internal and external.

The current financial management and investment policy establishes an annual maximum approved spending goal for distributions of up to 3.5% of endowment assets, a combined Foundation management fee to support the annual operating budget and investment consultant fees shall not be greater than 2.5% of the portfolio value, and a long-term target minimum annual return benchmark of the Consumer Price Index plus 6.0%.

The Foundation's investments include endowment investments for the University associated with the Technology Endowment Program and RUETF Endowment Match Program, also known as "Bucks for Brains." Funds held for the Technology Endowment Program are matched by the University of at least one dollar for every dollar of grant funds. As of both June 30, 2022 and 2021, the amount of funds included in the Foundation's investments held for the Technology Endowment Program was \$290,229. Funds held for the RUETF Endowment Match Program are endowed for the purposes of supporting endowed chairs and professorships, scholarships, fellowships, research funds, and mission support funds. As of June 30, 2022 and 2021, the amount of funds included in the Foundation's investments held for the RUETF Endowment Match Program was \$7,774,998 each year. These amounts are shown as funds held in trust for Morehead State University on the statements of financial position and are therefore not included in donor-designated endowment net assets.

## MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

### 15. Morehead State University Foundation, Inc., continued

#### J. Endowment Funds, continued

As of June 30, 2022, all endowment net assets were subject to donor restrictions. Changes in endowment net assets subject to donor restrictions as of June 30, 2022 are as follows:

As of June 30, 2022, all endowment net assets were subject to donor restrictions. Changes in endowment net assets subject to donor restrictions as of June 30, 2022 are as follows:

Endowment net assets, beginning of year	\$ 58,794,332
Contributions, net of bad debt expense	2,061,697
Other income	14,102
Interest and dividend income	95,113
Net depreciation	(2,886,829)
Amounts appropriated for expenditure and transfers	<u>(1,937,113)</u>
Endowment net assets, end of year	<u>\$ 56,141,302</u>

As of June 30, 2021, all endowment net assets were subject to donor restrictions. Changes in endowment net assets subject to donor restrictions as of June 30, 2021 are as follows:

Endowment net assets, beginning of year	\$ 45,653,748
Contributions, net of bad debt expense	1,287,601
Other income	2
Interest and dividend income	77,939
Net depreciation	12,954,886
Amounts appropriated for expenditure and transfers	<u>(1,179,844)</u>
Endowment net assets, end of year	<u>\$ 58,794,332</u>

#### K. Support for Morehead State University

The Foundation's purpose is to assist in the development, growth, expansion and progress of the student programs of Morehead State University. All support to the University has been disclosed separately on the statements of activities as University support.

**MOREHEAD STATE UNIVERSITY**

Notes to the Financial Statements, continued

**15. Morehead State University Foundation, Inc., continued**

**L. Net Investment With Donor Restrictions**

Net assets with donor restrictions as of June 30, 2022 and 2021 are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Funds restricted for specific purposes	\$ 25,673,156	\$ 30,532,974
Scholarships	290,715	412,871
Athletics	<u>193,006</u>	<u>9,570</u>
	26,156,877	30,955,415
 Funds held in perpetuity	 <u>34,782,660</u>	 <u>32,332,388</u>
 Total net assets with donor restrictions	 <u>\$ 60,939,537</u>	 <u>\$ 63,287,803</u>

During the years ended June 30, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2022</u>	<u>2021</u>
Student financial aid	\$ 1,113,105	\$ 1,078,975
Academic programs	2,112,376	1,433,093
Operations and materials	513,605	337,943
Athletics	284,530	197,830
Fundraising	9,477	208,139
General and administrative expenses	231,522	14,321
	\$ 4,264,615	\$ 3,270,301

**M. Related-Party Transactions**

The University entered into an agreement with the Foundation where the University will provide personnel, office space, support equipment and other services that may be necessary to the operation of the Foundation. The Foundation reimburses the University for these services at a rate determined mutually by the two entities, \$138,677 and \$118,395 for the years ended June 30, 2022 and 2021, respectively. GAAP requires recognition of professional services received if those services (a) create long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Those services in excess of the agreed upon amount are considered in-kind contributed services and are treated as both revenue and expense to the Foundation.

# MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

## 15. Morehead State University Foundation, Inc., continued

### M. Related-Party Transactions, continued

Related party transactions and balances are as follows for the year ended June 30:

	<u>2022</u>	<u>2021</u>
Funds disbursed by the University on behalf of the Foundation for employee salaries and benefits	\$ 126,506	\$ 162,357
Funds due to the University by the Foundation	406,216	834,986

Transactions with the University include direct financing capital leases and support for the University as disclosed in Note 16K.

**SUPPLEMENTAL INFORMATION**



**MOREHEAD STATE UNIVERSITY**

Schedule of Bonds and Lease Obligations

June 30, 2022

	<u>Issue Date</u>	<u>Net Amount of Issue</u>	<u>Interest Cost</u>	<u>Outstanding June 30, 2021</u>	<u>Payments/ Reductions 2021-22</u>	<u>New Issues</u>	<u>Premium Amortization</u>	<u>Outstanding June 30, 2022</u>	<u>Interest Expense 2021-22</u>	<u>Debt Service Requirements 2022-23</u>	
										<u>Principal</u>	<u>Interest</u>
General Receipts:											
2012 Series A Bonds	06/15/12	\$ 5,060,000	2.00-3.625	\$ 1,320,000	\$ -	\$ -	\$ -	\$ 1,320,000	\$ -	\$ -	\$ 23,528
2013 Series A Bonds	09/10/13	9,475,000	1.00-4.375	2,970,000	-	-	-	2,970,000	-	-	-
2014 Series A Bonds	07/24/14	22,620,000	2.00-5.00	13,625,000	1,485,000	-	-	12,140,000	541,525	1,560,000	465,400
2014 Series B Bonds	07/24/14	4,840,000	1.00-5.00	3,070,000	290,000	-	-	2,780,000	109,391	310,000	94,391
2015 Series A Bonds	03/25/15	28,185,000	3.00-5.00	26,090,000	1,475,000	-	-	24,615,000	1,097,737	1,570,000	1,023,988
2015 Reoffering Premium	03/25/15	2,835,829	-	2,042,972	-	-	145,651	1,897,321	-	-	-
2016 Series A Bonds	03/22/16	3,280,000	1.00-3.00	2,490,000	335,000	-	-	2,155,000	57,600	340,000	50,850
2016 Series B Bonds	12/01/16	6,560,000	2.00-3.75	5,530,000	270,000	-	-	5,260,000	182,269	275,000	176,475
2020 Series A Bonds	12/15/20	<u>4,870,000</u>	2.29-2.40	<u>4,870,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,870,000</u>	<u>110,555</u>	<u>-</u>	<u>110,555</u>
Total General Receipts		\$ 87,725,829		\$ 62,007,972	\$ 3,855,000	\$ -	\$ 145,651	\$ 58,007,321	\$2,099,077	\$ 4,055,000	\$ 1,945,187

**MOREHEAD STATE UNIVERSITY**

Schedule of Bonds and Lease Obligations, continued

June 30, 2022

	Issue Date	Net Amount of Issue	Interest Cost	Outstanding June 30, 2021	Payments/Reductions 2021-22	New Issues	Premium Amortization	Outstanding June 30, 2022	Interest Expense 2021-22	Debt Service Requirements 2022-23	
										Principal	Interest
Lease Purchase Agreements:											
JP Morgan/Chase	03/31/12	\$ 9,671,127	2.65	\$ 3,860,190	\$ 517,417	\$ -	\$ -	\$ 3,342,773	\$ 77,007	\$ 528,368	\$ 66,055
Mabry Property	12/19/13	875,000	4.50-5.99	67,439	44,588	-	-	22,851	2,653	22,851	748
Stockyards Bank & Trust	11/27/20	12,610,000	3.15	12,610,000	-	-	-	12,610,000	397,215	-	397,215
GASB 87 leases	Various	<u>2,430,630</u>	3.13-3.64	<u>2,211,670</u>	<u>519,808</u>	<u>83,903</u>	<u>-</u>	<u>1,775,765</u>	<u>70,470</u>	<u>327,276</u>	<u>57,167</u>
Total lease purchase		<u>25,586,757</u>		<u>18,749,299</u>	<u>1,081,813</u>	<u>83,903</u>	<u>-</u>	<u>17,751,389</u>	<u>547,345</u>	<u>878,495</u>	<u>521,185</u>
Total		<u>\$113,312,586</u>		<u>\$ 80,757,271</u>	<u>\$4,936,813</u>	<u>\$ 83,903</u>	<u>\$ 145,651</u>	<u>\$ 75,758,710</u>	<u>\$ 2,646,422</u>	<u>\$ 4,933,495</u>	<u>\$ 2,466,372</u>

**SCHEDULE OF MOREHEAD STATE UNIVERSITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Kentucky Teachers Retirement System  
Last 10 Fiscal Years  
(Dollar amounts in thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>University's proportion of the net pension liability (asset)</b>	0.614%	0.617%	0.623%	0.366%	0.383%	0.336%	0.335%	0.321%
<b>University's proportionate share of the net pension liability (asset)</b>	\$132,575	\$150,686	\$192,662	\$103,482	\$52,598	\$48,065	\$49,769	\$43,701
<b>University's covered-employee payroll</b>	\$44,381	\$45,275	\$46,253	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200
<b>University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</b>	298.72%	332.82%	416.54%	230.79%	119.24%	115.05%	119.89%	106.07%
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	45.59%	42.49%	35.22%	39.83%	59.30%	58.80%	58.27%	65.59%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SCHEDULE OF MOREHEAD STATE UNIVERSITY'S PENSION CONTRIBUTIONS**

**Kentucky Teachers Retirement System**

Last 10 Fiscal Years

(Dollar amounts in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Contractually required contribution</b>	\$4,770	\$4,852	\$4,957	\$4,826	\$4,778	\$3,934	\$3,891	\$3,799
<b>Contributions in relation to the contractually required contribution</b>	\$(4,770)	\$(4,852)	\$(4,957)	\$(4,826)	\$(4,778)	\$(3,934)	\$(3,891)	\$(3,799)
<b>Contribution deficiency (excess)</b>	-	-	-	-	-	-	-	-
<b>University's covered-employee payroll</b>	\$44,381	\$45,275	\$46,253	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200
<b>Contributions as a percentage of covered-employee payroll</b>	10.75%	10.72%	10.72%	10.76%	10.83%	9.42%	9.37%	9.22%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SCHEDULE OF MOREHEAD STATE UNIVERSITY'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY – MEDICAL INSURANCE PLAN**

**Kentucky Teachers Retirement System**  
Last 10 Fiscal Years  
(Dollar amounts in thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>University's proportion of the net OPEB liability (asset)</b>	0.462%	0.437%	0.418%	0.405%	0.389%
<b>University's proportionate share of the net OPEB liability (asset)</b>	\$16,482	\$15,159	\$12,258	\$10,220	\$8,368
<b>University's covered-employee payroll</b>	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200
<b>University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll</b>	36.75%	34.37%	29.34%	24.62%	20.31%
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	21.18%	25.50%	32.58%	39.05%	51.74%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SCHEDULE OF MOREHEAD STATE UNIVERSITY'S CONTRIBUTIONS**

**MEDICAL INSURANCE PLAN**

**Kentucky Teachers Retirement System**

Last 10 Fiscal Years

(Dollar amounts in thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Contractually required contribution</b>	\$792	\$778	\$729	\$715	\$691
<b>Contributions in relation to the contractually required contribution</b>	\$(792)	\$(778)	\$(729)	\$(715)	\$(691)
<b>Contribution deficiency (excess)</b>	-	-	-	-	-
<b>University's covered-employee payroll</b>	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200
<b>Contributions as a percentage of covered-employee payroll</b>	1.77%	1.76%	1.75%	1.72%	1.68%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SCHEDULE OF MOREHEAD STATE UNIVERSITY'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY – LIFE INSURANCE PLAN**

**Kentucky Teachers Retirement System**  
Last 10 Fiscal Years  
(Dollar amounts in thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>University's proportion of the net OPEB liability (asset)</b>	0.974%	0.950%	0.897%	0.873%	0.848%
<b>University's proportionate share of the net OPEB liability (asset)</b>	\$214	\$268	\$279	\$303	\$111
<b>University's covered-employee payroll</b>	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200
<b>University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll</b>	0.48%	0.61%	0.67%	0.73%	0.27%
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	79.99%	75.00%	73.40%	71.57%	89.15%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SCHEDULE OF MOREHEAD STATE UNIVERSITY'S CONTRIBUTIONS –**

**LIFE INSURANCE PLAN**

**Kentucky Teachers Retirement System**

Last 10 Fiscal Years

(Dollar amounts in thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Contractually required contribution</b>	\$9	\$9	\$12	\$14	\$17
<b>Contributions in relation to the contractually required contribution</b>	\$(9)	\$(9)	\$(12)	\$(14)	\$(17)
<b>Contribution deficiency (excess)</b>	-	-	-		
<b>University's covered-employee payroll</b>	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200
<b>Contributions as a percentage of covered-employee payroll</b>	0.02%	0.02%	0.03%	0.03%	0.04%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.



**SCHEDULE OF MOREHEAD STATE UNIVERSITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**Kentucky Retirement System**  
Last 10 Fiscal Years  
(Dollar amounts in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>University's proportion of the net pension liability (asset)</b>	0.67%	0.66%	0.61%	0.58%	0.52%	0.36%	0.28%	0.59%
<b>University's proportionate share of the net pension liability (asset)</b>	\$62,124	\$68,784	\$71,768	\$80,255	\$73,618	\$53,379	\$41,858	\$81,334
<b>University's covered-employee payroll</b>	\$11,898	\$11,750	\$10,723	\$9,842	\$8,829	\$5,972	\$4,533	\$4,023
<b>University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</b>	522.14%	585.40%	669.29%	815.43%	833.82%	893.82%	923.41%	2,021.73%
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	25.39%	21.73%	17.54%	16.07%	15.81%	16.57%	16.92%	22.01%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SCHEDULE OF MOREHEAD STATE UNIVERSITY'S PENSION CONTRIBUTIONS**

**Kentucky Retirement System**  
Last 10 Fiscal Years  
(Dollar amounts in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Contractually required contribution</b>	\$3,199	\$3,587	\$3,249	\$3,766	\$3,431	\$2,357	\$1,807	\$1,602
<b>Contributions in relation to the contractually required contribution</b>	\$(3,199)	\$(3,587)	\$(3,249)	\$(3,766)	\$(3,431)	\$(2,357)	\$(1,807)	\$(1,602)
<b>Contribution deficiency (excess)</b>	-	-	-	-	-	-	-	-
<b>University's covered-employee payroll</b>	\$11,898	\$11,750	\$10,723	\$9,842	\$8,829	\$5,972	\$4,533	\$4,023
<b>Contributions as a percentage of covered-employee payroll</b>	26.89%	30.53%	30.30%	38.26%	38.86%	39.47%	39.86%	39.82%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SCHEDULE OF MOREHEAD STATE UNIVERSITY'S PROPORTIONATE SHARE**

**OF THE NET OPEB LIABILITY**

**Kentucky Retirement System**

Last 10 Fiscal Years

(Dollar amounts in thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>University's proportion of the net OPEB liability (asset)</b>	0.587%	0.533%	0.368%	0.286%	0.552 %
<b>University's proportionate share of the net OPEB liability (asset)</b>	\$14,927	\$12,452	\$8,088	\$7,382	\$12,510
<b>University's covered-employee payroll</b>	\$9,842	\$8,829	\$5,972	\$4,533	\$4,023
<b>University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll</b>	151.67 %	141.04%	135.43%	162.85%	310.96%
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	33.94%	37.63%	41.05%	38.00%	47.52%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**SCHEDULE OF MOREHEAD STATE UNIVERSITY'S OPEB CONTRIBUTIONS**

**Kentucky Retirement System**  
 Last 10 Fiscal Years  
 (Dollar amounts in thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Contractually required contribution</b>	\$830	\$692	463	\$353	\$301
<b>Contributions in relation to the contractually required contribution</b>	\$(830)	\$(692)	\$(463)	\$(353)	\$(301)
<b>Contribution deficiency (excess)</b>	-	-	-	-	-
<b>University's covered-employee payroll</b>	\$9,842	\$8,829	\$5,972	\$4,533	\$4,023
<b>Contributions as a percentage of covered-employee payroll</b>	8.43%	7.84%	7.75%	7.79%	7.48%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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

**Report of Independent Auditors**

Members of the Board of Regents and  
Dr. Joseph A. Morgan, President  
Morehead State University  
Morehead, 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 Morehead State University (the University) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 30, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, significant deficiencies and material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dean Dotson Allen Ford, PLLC*  
September 30, 2022  
Lexington, Kentucky

**MOREHEAD STATE UNIVERSITY**

Schedule of Findings and Responses

Year ended June 30, 2022

**Section I – Summary of Auditors’ Results**

- a. The type of report issued on the financial statements: **Unmodified Opinion**
- b. Significant deficiencies identified in the internal control over financial reporting: **None noted**

Material Weaknesses: **No**

- c. Non-compliance which is material to the financial statements: **No**