



Financial Statements

for

MOREHEAD STATE UNIVERSITY

For the Years Ended June 30, 2024 and 2023
with Independent Auditor's Report

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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, 2024. 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 *Come SOAR With Us, MSU Vision & Strategic Plan 2018-2025*.
- Total assets and deferred outflows of resources were \$396 million at June 30, 2024 versus \$352 million at June 30, 2023. The increase is primarily related to increases in cash of \$33 million and increases in capital assets, net of \$12 million.

MOREHEAD STATE UNIVERSITY

Management's Discussion and Analysis, continued

- Total liabilities and deferred inflows of resources were \$291 million at June 30, 2024 versus \$261 million at June 30, 2023. The increase is primarily related to net increases in bond and lease obligations of \$43 million. The increase was offset by decreases in net pension liability of approximately \$3 million and decreases in net OPEB liability of \$9 million due to changes in the University's proportionate share of the Commonwealth of Kentucky's net pension and OPEB liability.
- Total net position was \$105 million at June 30, 2024 and \$91 million at June 30, 2023.

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>2024</u>	<u>2023</u>
<u>Assets</u>		
Current assets	\$ 112,180	\$ 76,082
Capital assets	233,854	221,822
Other noncurrent assets	<u>22,290</u>	<u>20,122</u>
Total assets	368,324	318,026
Deferred outflows of resources	<u>28,209</u>	<u>34,011</u>
Total assets and deferred outflows of resources	396,533	352,037
<u>Liabilities</u>		
Current liabilities	16,755	17,244
Net pension liability	129,321	131,919
Net OPEB Liability	12,359	21,675
Other noncurrent liabilities	<u>109,589</u>	<u>68,159</u>
Total liabilities	268,024	238,997
Deferred inflows of resources	<u>23,139</u>	<u>22,046</u>
Total liabilities and deferred inflows of resources	291,163	261,043
<u>Net Position</u>		
Net investment in capital assets	124,285	151,918
Restricted, expendable	44,844	5,029
Restricted, nonexpendable	12,168	12,128
Unrestricted, excluding GASB 68 & 75 adjustments	58,347	61,351
Unrestricted, GASB 68 & 75 cumulative adjustments	<u>(134,274)</u>	<u>(139,432)</u>
Total net position	<u>\$ 105,370</u>	<u>\$ 90,994</u>

Assets and deferred outflows of resources

As of June 30, 2024, the University's total assets and deferred outflows of resources were approximately \$396 million versus \$352 million at June 30, 2023. Investment in capital assets, net of depreciation, represented the University's largest asset, totaling \$234 million compared to \$222 million at June 30, 2023. Cash and investments, totaling \$112 million at June 30, 2024 and \$79 million at June 30, 2023, were the University's next largest asset. Total assets and deferred outflows of resources increased by approximately \$44 million during the year ended June 30, 2024. The principal areas of change were:

MOREHEAD STATE UNIVERSITY

Management's Discussion and Analysis, continued

- Cash and cash equivalents increased \$33 million, primarily due to bond proceeds received from the issuance of 2024 Series A General Receipts bonds, which will be used to construct a new residence hall.
- Capital assets, net of accumulated depreciation, increased \$12 million due to capital asset renovation/preservation project expenditures.
- Deferred outflows of resources decreased \$6 million, due to changes in Morehead State University's proportionate share of the Commonwealth of Kentucky's net pension and OPEB liability.

Liabilities and deferred inflows of resources

At June 30, 2024, the University's total liabilities and deferred inflows of resources were approximately \$291 million versus \$261 million in the previous year. Net pension liability represented \$129 million at June 30, 2024 as compared to \$132 million in the prior year and Net OPEB Liability represented \$12 million at June 30, 2024 and \$22 million at June 30, 2023. Bonds and lease obligations for capital assets represented \$115 million at June 30, 2024 and \$72 million at June 30, 2023. Total liabilities and deferred inflows of resources increased by \$30 million during the year ended June 30, 2024. This increase was primarily due to the following:

- Bonds and lease obligations increased \$43 million, due to the issuance of 2023 Series A bonds, \$5,175,000, 2024 Series A Bonds, \$39,260,000 and 2024 Series B bonds, \$4,410,000. 2024 Series B General Receipts Refunding Bonds were issued to refund and retire portions of the outstanding 2013 and 2014 Series A bonds to achieve net present value savings of \$374,508. Bond proceeds of \$4,917,719 (inclusive of original issue premium totaling \$507,719) were used to pay issuance costs and refund and retire portions of the outstanding 2013 Series A and 2014 Series A General Receipts Bonds which had total outstanding principal in the amount of \$4,880,000 and interest rates ranging from 4.0% to 5.0%. Bond and lease obligations were reduced by debt payments and bond premium amortization in the amount of \$11 million.
- Net pension liability decreased approximately \$3 million and net OPEB liability decreased \$9 million due to changes in Morehead State University's proportionate share of the Commonwealth of Kentucky's net pension and OPEB liability.

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Management's Discussion and Analysis, continued

Net Position

Net position at June 30, 2024 totaled approximately \$105 million compared to approximately \$91 million at June 30, 2023. Net investment in capital assets, totaled \$124 million at June 30, 2024 compared to \$152 million at June 30, 2023. Restricted net position totaled \$57 million compared to \$17 million at June 30, 2023. Unrestricted net position totaled (\$76) million versus (\$78) million at June 30, 2023. Total net position increased by \$14 million as of June 30, 2024.

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 \$28 million. The decrease is primarily related to the issuance of the 2024 Series A General Receipts bonds in the amount of \$39,260,000 to construct a new residence hall and was offset by renovation/asset preservation fixed asset additions.

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 \$40 million at June 30, 2024 primarily due to the issuance of the 2024 Series A General Receipts bonds in the amount of \$39,260,000. As of June 30, 2024 \$38,293,577 of the bond proceeds were unexpended.

Unrestricted Net Position

Unrestricted net position increased \$2 million from the previous year to (\$76) 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 liabilities, which increased unrestricted net position by \$5 million at June 30, 2024. 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

Condensed Financial Information
Statements of Revenues, Expenses and Changes in Net Position (in thousands)
Years ended June 20, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Operating Revenues</u>		
Student tuition and fees, net	\$ 22,392	\$ 21,677
Federal grants and contracts	16,809	14,575
State and local grants and contracts	530	501
Nongovernmental grants and contracts	356	202
Sales and services of educational activities	3,591	3,410
Auxiliary enterprises	10,810	11,017
Other operating revenues	<u>8,819</u>	<u>7,867</u>
Total operating revenues	63,307	59,249
<u>Operating Expenses</u>		
Educational and general	127,321	117,582
Auxiliary enterprises	6,626	6,781
Depreciation	10,857	12,105
Amortization	1,657	963
GASB 68 pension expense (benefit)	(1,211)	8,525
GASB 75 OPEB (benefit)	(3,947)	(2,515)
Other operating loss	<u>146</u>	<u>178</u>
Total operating expenses	<u>141,449</u>	<u>143,619</u>
Operating loss	(78,142)	(84,370)
<u>Non-operating Revenues (Expenses)</u>		
Grants and contracts	27,810	26,371
State appropriations	49,762	46,339
Investment income, net	3,250	1,740
Interest on capital assets – debt related	<u>(2,929)</u>	<u>(2,283)</u>
Net non-operating revenues	<u>77,893</u>	<u>72,167</u>
Loss before capital appropriations	(249)	(12,203)
Capital appropriations	<u>14,625</u>	<u>4,571</u>
Increase (decrease) in net position	14,376	(7,632)
Net position, beginning of year	<u>90,994</u>	<u>98,626</u>
Net position, end of year	<u>\$ 105,370</u>	<u>\$ 90,994</u>

MOREHEAD STATE UNIVERSITY

Management's Discussion and Analysis, continued

Revenues

Total operating revenues were approximately \$63 million for the year ended June 30, 2024 and \$59 million for the year ended June 30, 2023. The most significant sources of operating revenues for the University are net student tuition and fees \$22 million, federal grants and contracts \$17 million, and auxiliary enterprises revenue \$11 million.

- Net tuition and fees revenue increased approximately \$715 thousand. Tuition and fees scholarship allowances were \$34.1 million at June 30, 2024 and \$33.9 million at June 30, 2023.
- Federal grants and contracts revenue increased \$2.2 million from the prior year. Grants and contracts revenue varies each year due to changes in award amounts and timing of when grant funds are spent.

Expenses

Operating expenses totaled approximately \$141 million compared to \$144 million at June 30, 2023. Approximately \$127 million of operating expenses were 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 \$9 million primarily due to increases of \$6.6 million in Instruction expenditures, \$2.2 million in Student Services expenses and \$2.1 million in Institutional Support. Increase in Instruction expenditures is primarily related to equipment and other grant related expenditures. Student Services increase is primarily related to athletic expenditures supported by the MSU Foundation and Institutional Support increase is primarily related to cyber recovery expenditures.
- The increase in operating expenses was offset by decreases in GASB 68 and 75 pension and OPEB expense (benefit) adjustments. GASB 68 and 75 pension and OPEB adjustments decreased \$11 million from the prior year due to changes in the University's proportionate share of the Commonwealth of Kentucky's net pension and 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 year. 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.

Condensed Financial Information Statements of Cash Flows (in thousands) Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Provided By (Used In):		
Operating activities	\$ (74,610)	\$ (64,136)
Noncapital financing activities	77,572	72,710
Capital and related financing activities	26,500	(11,847)
Investing activities	<u>3,266</u>	<u>4,064</u>
Net increase in cash and cash equivalents	32,728	791
Cash and cash equivalents, beginning of the year	<u>66,947</u>	<u>66,156</u>
Cash and cash equivalents, end of the year	<u><u>\$ 99,675</u></u>	<u><u>\$ 66,947</u></u>

Major sources of funds included in operating activities are student tuition and fees, \$22 million for June 30, 2024 and \$22 million for June 30, 2023 and grants and contracts, \$18 million for June 30, 2024 compared to \$16 million in the prior year. The largest cash payments for operating activities were made to suppliers in the amount of \$79 million for June 30, 2024 and \$72 million for June 30, 2023 and to employees in the amount of \$55 million as compared to \$53 million in the prior year.

Noncapital financing activities include non-operating grants and contracts in the amounts of \$28 million for June 30, 2024 as compared to \$26 million in the prior year. The operating appropriation from the Commonwealth of Kentucky is also included as noncapital financing activities and was \$50 million for June 30, 2024 and \$46 million for the prior year. Cash provided by capital and related financing activities for June 30, 2024 was primarily due to the issuance of bonds to construct a new residence hall.

Cash used in capital and related financing activities for June 30, 2024 and 2023 was primarily due to expenditure of funds for capital asset purchases and 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 \$234 million at June 30, 2024 versus \$222 million at June 30, 2023. The increase of \$12 million was primarily due to renovation/asset preservation fixed asset additions. Significant projects included renovation of residence halls, campus communications infrastructure upgrades, Science & Engineering building project design and various other renovations.

Debt

At June 30, 2024, the University had \$115 million in outstanding debt versus \$72 million in the previous year. This includes \$94 million in bonds payable and premium amortization compared to \$54 million at June 30, 2023. In addition, the University had lease obligations of \$21 million as of June 30, 2024 compared to \$18 million in the previous year.

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

	June 30,	
	<u>2024</u>	<u>2023</u>
General Receipts bonds	\$ 91,925	\$ 52,055
Premium Amortization	2,018	1,752
Lease obligations	14,885	15,557
GASB 87 & 96 Leases	<u>5,875</u>	<u>2,783</u>
	<u>\$114,703</u>	<u>\$ 72,147</u>

On August 8, 2023, the University issued 2023 Series A General Receipts Bonds in the amount of \$5,175,000 to finance the University's required match for the Asset Preservation Pool 2022-2024 Projects. On April 3, 2024, the University issued 2024 Series A General Receipts bonds in the amount of \$39,260,000 to construct a new residence hall and 2024 Series B General Receipts Refunding bonds in the amount of \$4,410,000 to refund and retire a portion of the outstanding 2013 and 2014 Series A bonds to achieve debt service savings. Net present value savings of \$374,508 was achieved by the issuance of the 2024 Series B General Receipts Refunding bonds. Bonds and lease obligations decreased by \$11 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, 2025 totaling \$147.6 million.
- In the 2024-2026 Biennial Budget, the University received approval for \$37.67 million to be utilized for Asset Preservation Pool Projects. The 2024-2025 fiscal year pool totaled \$18.835 million provided from Bonds to be issued by the Commonwealth of Kentucky.
- The University also received approval to construct a new \$90 million Multi-Disciplinary Classroom Building in the 2024-2025 fiscal year to be paid from Bonds to be issued by the Commonwealth of Kentucky.
- State Appropriations for the 2024-25 fiscal year will increase to \$51.6 million from \$49.8 million in the previous fiscal year. The increase includes appropriations for MSU's proportionate share of debt service related to state bonds issued to provide the Commonwealth's capital project funding noted above and \$35.22 million which provided funding for the 2022-2024 Asset Preservation Pool Projects.

Independent Auditor's Report

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 financial statements of the business-type activities and discretely presented component unit of Morehead State University (the University) as of and for the years then ended June 30, 2024 and 2023, 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 referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University as of June 30, 2024 and 2023, and the respective changes in financial position, and, where, applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 (*Government Auditing Standards*). 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 GAAP, 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 include 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

GAAP requires that the management's discussion and analysis on pages 1-11 and the pension and other post-employment benefits (OPEB) supplementary information on pages 86 - 100 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Dean Dotson Allen Ford, PLLC

Lexington, Kentucky
October 10, 2024

MOREHEAD STATE UNIVERSITY

Statements of Net Position

June 30, 2024 and 2023

Assets and Deferred Outflows	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 99,675,370	\$ 66,946,518
Accounts, grants and loans receivable, net	9,278,001	6,597,759
Lease receivable	164,262	157,916
Prepaid expenses	576,843	1,280,552
Prepaid interest	114,023	114,023
Inventories	714,725	732,209
Other current assets	<u>1,656,254</u>	<u>252,711</u>
Total current assets	112,179,478	76,081,688
Noncurrent assets:		
Accounts, grants and loans receivable, net	1,005,263	1,222,460
Lease receivable	744,923	909,185
Prepaid interest	342,068	456,090
Prepaid lease	2,502,650	2,658,224
Investments, at fair value	12,208,256	12,224,142
Capital assets, net	233,853,947	221,822,031
Lease and software assets, net	<u>5,487,263</u>	<u>2,651,616</u>
Total noncurrent assets	<u>256,144,370</u>	<u>241,943,748</u>
Total assets	368,323,848	318,025,436
Deferred outflows of resources:		
Pensions	19,053,292	20,742,280
OPEB	<u>9,155,372</u>	<u>13,269,196</u>
Total deferred outflows of resources	<u>28,208,664</u>	<u>34,011,476</u>
Total assets and deferred outflows of resources	396,532,512	352,036,912

Liabilities, Deferred Inflows and Net Position

Current liabilities:		
Accounts payable and accrued liabilities	7,067,553	7,428,602
Unearned revenue	2,778,163	3,627,091
Other current liabilities	235,831	380,840
Bonds and lease obligations, current portion	<u>6,673,091</u>	<u>5,807,149</u>
Total current liabilities	16,754,638	17,243,682
Long-term liabilities:		
Bonds and lease obligations, noncurrent portion	108,029,521	66,340,342
Advances from federal government for student loans	340,425	527,668
Unearned revenue	290,235	290,235
Deferred gain on disposal	929,399	1,000,891
Net pension liability	129,320,744	131,919,160
Net OPEB liability	<u>12,358,798</u>	<u>21,675,094</u>
Total long-term liabilities	<u>251,269,122</u>	<u>221,753,390</u>
Total liabilities	268,023,760	238,997,072

See accompanying notes

MOREHEAD STATE UNIVERSITY

Statements of Net Position, continued

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Deferred inflows of resources:		
Bookstore Contract	72,727	84,848
Deferred bond reoffering contract	1,431,289	1,110,443
Leases	831,820	1,001,634
Pensions	6,451,974	6,753,322
OPEB	<u>14,351,229</u>	<u>13,095,553</u>
Total deferred inflows of resources	23,139,039	22,045,800
Net Position:		
Net investment in capital assets	124,285,077	151,917,493
Restricted:		
Expendable	44,843,687	5,029,256
Nonexpendable	12,167,645	12,128,209
Unrestricted		
Unrestricted (Excluding GASB 68 & 75)	58,347,385	61,350,735
GASB 68 & 75 Cumulative adjustments	<u>(134,274,081)</u>	<u>(139,431,653)</u>
Total net position	<u>\$ 105,369,713</u>	<u>\$ 90,994,040</u>

See accompanying notes.

MOREHEAD STATE UNIVERSITY FOUNDATION, INC.

Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Cash	\$ 580,659	\$ 363,704
Accounts receivable	8,990	5,705
Current portion of pledges receivable, net	514,083	652,634
Prepaid expenses	<u>-</u>	<u>7,608</u>
Total current assets	1,103,732	1,029,651
Noncurrent assets:		
Investments, at fair value	77,200,884	72,058,987
Cash surrender value – life insurance	167,721	165,669
Property and equipment, net	1,531,442	61,008
Pledges receivable, net of current portion	<u>5,021,319</u>	<u>2,533,227</u>
Total noncurrent assets	<u>83,921,366</u>	<u>74,818,891</u>
Total assets	<u>\$ 85,025,098</u>	<u>\$ 75,848,542</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of annuities payable	\$ 110,018	\$ 132,211
Accounts payable	86,628	4,012
Due to Morehead State University	<u>1,675,416</u>	<u>477,783</u>
Total current liabilities	1,872,062	614,006
Long-term liabilities:		
Funds held in trust for Morehead State University	11,052,195	11,052,195
Annuities payable, net of current portion	<u>273,841</u>	<u>431,150</u>
Total long-term liabilities	<u>11,326,036</u>	<u>11,483,345</u>
Total liabilities	13,198,098	12,097,351
Net (deficit) assets:		
Without donor restrictions	(2,633,129)	(1,293,461)
With donor restrictions	<u>74,460,129</u>	<u>65,044,652</u>
Total net assets	<u>71,827,000</u>	<u>63,751,191</u>
Total liabilities and net assets	<u>\$ 85,025,098</u>	<u>\$ 75,848,542</u>

See accompanying notes

MOREHEAD STATE UNIVERSITY

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$34,091,316 and \$33,987,259)	\$ 22,392,250	\$ 21,677,091
Federal grants and contracts	16,808,802	14,574,578
State and local grants and contracts	529,735	500,648
Nongovernmental grants and contracts	355,646	201,734
Sales and services of educational activities	3,591,277	3,410,355
Auxiliary enterprises:		
Residence halls (net of scholarship allowances of \$6,216,147 and \$5,545,822)	8,931,878	8,837,107
Bookstore	313,158	656,229
Other auxiliaries	1,565,350	1,524,267
Other operating revenues	<u>8,818,947</u>	<u>7,867,305</u>
Total operating revenues	63,307,043	59,249,314
Operating expenses:		
Education and general:		
Instruction	50,270,857	43,660,202
Research	2,264,982	2,526,725
Public service	4,337,529	4,425,748
Library	2,184,192	2,279,931
Academic support	4,219,552	5,053,446
Student services	22,303,370	20,133,326
Institutional support	16,053,986	13,968,149
Operation and maintenance of plant	10,950,774	10,560,743
Depreciation	10,856,679	12,104,849
Amortization	1,657,181	962,557
Student aid	14,735,321	14,974,235
Auxiliary enterprises:		
Residence halls	4,662,798	4,943,146
Bookstore	72,394	135,854
Other auxiliaries	1,891,193	1,702,303
GASB 68 pension expense (benefit)	(1,210,776)	8,525,127
GASB 75 OPEB expense (benefit)	(3,946,796)	(2,515,257)
Other operating loss	<u>146,168</u>	<u>178,135</u>
Total operating expenses	<u>141,449,404</u>	<u>143,619,219</u>
Operating loss	(78,142,361)	(84,369,905)

See accompanying notes.

MOREHEAD STATE UNIVERSITY

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

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Nonoperating revenues (expenses):		
Grants and contracts	27,809,602	26,371,325
State appropriations	49,762,400	46,339,100
Investment income, net	3,250,111	1,739,585
Interest on capital asset-related debt	<u>(2,928,622)</u>	<u>(2,282,850)</u>
Net nonoperating revenues	<u>77,893,491</u>	<u>72,167,160</u>
Loss before capital appropriations	(248,870)	(12,202,745)
Capital appropriations	<u>14,624,543</u>	<u>4,570,551</u>
Increase (decrease) in net position	14,375,673	(7,632,194)
Net position, beginning of year	<u>90,994,040</u>	<u>98,626,234</u>
Net position, end of year	<u><u>\$ 105,369,713</u></u>	<u><u>\$ 90,994,040</u></u>

See accompanying notes.

MOREHEAD STATE UNIVERSITY FOUNDATION, INC.

Statements of Activities

Year ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 172,523	\$ 7,088,689	\$ 7,261,212
Other revenue and gains:			
Investment gains:			
Interest and dividend income, net	146,466	718,613	865,079
Realized and unrealized gains	15,238	5,328,665	5,343,903
In-kind contributed services	59,769	-	59,769
Development activities	329,395	629,362	958,757
Annuities payable adjustment	71,131	-	71,131
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>4,326,848</u>	<u>(4,326,848)</u>	<u>-</u>
Total revenues, gains and other support	5,121,370	9,438,481	14,559,851
Expenses:			
Program services expenses:			
Contributions to Morehead State University for:			
Academic programs	2,465,036	-	2,465,036
Athletics	1,397,551	-	1,397,551
University support:			
Operations and materials	632,235	-	632,235
Student financial aid	1,045,507	-	1,045,507
Athletics	<u>256,771</u>	<u>-</u>	<u>256,771</u>
Total program expenses	5,797,100	-	5,797,100
General and administrative	469,757	-	469,757
Bad debt expense	7,782	23,004	30,786
Fundraising	<u>186,399</u>	<u>-</u>	<u>186,399</u>
Total expenses	<u>6,461,038</u>	<u>23,004</u>	<u>6,484,042</u>
Change in net assets	(1,339,668)	9,415,477	8,075,809
Net (deficit) assets, beginning of year	<u>(1,293,461)</u>	<u>65,044,652</u>	<u>63,751,191</u>
Net (deficit) assets, end of year	<u>\$ (2,633,129)</u>	<u>\$ 74,460,129</u>	<u>\$ 71,827,000</u>

See accompanying notes.

MOREHEAD STATE UNIVERSITY FOUNDATION, INC.

Statements of Activities

Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 146,087	\$ 4,782,448	\$ 4,928,535
Other revenue and gains:			
Investment gains (losses):			
Interest and dividend income, net	94,019	450,747	544,766
Realized and unrealized (losses) gains	(78,830)	4,119,131	4,040,301
In-kind contributed services	85,676	-	85,676
Development activities	294,420	456,351	750,771
Annuities payable adjustment	(118,606)	-	(118,606)
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>5,695,979</u>	<u>(5,695,979)</u>	<u>-</u>
Total revenues, gains and other support	6,118,745	4,112,698	10,231,443
Expenses:			
Program services expenses:			
Contributions to Morehead State University for:			
Academic programs	2,568,437	-	2,568,437
Athletics	427,485	-	427,485
University support:			
Operations and materials	800,448	-	800,448
Student financial aid	1,319,462	-	1,319,462
Athletics	<u>552,643</u>	<u>-</u>	<u>552,643</u>
Total program expenses	5,668,475	-	5,668,475
General and administrative	308,999	-	308,999
Bad debt expense	7,927	7,583	15,510
Fundraising	<u>93,090</u>	<u>-</u>	<u>93,090</u>
Total expenses	<u>6,078,491</u>	<u>7,583</u>	<u>6,086,074</u>
Change in net assets	40,254	4,105,115	4,145,369
Net (deficit) assets, beginning of year	<u>(1,333,715)</u>	<u>60,939,537</u>	<u>59,605,822</u>
Net (deficit) assets, end of year	<u>\$ (1,293,461)</u>	<u>\$ 65,044,652</u>	<u>\$ 63,751,191</u>

See accompanying notes.

MOREHEAD STATE UNIVERSITY FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2024

	Program Services								
	Contributions to MSU		University Support			Total	General and Administrative	Fundraising	Total
	Academic Programs	Athletics	Operations and Materials	Student Financial Aid	Athletics				
Transfers to MSU	\$ 2,359,663	\$ 1,397,551	\$ -	\$ -	\$ -	\$ 3,757,214	\$ -	\$ -	\$ 3,757,214
Scholarship expense	-	-	-	1,045,507	-	1,045,507	-	-	1,045,507
Program expense	-	-	405,498	-	255,093	660,591	-	-	660,591
Wages and benefits	-	-	-	-	-	-	242,768	-	242,768
Software & maintenance	-	-	-	-	-	-	159,926	-	159,926
General operating expense	-	-	123,271	-	-	123,271	-	-	123,271
Special events/Cultivation	-	-	-	-	-	-	-	111,649	111,649
Contributions to MSU-GIK	103,726	-	-	-	-	103,726	-	-	103,726
Fundraising expense	-	-	-	-	-	-	-	74,750	74,750
Travel & entertainment	-	-	36,376	-	-	36,376	-	-	36,376
External audit	-	-	-	-	-	-	25,149	-	25,149
Depreciation	-	-	24,816	-	-	24,816	-	-	24,816
General operating - CC Fees	-	-	-	-	-	-	21,751	-	21,751
President's discretionary fund	-	-	19,870	-	-	19,870	-	-	19,870
Insurance	-	-	-	-	1,678	1,678	10,489	-	12,167
Recognition & awards	-	-	8,693	-	-	8,693	-	-	8,693
Membership	-	-	8,464	-	-	8,464	-	-	8,464
Professional development	-	-	-	-	-	-	5,331	-	5,331
Vehicle & maintenance	-	-	5,247	-	-	5,247	-	-	5,247
Legal	-	-	-	-	-	-	4,343	-	4,343
Interest expense	1,647	-	-	-	-	1,647	-	-	1,647
Total expenses by function	\$ 2,465,036	\$ 1,397,551	\$ 632,235	\$ 1,045,507	\$ 256,771	\$ 5,797,100	\$ 469,757	\$ 186,399	\$ 6,453,256

See accompanying notes.

MOREHEAD STATE UNIVERSITY FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2023

	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	\$ 2,448,437	\$ 427,485	\$ -	\$ -	\$ -	\$ 2,875,922	\$ -	\$ -	\$ 2,875,922	
Scholarship expense	-	-	-	1,319,462	-	1,319,462	-	-	1,319,462	
Program expense	-	-	611,371	-	550,965	1,162,336	-	-	1,162,336	
Software & maintenance	-	-	-	-	-	-	173,544	-	173,544	
Contributions to MSU-GIK	117,760	-	-	-	-	117,760	-	-	117,760	
General operating expense	-	-	105,163	-	-	105,163	-	-	105,163	
Special events/Cultivation	-	-	-	-	-	-	-	82,898	82,898	
Wages and benefits	-	-	-	-	-	-	27,397	-	27,397	
External audit	-	-	-	-	-	-	25,051	-	25,051	
Depreciation	-	-	24,708	-	-	24,708	-	-	24,708	
Travel & entertainment	-	-	24,546	-	-	24,546	-	-	24,546	
Promotion expense	-	-	-	-	-	-	21,044	-	21,044	
General operating - CC Fees	-	-	-	-	-	-	17,834	-	17,834	
Insurance	-	-	-	-	1,678	1,678	11,844	-	13,522	
Legal	-	-	-	-	-	-	12,781	-	12,781	
Income tax expense	-	-	-	-	-	-	11,486	-	11,486	
President's discretionary fund	-	-	10,761	-	-	10,761	-	-	10,761	
Recognition & awards	-	-	10,755	-	-	10,755	-	-	10,755	
Fundraising expense	-	-	-	-	-	-	-	10,192	10,192	
Membership	-	-	8,716	-	-	8,716	-	-	8,716	
Professional development	-	-	-	-	-	-	8,018	-	8,018	
Vehicle & maintenance	-	-	4,428	-	-	4,428	-	-	4,428	
Interest expense	2,240	-	-	-	-	2,240	-	-	2,240	
Total expenses by function	\$ 2,568,437	\$ 427,485	\$ 800,448	\$ 1,319,462	\$ 552,643	\$ 5,668,475	\$ 308,999	\$ 93,090	\$ 6,070,564	

See accompanying notes.

MOREHEAD STATE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Tuition and fees	\$ 22,134,477	\$ 22,081,643
Grants and contracts	18,126,150	16,100,410
Payments to suppliers	(78,628,830)	(71,814,902)
Payments to employees	(55,007,247)	(52,907,576)
Collection of loans issued to students	143,531	164,037
Auxiliary enterprises:		
Residence halls	8,931,878	8,837,107
Bookstore	419,585	680,805
Other auxiliaries	1,537,943	1,529,851
Sales and services of educational activities	2,185,916	3,401,329
Other receipts	<u>5,546,987</u>	<u>7,790,356</u>
Net cash used in operating activities	(74,609,610)	(64,136,940)
Cash flows from noncapital financing activities:		
Nonoperating grants and contracts	27,809,602	26,371,325
State appropriations	<u>49,762,400</u>	<u>46,339,100</u>
Net cash provided by noncapital financing activities	77,572,002	72,710,425
Cash flows from capital and related financing activities:		
Capital appropriations	14,624,543	4,570,551
Purchase of capital assets	(23,184,530)	(7,927,765)
Decrease in advances from federal government for student loans	(187,243)	(673,513)
Issuance of new debt	49,256,646	-
Principal paid on debt and leases	(11,048,702)	(5,501,983)
Interest paid on debt and leases	<u>(2,960,251)</u>	<u>(2,314,478)</u>
Net cash provided by (used in) capital and related financing activities	26,500,463	(11,847,188)
Cash flows from investing activities:		
Changes in investments, net	<u>3,265,997</u>	<u>4,064,230</u>
Net cash provided by investing activities	<u>3,265,997</u>	<u>4,064,230</u>
Net increase in cash and cash equivalents	32,728,852	790,527
Cash and cash equivalents, beginning of year	<u>66,946,518</u>	<u>66,155,991</u>
Cash and cash equivalents, end of year	<u>\$ 99,675,370</u>	<u>\$ 66,946,518</u>
Noncash financing and investing transactions:		
Purchase of lease assets	\$ 4,492,828	\$ 405,969

See accompanying notes.

MOREHEAD STATE UNIVERSITY

Statements of Cash Flows, continued

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (78,142,361)	\$ (84,369,905)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	10,856,679	12,104,849
Amortization	1,657,181	962,557
Loss on disposal of capital assets	295,935	98,584
Loss on disposal of lease assets	-	93,065
Bad debt expense	933,749	649,171
Changes in assets and liabilities:		
Receivables, net	(3,396,794)	711,743
Lease receivable	157,916	(16,355)
Inventories	17,484	(16,644)
Other current assets	(1,403,543)	70,251
Prepaid lease	155,574	151,043
Prepaid expenses	703,709	(715,127)
Accounts payable and accrued liabilities	(361,049)	547,703
Unearned revenue	(848,928)	(270,165)
Deferred gain on disposal	(71,492)	(71,492)
Deferred outflows/inflows	6,896,051	(1,763,465)
Net pension liability	(2,598,416)	6,884,059
Net OPEB liability	(9,316,296)	685,373
Other liabilities	<u>(145,009)</u>	<u>127,815</u>
 Net cash used in operating activities	 <u>\$ (74,609,610)</u>	 <u>\$ (64,136,940)</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

Inventory 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 (less investment fees) 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 Employees Retirement System (KERS). 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 KERS. The TRS and KERS 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 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.

Scholarship Allowance Change in Estimate

In Spring 2023, that National Association of College and University Business Officers (NACUBO), issued Advisory Report 2023-01 (AR 2023-01), *Public Institutions: Accounting for and Reporting Financial Aid as a Discount* to provide guidance presenting financial aid provided to students in the financial statements as either a scholarship "allowance" (reduction of amounts students are expected to pay) or as scholarship expense (aid disbursed to students). The Advisory Report supersedes AR 2000-05, *Accounting and Reporting Scholarship Discounts and Allowances to Tuition and Other Fee Revenues by Public Institutions of Higher Education*, which allowed an estimated allocation of institutional aid between the tuition allowance, auxiliary allowance, and expense based on proportional gross charges and total refunds provided to students, regardless of whether those refunds originated from institutional aid or other sources. The result of this allocation method generally resulted in an allocation that did not realistically represent how institutional aid is administered, with a lower amount being applied as a tuition allowance and higher amounts being applied as student aid expense and as an allowance against auxiliary charges. During FY 2024, the University switched to a methodology recommended in AR 2023-01 based on aggregation of individual student account activity where institutional aid is applied following an ordering principle: first to specific charges for which the aid was awarded, then to tuition, then to auxiliary charges, with any excess of aid over amounts charged by the institution disbursed to the student and recorded as student aid expenses. As a result, the scholarship allowance allocation to Student tuition and fees and Auxiliary enterprises revenue increased as Student aid expense decreased. The FY 2023 amounts have not been adjusted to reflect the new allocation methodology. This change in estimate provides a more accurate representation of institutional aid for financial reporting and has no impact on operating results or the change in net position for prior years.

Subsequent Events

Management evaluated the period from July 1, 2024 to October 10, 2024 (the date the financial statements were ready to be issued) for items requiring recognition or disclosure in the financial statements. There were no events occurring during the evaluation period that require recognition or disclosure in the financial statements.

Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform to the 2024 presentation with no impact on total assets and deferred outflows of resources, liabilities, deferred inflows of resources, net position, operating loss or change in net position.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

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.

At June 30, 2024 and 2023, the University had petty cash funds totaling \$8,540 and \$9,640, respectively, and deposits as reflected by bank balances as follows:

	<u>2024</u>	<u>2023</u>
Insured, commercial banks	\$ 250,000	\$ 250,000
Uninsured, commercial banks; collateral held by pledging institution’s agent in the University’s name	8,407,015	15,417,176
Maintained by Commonwealth of Kentucky	<u>91,009,815</u>	<u>51,269,702</u>
	<u>\$ 99,666,830</u>	<u>\$ 66,936,878</u>

As of June 30, 2024 and 2023, investments consisted of:

	<u>2024</u>	<u>2023</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	\$ 40,610	\$ 95,932
Equity mutual funds	<u>986,858</u>	<u>947,422</u>
	1,027,468	1,043,354
Certificate of deposit	128,593	128,593
Restricted assets held by the Morehead State University Foundation, Inc.	<u>11,052,195</u>	<u>11,052,195</u>
	<u>\$ 12,208,256</u>	<u>\$ 12,224,142</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

2. Cash, Cash Equivalents and Investments, continued

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, 2024 and 2023, are invested as follows:

	<u>2024</u>	<u>2023</u>
Percentage of pool invested in:		
Registered investment companies fixed income funds	11%	9%
Registered investment companies equity fund	16%	13%
Registered investment companies alternative investments	<u>73%</u>	<u>78%</u>
	<u>100%</u>	<u>100%</u>

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.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

3. Receivables

Accounts, grants and loans receivable

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

	<u>2024</u>	<u>2023</u>
Student tuition and fees	\$ 3,267,518	\$ 2,673,378
Scholarship receivable	59,831	319,018
Student loans	1,032,416	1,246,270
Grants and contracts	3,412,027	3,687,894
Auxiliary enterprises	809,449	368,003
Other	<u>3,036,241</u>	<u>474,035</u>
	11,617,482	8,768,598
Allowance for doubtful accounts	<u>(1,334,218)</u>	<u>(948,379)</u>
	10,283,264	7,820,219
Current portion	<u>(9,278,001)</u>	<u>(6,597,759)</u>
Noncurrent portion	<u>\$ 1,005,263</u>	<u>\$ 1,222,460</u>

Lease receivable

The University, as a lessor, has entered into several real estate lease agreements. Lease receivable as of June 30, 2024 and 2023 was \$909,185 and \$1,067,101, respectively. The University recognized \$169,814 and \$207,888 in lease-related inflows from these leases during the years ended June 30, 2024 and 2023, respectively.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

4. Capital & Lease Assets, Net

Capital assets as of June 30, 2024, 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	\$ 23,280,126	\$ 20,040	\$ 822,731	\$ 599,660	\$ 23,523,237
Buildings	380,603,519	166,618	5,271,860	3,776,425	382,265,572
Library books	27,874,503	42,145	-	-	27,916,648
Vehicles	1,560,743	-	-	123,682	1,437,061
Equipment and livestock	29,188,625	541,883	399,443	3,625,063	26,504,888
Colleague	4,202,200	-	-	-	4,202,200
Art collection	1,106,605	-	-	-	1,106,605
Construction in progress	<u>4,497,908</u>	<u>22,496,765</u>	<u>(6,494,034)</u>	<u>82,921</u>	<u>20,417,718</u>
	472,314,229	23,267,451	-	8,207,751	487,373,929
<u>Accumulated depreciation</u>					
Land improvements	12,827,588	452,348	-	412,267	12,867,669
Buildings	178,148,489	9,485,645	-	3,678,497	183,955,637
Library books	27,393,066	156,559	-	-	27,549,625
Vehicles	1,426,882	36,604	-	123,682	1,339,804
Equipment and livestock	26,493,973	725,523	-	3,614,449	23,605,047
Colleague	<u>4,202,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,202,200</u>
	<u>250,492,198</u>	<u>10,856,679</u>	<u>-</u>	<u>7,828,895</u>	<u>253,519,982</u>
Capital assets, net	<u>\$ 221,822,031</u>	<u>\$ 12,410,772</u>	<u>\$ -</u>	<u>\$ 378,856</u>	<u>\$ 233,853,947</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

4. Capital & Lease Assets, Net, continued

Lease assets as of June 30, 2024, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>CIP Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land & improvements	\$ 219,762	\$ -	\$ -	\$ -	\$ 219,762
Buildings	1,019,376	-	-	-	1,019,376
Vehicles	142,853	-	-	-	142,853
Equipment	<u>1,292,049</u>	<u>747,558</u>	-	-	<u>2,039,607</u>
	<u>2,674,040</u>	<u>747,558</u>	-	-	<u>3,421,598</u>
 <u>Accumulated amortization</u>					
Land improvements	141,830	17,761	-	-	159,591
Buildings	308,149	104,590	-	-	412,739
Vehicles	69,046	28,571	-	-	97,617
Equipment	<u>790,367</u>	<u>215,333</u>	-	-	<u>1,005,700</u>
	<u>1,309,392</u>	<u>366,255</u>	-	-	<u>1,675,647</u>
 Lease assets, net	 <u>\$ 1,364,648</u>	 <u>\$ 381,303</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,745,951</u>

Subscription-Based Information Technology Arrangement Assets (SBITAs) as of June 30, 2024, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>CIP Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Software	\$ 2,464,508	\$ 3,745,270	\$ -	\$ -	\$ 6,209,778
 <u>Accumulated amortization</u>					
Software	<u>1,177,540</u>	<u>1,290,926</u>	-	-	<u>2,468,466</u>
 Software assets, net	 <u>\$ 1,286,968</u>	 <u>\$ 2,454,344</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 3,741,312</u>
 Lease & software assets, net	 <u>\$ 2,651,616</u>	 <u>\$ 2,835,647</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 5,487,263</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

4. Capital & Lease Assets, Net, continued

Capital assets as of June 30, 2023, 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	\$ 23,280,126	\$ -	\$ -	\$ -	\$ 23,280,126
Buildings	377,333,972	-	3,516,102	246,555	380,603,519
Library books	27,843,085	31,418	-	-	27,874,503
Vehicles	1,560,743	-	-	-	1,560,743
Equipment and livestock	30,806,989	457,387	-	2,075,751	29,188,625
Colleague	4,202,200	-	-	-	4,202,200
Art collection	1,106,605	-	-	-	1,106,605
Construction in progress	<u>575,050</u>	<u>7,557,685</u>	<u>(3,516,102)</u>	<u>118,725</u>	<u>4,497,908</u>
	466,708,770	8,046,490	-	2,441,031	472,314,229
<u>Accumulated depreciation</u>			-		
Land improvements	12,375,804	451,784	-	-	12,827,588
Buildings	168,865,140	9,452,298	-	168,949	178,148,489
Library books	27,152,639	240,427	-	-	27,393,066
Vehicles	1,390,278	36,604	-	-	1,426,882
Equipment and livestock	26,625,010	1,923,736	-	2,054,773	26,493,973
Colleague	<u>4,202,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,202,200</u>
	<u>240,611,071</u>	<u>12,104,849</u>	<u>-</u>	<u>2,223,722</u>	<u>250,492,198</u>
Capital assets, net	<u>\$ 226,097,699</u>	<u>\$ (4,058,359)</u>	<u>\$ -</u>	<u>\$ (217,309)</u>	<u>\$ 221,822,031</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

4. Capital & Lease Assets, Net, continued

Lease assets as of June 30, 2023, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>CIP Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land & improvements	\$ 219,762	\$ -	\$ -	\$ -	\$ 219,762
Buildings	1,019,376	-	-	-	1,019,376
Vehicles	142,853	-	-	-	142,853
Equipment	<u>1,389,619</u>	<u>57,539</u>	<u>-</u>	<u>155,109</u>	<u>1,292,049</u>
	<u>2,771,610</u>	<u>57,539</u>	<u>-</u>	<u>155,109</u>	<u>2,674,040</u>
 <u>Accumulated amortization</u>					
Land improvements	93,204	48,626	-	-	141,830
Buildings	203,559	104,590	-	-	308,149
Vehicles	40,475	28,571	-	-	69,046
Equipment	<u>714,493</u>	<u>137,918</u>	<u>-</u>	<u>62,044</u>	<u>790,367</u>
	<u>1,051,731</u>	<u>319,705</u>	<u>-</u>	<u>62,044</u>	<u>1,309,392</u>
 Lease assets, net	 <u>\$ 1,719,879</u>	 <u>\$ (262,166)</u>	 <u>\$ -</u>	 <u>\$ (93,065)</u>	 <u>\$ 1,364,648</u>

Subscription-Based Information Technology Arrangement Assets (SBITAs) as of June 30, 2023, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>CIP Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Software assets	\$ 2,116,078	\$ 348,430	\$ -	\$ -	\$ 2,464,508
 <u>Accumulated amortization</u>					
Software assets	<u>534,688</u>	<u>642,852</u>	<u>-</u>	<u>-</u>	<u>1,177,540</u>
Software assets, net	<u>\$ 1,581,390</u>	<u>\$ (294,422)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,286,968</u>
 Lease & software assets, net	 <u>\$ 3,301,269</u>	 <u>\$ (556,588)</u>	 <u>\$ -</u>	 <u>\$ (93,065)</u>	 <u>\$ 2,651,616</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>2024</u>	<u>2023</u>
Payable to vendors and contractors	\$ 1,376,878	\$ 952,206
Accrued vacation	1,908,382	1,962,415
Accrued sick leave liability	692,089	708,989
Accrued salaries and other liabilities	<u>3,090,204</u>	<u>3,804,992</u>
	<u>\$ 7,067,553</u>	<u>\$ 7,428,602</u>

6. Long-Term Liabilities

Long-term liabilities at June 30, 2024, 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	\$ 52,055,000	\$ 48,845,000	\$ 8,975,000	\$ 91,925,000	\$ 4,210,000	\$ 87,715,000
Premium amortization	1,751,670	411,646	145,651	2,017,665	163,524	1,854,141
Lease obligations	15,557,537	-	672,684	14,884,853	770,972	14,113,881
GASB 96 Leases	1,348,468	3,745,270	1,059,640	4,034,098	1,173,104	2,860,994
GASB 87 Leases	<u>1,434,816</u>	<u>747,558</u>	<u>341,378</u>	<u>1,840,996</u>	<u>355,491</u>	<u>1,485,505</u>
Total bonds and lease obligations	72,147,491	53,749,474	11,194,353	114,702,612	6,673,091	108,029,521
Federal refundable grants	<u>527,668</u>	-	<u>187,243</u>	<u>340,425</u>	-	<u>340,425</u>
Total long-term liabilities	<u>\$ 72,675,159</u>	<u>\$ 53,749,474</u>	<u>\$ 11,381,596</u>	<u>\$ 115,043,037</u>	<u>\$ 6,673,091</u>	<u>\$ 108,369,946</u>

Long-term liabilities at June 30, 2023, 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	\$ 56,110,000	\$ -	\$ 4,055,000	\$ 52,055,000	\$ 4,095,000	\$ 47,960,000
Premium amortization	1,897,321	-	145,651	1,751,670	145,651	1,606,019
Lease obligations	15,975,624	-	418,087	15,557,537	672,683	14,884,854
GASB 96 Leases	1,630,446	348,430	630,408	1,348,468	655,537	692,931
GASB 87 Leases	<u>1,775,765</u>	<u>57,539</u>	<u>398,488</u>	<u>1,434,816</u>	<u>238,278</u>	<u>1,196,538</u>
Total bonds and lease obligations	77,389,156	405,969	5,647,634	72,147,491	5,807,149	66,340,342
Federal refundable grants	<u>1,201,181</u>	-	<u>673,513</u>	<u>527,668</u>	-	<u>527,668</u>
Total long-term liabilities	<u>\$ 78,590,337</u>	<u>\$ 405,969</u>	<u>\$ 6,321,147</u>	<u>\$ 72,675,159</u>	<u>\$ 5,807,149</u>	<u>\$ 66,868,010</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:

	2024	2023
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	\$ 1,320,000	\$ 1,320,000
1.00-4.375% General Receipts Bonds, 2013 Series A Tax-Exempt Bonds, advance refunded by 2024 Series B General Receipts Refunding Bonds, April, 2024	-	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, 2027	7,030,000	10,580,000
1.00-5.00% General Receipts Refunding Bonds, 2014 Series B, repayable in semi-annual installments with the final installment due October, 2029	2,145,000	2,470,000
3.00-5.00% General Receipts Bonds, 2015 Series A, repayable in semi-annual installments with the final installment due April, 2035	21,550,000	23,045,000
1.00-3.00% General Receipts Refunding Bonds, 2016 Series A, repayable in semi-annual installments with the final installment due November, 2027	1,465,000	1,815,000
2.00-3.75% General Receipts Bonds, 2016 Series B, repayable in semi-annual installments with the final installment due November, 2036	4,700,000	4,985,000
2.05-2.40% General Receipts Bonds, 2020 Series A, repayable in semi-annual installments with the final installment due November, 2032	4,870,000	4,870,000
4.00-5.00% General Receipts Bonds, 2023 Series A, repayable in semi-annual installments with the final installment due September, 2043	5,175,000	-
4.00-5.00% General Receipts Bonds, 2024 Series A, repayable in semi-annual installments with the final installment due March, 2054	39,260,000	-
5.00% General Receipts Refunding Bonds, 2024 Series B, repayable in semi-annual installments with the final installment due September, 2032	4,410,000	-
General Receipts Bonds, Reoffering Premium, amortized over semi-annual installments with the final installment amortized April 2035	2,017,665	1,751,670
2.65% Lease obligation with JP Morgan/Chase, repayable in quarterly installments with the final installment due June, 2025	2,274,853	2,947,537
3.15% Lease obligation with Stockyards Bank & Trust, repayable in semi-annual installments with the final installment due February, 2037	12,610,000	12,610,000
3.13-3.57% Lease obligations under GASB 96, various payment amounts with final installments due in 2027	4,034,098	1,348,468
3.13-3.64% Lease obligations under GASB 87, various payment amounts with final installments due in 2041	<u>1,840,996</u>	<u>1,434,816</u>
Totals	<u>\$114,702,612</u>	<u>\$ 72,147,491</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

6. Long-Term Liabilities, continued

Current Refunding

On April 3, 2024, the University issued 2024 Series B General Receipts Refunding Bonds in the amount of \$4,410,000. The bonds sold at a true interest cost of 2.867%, which achieved net present value savings of \$374,508. The bonds consist of serial bonds bearing 5.0% fixed interest rate with annual maturities from September 2028 through September 2032.

Bond proceeds of \$4,917,719 (inclusive of original issue premium totaling \$507,719) were used to pay issuance costs and refund and retire portions of the outstanding 2013 Series A and 2014 Series A General Receipts Bonds which had total outstanding principal in the amount of \$4,880,000 and interest rates ranging from 4.0% to 5.0%.

The current refunding's were done to achieve debt service savings and to reduce cash flow needed for future debt service payments. The refunding's decreased the University's total debt service cash flow payments by approximately \$541,094 over the approximate 9-year life of the 2024 Series B General Receipts Refunding Bonds.

Lease Assets

The University, as a lessee, has entered into lease agreements involving real estate, equipment, vehicles and software. 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 subscription-based information technology agreements include Colleague ERP system subscription and cloud software, Adobe software, and several athletic software subscriptions.

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

	<u>2024</u>	<u>2023</u>
Real estate, equipment, vehicles and software	\$ 29,450,105	\$ 24,957,277
Less: accumulated depreciation/amortization	<u>(18,496,044)</u>	<u>(16,353,982)</u>
	<u>\$ 10,954,061</u>	<u>\$ 8,603,295</u>

During the year ended June 30, 2021, the University entered into a lease obligation with Stockyards Bank & Trust that had a principal balance of \$12,610,000 as of both June 30, 2024 and 2023. This obligation is secured by various fixed assets as defined in the agreement.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

6. Long-Term Liabilities, continued

The following is a schedule by years of future minimum payments required for the lease and software obligations are as follows:

Year ending June 30,		
2025	\$	2,865,235
2026		2,587,528
2027		2,585,633
2028		2,613,767
2029		885,167
Thereafter		<u>13,223,295</u>
Total minimum lease payments		24,760,625
Less: amounts representing interest		<u>(4,000,678)</u>
Principal due		<u><u>\$ 20,759,947</u></u>

The principal and interest repayment requirements relating to the outstanding bonds at June 30, 2024 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2025	\$ 4,210,000	\$ 3,431,573	\$ 7,641,573
2026	4,385,000	3,421,990	7,806,990
2027	4,545,000	3,256,415	7,801,415
2028	4,685,000	3,116,235	7,801,235
2029	5,300,000	2,903,305	8,203,305
2030-2054	<u>68,800,000</u>	<u>32,570,350</u>	<u>101,370,350</u>
	<u><u>\$ 91,925,000</u></u>	<u><u>\$ 48,699,868</u></u>	<u><u>\$ 140,624,868</u></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.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

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, 2024, 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 9.775% 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, 2023 and 2022 were \$3,788,195 and \$3,830,755, respectively.

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

At June 30, 2024 and 2023, 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:

	<u>2024</u>	<u>2023</u>
University's proportionate share of the net pension liability	\$54,980,020	\$50,797,356
Commonwealth of Kentucky's proportionate share of the net pension liability associated with the University	<u>61,152,605</u>	<u>66,012,090</u>
Total	<u>\$116,132,625</u>	<u>\$116,809,446</u>

The net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of TRS as of June 30, 2022.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

7. Pension & OPEB Plans, continued

Kentucky Teachers Retirement System – Pension, continued

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, 2023 and 2022, the University's proportion was 0.309 and 0.287 percent, respectively.

For the years ended June 30, 2024 and 2023, the valuation of the University's net pension liability resulted in the recognition of pension expense (benefit) of \$5,445,296 and (\$2,258,806), respectively.

At June 30, 2024, 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	\$ (673,586)	\$ -
Changes of assumptions	2,648,279	-
Net difference between projected and actual earnings on pension plan investments	1,371,855	-
Changes in proportion and differences between University contributions and proportionate share of contributions	3,352,289	2,601,154
University contributions subsequent to the measurement date	<u>3,818,489</u>	<u>-</u>
Total	<u>\$ 10,517,326</u>	<u>\$ 2,601,154</u>

\$3,818,489 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, 2025. The average expected remaining service life was determined to be 4.1 years for TRS employees as of the June 30, 2023 measurement date. 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:	
2025	\$ 1,317,010
2026	(603,497)
2027	3,688,360
2028	<u>(304,190)</u>
Totals	<u>\$ 4,097,683</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

7. Pension & OPEB Plans, continued

Kentucky Teachers Retirement System – Pension, continued

At June 30, 2023, 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	\$ (1,763,658)	\$ -
Changes of assumptions	4,607,386	-
Net difference between projected and actual earnings on pension plan investments	3,237,100	-
Changes in proportion and differences between University contributions and proportionate share of contributions	370,115	4,806,629
University contributions subsequent to the measurement date	<u>3,788,195</u>	<u>-</u>
Total	<u>\$ 10,239,138</u>	<u>\$ 4,806,629</u>

\$3,788,195 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, 2024.

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, 2022, 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	3.37%
Measurement Date	3.66%
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	7.10%
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	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
International Equity	15.7%	5.5%
Emerging Markets Equity	5.3%	6.1%
Fixed Income	15.0%	1.9%
High Yield Bonds	5.0%	3.8%
Additional Categories	5.0%	3.6%
Real Estate	7.0%	3.2%
Private Equity	7.0%	8.0%
Cash	2.0%	1.6%

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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Morehead State University’s proportionate share of the Collective Net Pension Liability	\$ 70,713,938	\$ 54,980,020	\$ 41,971,908

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, 2023 and 2022 were \$796,474 and \$741,341, respectively.

TRS OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
University's proportionate share of the net OPEB liability	\$ 10,238,000	\$ 13,870,000
Commonwealth of Kentucky's proportionate share of the Net OPEB liability associated with the University	<u>4,856,000</u>	<u>871,000</u>
Total	<u>\$ 15,094,000</u>	<u>\$ 14,741,000</u>

The net OPEB liability was measured as of June 30, 2023 and 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation of TRS as of June 30, 2022. 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, 2023 and 2022, the University's proportion was 0.420 and 0.558 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, 2024 and 2023, the University recognized OPEB (benefit) expense of (\$342,000) and \$50,000, respectively. At June 30, 2024, 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	\$ -	\$ 3,470,000
Changes of assumptions	2,327,000	-
Net difference between projected and actual earnings on pension plan investments	191,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	3,591,000	4,098,000
University contributions subsequent to the measurement date	<u>807,704</u>	<u>-</u>
Total	<u>\$ 6,916,704</u>	<u>\$ 7,568,000</u>

\$807,704 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, 2025. The average expected remaining service life was determined to be 6.61 years for TRS employees as of the June 30, 2023 measurement date. 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:	
2025	(\$718,000)
2026	(573,000)
2027	201,000
2028	160,000
2029	(197,000)
Thereafter	<u>(332,000)</u>
Total	<u>(\$1,459,000)</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, 2023, 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	\$ -	\$ 5,830,000
Changes of assumptions	2,817,000	-
Net difference between projected and actual earnings on pension plan investments	737,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	4,402,000	1,091,000
University contributions subsequent to the measurement date	<u>796,474</u>	<u>-</u>
Total	<u>\$ 8,752,474</u>	<u>\$ 6,921,000</u>

\$796,474 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 ended June 30, 2024.

Actuarial assumptions – The total OPEB liability as of June 30, 2023 was determined based on an actuarial valuation as of June 30, 2022, using assumptions 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	3.66%
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

Medical Trend	6.75% for FYE 2023 decreasing to an ultimate rate of 4.50% by FY 2032
Medicare Part B Premiums	1.55% for FTE 2023 with an ultimate rate of 4.50% by FYE 2034

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, 2022 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, 2022 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2022 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>
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
Developed International	15.0%	5.5%
Emerging Markets	5.0%	6.1%
Fixed Income	9.0%	1.9%
High Yield Bonds	8.0%	3.8%
Other Additional Categories	9.0%	3.7%
Real Estate	6.5%	3.2%
Private Equity	8.5%	8.0%
Cash	1.0%	1.6%

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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's share of net OPEB liability	\$ 13,168,000	\$ 10,238,000	\$ 7,816,000

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:

	1% Decrease	Current Healthcare Trend Rates	1% Increase
University's share of net OPEB liability	\$ 7,370,000	\$ 10,238,000	\$ 13,809,000

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, eight hundredths of one percent (.08%) of the gross annual payroll of members is contributed by the University.

The University's contributions to TRS for the years ended June 30, 2023 and 2022 were \$23,201 and \$19,924, respectively.

TRS OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2024 and 2023, the University reported a liability of \$233,000 and \$261,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023 and 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation of TRS as of June 30, 2022. 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, 2023 and 2022, the University’s proportion was 0.825 and 0.839 percent, respectively. 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, 2024 and 2023, the University recognized OPEB expense of \$14,000 and \$16,000, respectively. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 3,000	\$ 26,000
Changes of assumptions	-	27,000
Net difference between projected and actual earnings on pension plan investments	41,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	16,000
University contributions subsequent to the measurement date	<u>23,735</u>	<u>-</u>
Total	<u>\$ 67,735</u>	<u>\$ 69,000</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

7. Pension & OPEB Plans, continued

Kentucky Teachers Retirement System – Life Insurance, continued

\$23,735 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, 2025. 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:		
2025	\$	(11,000)
2026		(10,000)
2027		19,000
2028		(17,000)
2029		<u>(6,000)</u>
Total	\$	<u>(25,000)</u>

At June 30, 2023, 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	\$ 4,000	\$ 31,000
Changes of assumptions	-	34,000
Net difference between projected and actual earnings on pension plan investments	72,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	17,000
University contributions subsequent to the measurement date	<u>23,201</u>	<u>-</u>
Total	<u>\$ 99,201</u>	<u>\$ 82,000</u>

\$23,201 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, 2024.

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, 2023 was determined based on an actuarial valuation as of June 30, 2022, using assumptions based on the experience investigation for the five-year period ending June 30, 2022. 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	3.66%
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, 2022 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, 2022 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2022 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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.0%	5.2%
Developed International	15.0%	5.5%
Emerging Markets	5.0%	6.1%
Fixed Income	21.0%	1.9%
Other Additional Categories	5.0%	4.0%
Real Estate	7.0%	3.2%
Private Equity	5.0%	8.2%
Cash	2.0%	1.6%

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	Current	1% Increase
	(6.10%)	Discount Rate	(8.10%)
	(7.10%)	(7.10%)	(8.10%)
University's share of net OPEB liability	\$ 375,000	\$ 233,000	\$ 118,000

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 Employees 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. KERS 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 or may be obtained by writing to Kentucky Employees 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, 2023 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 31.82% of current eligible hazardous employees' salaries to KERS through appropriations to the University. The Commonwealth also indirectly contributes 9.97% plus an annual dollar amount to cover the amortized unfunded liability for current eligible nonhazardous employees. This amount is based on each agency's percentage of the KERS Nonhazardous plan's total actuarially accrued liability. University contribution rates are determined by the Kentucky Revised Statute and the Board of Trustees of the Kentucky Employees Retirement Systems each biennium. The University's contributions to KERS for the years ended June 30, 2023 and 2022 were \$6,246,066 and \$6,330,584, respectively.

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

At June 30, 2024 and 2023, the University reported a liability of \$74,340,724 and \$81,121,804, respectively, for its proportionate share of the net pension liability. The net pension liability as of June 30, 2023 was based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles. At June 30, 2023 and 2022, the University's proportion was 0.58 and 0.59 percent, respectively.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

7. Pension & OPEB Plans, continued

Kentucky Employees Retirement System - Pension, continued

The Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled "22 Actuarial Experience Study for the Period Ending June 30, 2022".

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option Form of payment for members who retire on and after January 1, 2024, and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances. Additional information related to this plan provision change is provided in the Discussion Section of this report. There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022.

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase effective July 1, 2022 for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e. a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll-forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases.

For the years ended June 30, 2024 and 2023, the University recognized pension expense of \$3,361,332 and \$20,719,166, respectively. At June 30, 2024 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	\$ 910,470	\$ 3,411
Changes of assumptions	-	2,042,675
Net difference between projected and actual earnings on pension plan investments	1,360,500	1,289,031
Changes in proportion and differences between University contributions and proportionate share of contributions	-	515,703
University contributions subsequent to the measurement date	<u>6,264,996</u>	<u>-</u>
Total	<u>\$ 8,535,966</u>	<u>\$ 3,850,820</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

7. Pension & OPEB Plans, continued

Kentucky Employees Retirement System - Pension, continued

\$6,264,996 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 ending June 30, 2025. The average expected remaining service life was determined to be 1.96 years for KERS nonhazardous employees and 1.92 years for KERS hazardous employees as of the June 30, 2023 measurement date. 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:	
2025	\$ (1,714,673)
2026	(153,352)
2027	355,838
2028	<u>(67,663)</u>
Total	<u><u>\$ (1,579,850)</u></u>

At June 30, 2023, 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	\$ 7,288	\$ 109,129
Net difference between projected and actual earnings on pension plan investments	1,896,277	1,549,644
Changes in proportion and differences between University contributions and proportionate share of contributions	2,359,625	287,920
University contributions subsequent to the measurement date	<u>6,239,952</u>	<u>-</u>
Total	<u><u>\$10,503,142</u></u>	<u><u>\$ 1,946,693</u></u>

\$6,239,952 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, 2024.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

7. Pension & OPEB Plans, continued

Kentucky Employees Retirement System - Pension, continued

Actuarial assumptions. The total pension liability, net pension liability, and sensitivity information as of June 30, 2023 were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles. The Total Pension liability as of June 30, 2023, was determined using these assumptions:

Inflation	2.50%
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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 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 Employees Retirement System - Pension, continued

KERS Non-Hazardous Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	32.50%	5.90%
Private Equity	7.00%	11.73%
Fixed Income		
Core Fixed Income	20.50%	2.45%
Specialty Credit	15.00%	3.65%
Cash	5.00%	1.39%
Inflation Protected		
Real Estate	10.00%	4.99%
Real Return	10.00%	5.15%
Expected Real Return	100.00%	4.87%
Long Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		7.37%

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

7. Pension & OPEB Plans, continued

Kentucky Employees Retirement System - Pension, continued

KERS Hazardous Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	43.50%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Bonds	10.00%	2.45%
Specialty Credit/High Yield	15.00%	3.65%
Cash	1.50%	1.39%
Inflation Protected		
Real Estate	10.00%	4.99%
Real Return	10.00%	5.15%
Expected Real Return	100.00%	5.56%
Long Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		8.06%

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 28 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 Employees 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	\$ 959,998	\$ 699,498	\$ 488,458

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	\$ 84,642,926	\$ 73,641,226	\$ 64,524,146

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

Kentucky Employees 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 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 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 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 Employees Retirement System - OPEB, continued

KERS OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2024 and 2023, the University reported a liability of \$1,887,798 and \$7,544,094, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability as of June 30, 2023, was based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles. At June 30, 2023 and 2022, the University's proportion was 0.327 and 0.339 percent, respectively.

The University's contributions to KERS for the years ended June 30, 2023 and 2022 were \$654,065 and \$743,642, respectively.

For the year ended June 30, 2023 and 2022, the University recognized OPEB benefit of \$2,043,581 and \$964,221, respectively. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual liability experience	\$ 5,708	\$ 3,319,495
Changes of assumptions	257,238	292,584
Net difference between projected and actual earnings on OPEB plan investments	411,891	421,141
Changes in proportion and differences between University contributions and proportionate share of contributions	828,879	2,681,009
University contributions subsequent to the measurement date	<u>667,217</u>	<u>-</u>
Total	<u>\$ 2,170,933</u>	<u>\$ 6,714,229</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

7. Pension & OPEB Plans, continued

Kentucky Employees Retirement System - OPEB, continued

\$667,217 reported as deferred outflows of resources related to the University's contributions to the KERS OPEB plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. The average expected remaining service life was determined to be 3.40 years for KERS nonhazardous employees and 4.51 years for KERS hazardous employees as of the June 30, 2023 measurement date. 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:	
2025	\$ (2,286,269)
2026	(2,278,985)
2027	(575,534)
2028	<u>(69,725)</u>
Total	<u>\$ (5,210,513)</u>

At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual liability experience	\$ 199,217	\$ 655,167
Changes of assumptions	496,022	560,129
Net difference between projected and actual earnings on OPEB plan investments	676,983	507,548
Changes in proportion and differences between University contributions and proportionate share of contributions	2,389,112	4,369,709
University contributions subsequent to the measurement date	<u>656,187</u>	<u>-</u>
Total	<u>\$ 4,417,521</u>	<u>\$ 6,092,553</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

7. Pension & OPEB Plans, continued

Kentucky Employees Retirement System - OPEB, continued

\$656,187 reported as deferred outflows of resources related to the University's contributions to the KERS OPEB plan subsequent to the measurement date was recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

Actuarial assumptions – The total OPEB liability, net OPEB liability and sensitivity information as of June 30, 2023 were based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles. The total OPEB liability as of June 30, 2023, was determined using these assumptions:

Inflation	2.50%
Payroll Growth Rate	0.0% for KERS 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	6.50%
Healthcare Trend Rates:	
Pre – 65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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-2020 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected the ultimate rates from the MP-2020 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 Employees Retirement System - OPEB, continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	43.50%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Fixed Income	10.00%	2.45%
Specialty Credit	15.00%	3.65%
Cash	1.50%	1.39%
Inflation Protected		
Real Estate	10.00%	4.99%
Real Return	10.00%	5.15%
Expected Real Return	100.00%	5.56%
Long Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		8.06%

Discount Rate – The projection of cash flows used to determine the discount rate of 5.94% for the KERS Non-hazardous, and 5.94% for KERS Hazardous, assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy.

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 Employees Retirement System - OPEB, continued

Non- Hazardous

	1% Decrease (4.94%)	Current Discount Rate (5.94%)	1% Increase (6.94%)
University's share of net OPEB liability for Non-Hazardous	\$ 3,001,627	\$ 2,231,833	\$ 1,584,500

Hazardous

	1% Decrease (4.94%)	Current Discount Rate (5.94%)	1% Increase (6.94%)
University's share of net OPEB liability for Hazardous	(\$ 257,786)	(\$344,035)	(\$415,321)

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

	1% Decrease	Current Healthcare Trend Rates	1% Increase
University's share of net OPEB liability for Non-Hazardous	\$ 1,636,087	\$ 2,231,833	\$ 2,953,003

Hazardous

	1% Decrease	Current Healthcare Trend Rates	1% Increase
University's share of net OPEB liability for Hazardous	(\$396,495)	(\$344,035)	(\$ 280,021)

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, 2024 and 2023 were \$1,231,326 and \$1,204,003 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 \$155,574 and \$151,043 as lease expense in 2024 and 2023, respectively. The University also recognized \$71,492 as a gain on disposal of the property in both 2024 and 2023.

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, 2024.

The University has made certain commitments related to the completion of various construction projects in progress totaling approximately \$20,053,037. 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, 2024 and 2023 were \$8,827,273 and \$8,871,631, 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 fire and tornado claims 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 fire and tornado claims in excess of specified stop loss amounts. The University purchases reinsurance through commercial carriers for claims in excess of specified stop loss amounts. The University utilizes Kentucky Employer's Mutual Insurance "KEMI" for worker's compensation for its employees.

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, 2024 and 2023 was \$70,848,750 and \$62,117,229, respectively. The portion of the endowments representing the value of the funding received from the Kentucky General Assembly was \$8,399,998 for both years ended June 30, 2024 and 2023, 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, 2024 and 2023, and is included in investments held by the Foundation.

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.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

13. Related Parties, continued

Related party transactions and funds held by the Foundation on behalf of the University are as follows during 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Funds disbursed by the University on behalf of the Foundation for employee salaries and benefits	\$ 59,769	\$ 85,676
Funds held by the Foundation on behalf or for the benefit of the University	11,052,195	11,052,195
Funds due to the University by the Foundation	1,675,416	477,783

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; \$181,619 for year ended June 30, 2024 and \$174,237 for the year ended June 30, 2023. 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 fiscal years ended June 30, 2024 and 2023.

14. Cybersecurity

Despite the implementation of network security measures by the University, its information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins, and other similar events or issues. Such events or issues could lead to the inadvertent disclosure of a wide range of confidential information or could have an adverse effect on the University's ability to provide educational services or its reputation resulting in a reduction in its ability to produce revenues.

On July 12, 2023, the University discovered that it was the victim of an Akira cybersecurity ransomware attack. The University responded to the cybersecurity/ransomware attack by launching an investigation with the assistance of Microsoft Corporation and Dell Technologies, both of who provided independent computer forensics expertise. The University is cooperating with law enforcement in the ongoing investigation of this incident. There is evidence that data was exfiltrated as part of the attack, though the extent of such exfiltration is unknown. No ransom fees have been paid to the attackers in connection with the corrective measures taken to address the incident.

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.

There was a \$0 balance in accounts receivable as of July 1, 2022.

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 5.13%, 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 (\$615,045 and \$353,982 as of June 30, 2024 and 2023, 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.

The opening balance of net pledges receivable, current and noncurrent, as of July 1, 2022, was \$4,160,077.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

B. Summary of Significant Accounting Policies, continued

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.

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, 2024 and 2023 were \$108,371 and \$128,022, respectively.

The June 30, 2024 and 2023 annuity liability balances of \$383,859 and \$563,361, 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 0.69% to 4.16%. The estimated remaining life expectancies of the annuitants ranged from no further life expectancy to 10.62 years for the year ended June 30, 2024 and 2.85 to 11.05 years for the year ended June 30, 2023.

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.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

B. Summary of Significant Accounting Policies, continued

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 the years ended June 30, 2024 and 2023, the Foundation held \$11,052,195 for the University's investment purposes.

Income Taxes

The Foundation constitutes a qualified, not-for-profit organization, and is therefore, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded in the financial statements. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

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.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

B. Summary of Significant Accounting Policies, continued

Contributions, continued

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.

Donated Materials and Property

In addition to receiving cash contributions, the Foundation receives in-kind contributions from various donors. The Foundation's policy is to record the estimated fair value of certain donated material and property as an asset or expense in its financial statements and similarly increase contribution revenue by a like amount.

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.

Subsequent Events

The Foundation has evaluated subsequent events and transactions for accounting and disclosure requirements through September 30, 2024, the date on which the financial statements were ready to be issued, for items requiring recognition or disclosure in the financial statements.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

C. Liquidity and Availability

As of June 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and equivalents	\$ 580,659	\$ 363,704
Investments without donor restrictions	<u>3,634,574</u>	<u>3,160,850</u>
	<u>\$ 4,215,233</u>	<u>\$ 3,524,554</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.

D. Investments

Investments held as of June 30, 2024 and 2023 are summarized as follows:

	<u>2024</u>	<u>2023</u>
Mutual funds	\$ 20,606,802	\$ 13,087,466
Alternative investments	56,279,821	58,879,951
Corporate bonds and stock	117,923	91,570
Certificate of deposit	<u>196,338</u>	<u>-</u>
Total Investments at fair value	<u>\$ 77,200,884</u>	<u>\$ 72,058,987</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

D. Investments, Continued

Investment management fees were approximately \$339,000 and \$342,700 during the years ended June 30, 2024 and 2023, respectively.

F. Pledges Receivable

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

Year ended June 30,	
2025	\$ 1,346,396
2026	1,126,188
2027	1,100,064
2028	1,005,634
2029	994,050
Thereafter	<u>830,645</u>
	6,402,977
Less: present value discount	(252,530)
Less: allowance for uncollectible pledges	<u>(615,045)</u>
Pledges receivable, net	5,535,402
Less: current pledges receivable	<u>(514,083)</u>
Noncurrent pledges receivable	<u>\$ 5,021,319</u>

During the years ending June 30, 2024 and 2023, the Foundation had bad debt expense of \$30,786 and \$15,510, respectively.

G. Property and Equipment

As of June 30, 2024 and 2023, equipment consists of the following:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 214,441	\$ 214,441
Land	1,235,200	-
Building	260,050	-
Less: accumulated depreciation	<u>(178,249)</u>	<u>(153,433)</u>
	<u>\$ 1,531,442</u>	<u>\$ 61,008</u>

Depreciation expense was \$24,816 and 24,708 for the years ended June 30, 2024 and 2023, respectively.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

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, 2024 and 2023. The cash surrender value of these policies as of June 30, 2024 and 2023 was \$167,721 and \$165,669, respectively.

I. Fair Value Measurements

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

<u>June 30, 2024</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Equities:				
Domestic	\$ 8,702,812	\$ 8,702,812	\$ -	\$ -
Energy sector	3,605,804	3,605,804	-	-
Fixed income and cash:				
Cash	180,745	180,745	-	-
Fixed income	8,117,441	8,117,441	-	-
Alternative investments:				
Hedge funds	6,108,969	-	-	6,108,969
Real assets	6,559,519	-	-	6,559,519
Private equity	9,892,230	-	-	9,892,230
Domestic equity	6,346,701	-	-	6,346,701
International equity	14,638,978	-	-	14,638,978
Fixed income	9,236,820	-	-	9,236,820
Global credit	3,496,604	-	-	3,496,604
Corporate bonds and stocks	117,923	-	117,923	-
Certificate of deposit	196,338	196,338	-	-
Total assets	\$ 77,200,884	\$ 20,803,140	\$ 117,923	\$ 56,279,821
Annuitiies payable	\$ 383,859	\$ -	\$ -	\$ 383,859
Total liabilities	\$ 383,859	\$ -	\$ -	\$ 383,859

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

I. Fair Value Measurements, continued

June 30, 2023	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)
Mutual funds:				
Equities:				
Domestic	\$ 7,095,258	\$ 7,095,258	\$ -	\$ -
Energy sector	2,288,223	2,288,223	-	-
Fixed income and cash:				
Cash	569,037	569,037	-	-
Fixed income	6,002,030	6,002,030	-	-
Alternative investments:				
Hedge funds	5,642,157	-	-	5,642,157
Real assets	7,981,093	-	-	7,981,093
Private equity	9,181,770	-	-	9,181,770
Domestic equity	7,568,196	-	-	7,568,196
International equity	11,364,213	-	-	11,364,213
Fixed income	10,708,980	-	-	10,708,980
Global credit	3,566,460	-	-	3,566,460
Corporate bonds and stocks	91,570	-	91,570	-
Total assets	<u>\$ 72,058,987</u>	<u>\$ 15,954,548</u>	<u>\$ 91,570</u>	<u>\$ 56,012,869</u>
Annuities payable	<u>\$ 563,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,361</u>
Total liabilities	<u>\$ 563,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,361</u>

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, 2024 and 2023.

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.

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

I. Fair Value Measurements, continued

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

Certificate of deposit: Valued at cost, which approximates fair value.

Annuities 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

	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>
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.	<ul style="list-style-type: none"> - 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)
	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>
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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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, 2022	\$ 55,590,060
Additional investment	2,072,500
Funds sold	(1,252,998)
Realized and unrealized losses	<u>(396,693)</u>
Balance, June 30, 2023	56,012,869
Additional investment	5,305,088
Funds sold	(8,814,167)
Interest and dividends, net	609,228
Realized and unrealized gains	<u>3,166,803</u>
Balance, June 30, 2024	<u>\$ 56,279,821</u>

The following is a reconciliation of the beginning and ending balances of annuities payable:

Balance, June 30, 2022	\$ 572,777
Computational adjustment of annuities payable	118,606
Payments of annuities payable	<u>(128,022)</u>
Balance, June 30, 2023	563,361
Computational adjustment of annuities payable	(71,131)
Payments of annuities payable	<u>(108,371)</u>
Balance, June 30, 2024	<u>\$ 383,859</u>

MOREHEAD STATE UNIVERSITY

Notes to the Financial Statements, continued

15. Morehead State University Foundation, Inc., continued

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.

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, 2024 and 2023, 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 both June 30, 2024 and 2023, the amount of funds included in the Foundation's investments held for the RUETF Endowment Match Program was \$8,399,998. 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, 2024, all endowment net assets were subject to donor restrictions. Changes in endowment net assets subject to donor restrictions as of June 30, 2024 are as follows:

Endowment net assets, beginning of year	\$ 62,117,229
Contributions, net of bad debt expense	2,546,781
Other income	6,017
Interest and dividend income	717,703
Net appreciation	5,303,220
Amounts appropriated for expenditure and transfers	<u>157,800</u>
Endowment net assets, end of year	<u>\$ 70,848,750</u>

As of June 30, 2023, all endowment net assets were subject to donor restrictions. Changes in endowment net assets subject to donor restrictions as of June 30, 2023 are as follows:

Endowment net assets, beginning of year	\$ 56,141,302
Contributions, net of bad debt expense	3,231,484
Other income	2,496
Interest and dividend income	450,024
Net appreciation	4,105,045
Amounts appropriated for expenditure and transfers	<u>(1,813,122)</u>
Endowment net assets, end of year	<u>\$ 62,117,229</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 Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2024 and 2023 are restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Funds restricted for specific purposes	\$ 33,222,383	\$ 26,457,582
Scholarships	137,239	196,666
Athletics	<u>124,059</u>	<u>164,660</u>
	33,483,681	26,818,908
Funds held in perpetuity	<u>40,976,448</u>	<u>38,225,744</u>
Total net assets with donor restrictions	<u>\$ 74,460,129</u>	<u>\$ 65,044,652</u>

During the years ended June 30, 2024 and 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2024</u>	<u>2023</u>
Student financial aid	\$ 832,462	\$ 1,299,713
Academic programs	844,730	2,051,987
Operations and materials	380,679	716,973
Athletics	1,612,821	991,972
Fundraising	186,399	93,090
General and administrative expenses	<u>469,757</u>	<u>542,244</u>
	\$ 4,326,848	\$ 5,695,979

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, \$181,619 and \$174,237 for the years ended June 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Funds disbursed by the University on behalf of the Foundation for employee salaries and benefits	\$ 59,769	\$ 85,676
Funds due to the University by the Foundation	\$ 1,675,416	\$ 477,783

Transactions with the University include support for the University as disclosed in Note K.

SUPPLEMENTAL INFORMATION

MOREHEAD STATE UNIVERSITY

Schedule of Bonds and Lease Obligations

June 30, 2024

	<u>Issue Date</u>	<u>Net Amount of Issue</u>	<u>Interest Cost</u>	<u>Outstanding June 30, 2023</u>	<u>Payments/ Reductions 2023-24</u>	<u>New Issues</u>	<u>Premium Amortization</u>	<u>Outstanding June 30, 2024</u>	<u>Interest Expense 2023-24</u>	<u>Debt Service Requirements 2024-25</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	\$ 47,056	\$ -	\$ 47,056
2013 Series A Bonds	09/10/13	9,475,000	1.00-4.375	2,970,000	2,970,000	-	-	-	145,630	-	-
2014 Series A Bonds	07/24/14	22,620,000	2.00-5.00	10,580,000	3,550,000	-	-	7,030,000	401,051	1,670,000	207,150
2014 Series B Bonds	07/24/14	4,840,000	1.00-5.00	2,470,000	325,000	-	-	2,145,000	78,516	330,000	63,791
2015 Series A Bonds	03/25/15	28,185,000	3.00-5.00	23,045,000	1,495,000	-	-	21,550,000	945,488	1,565,000	870,738
Reoffering Premium	03/25/15	2,835,829	-	1,751,670	-	411,646	145,651	2,017,665	-	-	-
2016 Series A Bonds	03/22/16	3,280,000	1.00-3.00	1,815,000	350,000	-	-	1,465,000	43,950	350,000	36,950
2016 Series B Bonds	12/01/16	6,560,000	2.00-3.75	4,985,000	285,000	-	-	4,700,000	169,106	295,000	160,406
2020 Series A Bonds	12/15/20	4,870,000	2.29-2.40	4,870,000	-	-	-	4,870,000	110,555	-	110,555
2023 Series A Bonds	08/08/23	5,175,000	4.00-5.00	-	-	5,175,000	-	5,175,000	131,390	-	233,006
2024 Series A Bonds	04/03/24	39,260,000	4.00-5.00	-	-	39,260,000	-	39,260,000	-	-	1,501,021
2024 Series B Bonds	04/03/24	<u>4,410,000</u>	5.00	<u>-</u>	<u>-</u>	<u>4,410,000</u>	<u>-</u>	<u>4,410,000</u>	<u>-</u>	<u>-</u>	<u>200,900</u>
Total General Receipts		\$ 136,570,829		\$ 53,806,670	\$ 8,975,000	\$49,256,646	\$ 145,651	\$ 93,942,665	\$2,072,742	\$ 4,210,000	\$ 3,431,573

MOREHEAD STATE UNIVERSITY

Schedule of Bonds and Lease Obligations, continued

June 30, 2024

	<u>Issue Date</u>	<u>Net Amount of Issue</u>	<u>Interest Cost</u>	<u>Outstanding June 30, 2023</u>	<u>Payments/ Reductions 2023-24</u>	<u>New Issues</u>	<u>Premium Amortization</u>	<u>Outstanding June 30, 2024</u>	<u>Interest Expense 2023-24</u>	<u>Debt Service Requirements 2024-25</u>	
										<u>Principal</u>	<u>Interest</u>
Lease Purchase Agreements:											
JP Morgan/Chase	03/31/12	\$ 9,671,127	2.65	\$ 2,947,537	\$ 672,684	\$ -	\$ -	\$ 2,274,853	\$ 70,347	\$ 550,972	\$ 43,452
Stockyards Bank & Trust	11/27/20	12,610,000	3.15	12,610,000	-	-	-	12,610,000	397,215	220,000	395,482
GASB 96 leases	Various	2,464,508	3.13-3.57	1,348,468	1,059,640	3,745,270	-	4,034,098	52,836	1,173,104	65,503
GASB 87 leases	Various	<u>2,674,040</u>	3.13-3.64	<u>1,434,816</u>	<u>341,378</u>	<u>747,558</u>	<u>-</u>	<u>1,840,996</u>	<u>70,149</u>	<u>355,491</u>	<u>61,231</u>
Total lease purchase agreements		<u>27,419,675</u>		<u>18,340,821</u>	<u>2,073,702</u>	<u>4,492,828</u>	<u>-</u>	<u>20,759,947</u>	<u>590,547</u>	<u>2,299,567</u>	<u>565,668</u>
Total		<u>\$163,990,504</u>		<u>\$ 72,147,491</u>	<u>\$11,048,702</u>	<u>\$53,749,474</u>	<u>\$ 145,651</u>	<u>\$114,702,612</u>	<u>\$2,663,289</u>	<u>\$6,509,567</u>	<u>\$ 3,997,241</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>	<u>2022</u>	<u>2023</u>
University's proportion of the net pension liability (asset)	0.614%	0.617%	0.623%	0.366%	0.383%	0.336%	0.335%	0.321%	0.287%	0.309%
University's proportionate share of the net pension liability (asset)	\$132,575	\$150,686	\$192,662	\$103,482	\$52,598	\$48,065	\$49,769	\$43,701	\$50,797	\$54,980
University's covered-employee payroll	\$44,381	\$45,275	\$46,253	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200	\$41,988	\$42,758
University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	298.72%	332.82%	416.54%	230.79%	119.24%	115.05%	119.89%	106.07%	120.98%	128.58%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	42.49%	35.22%	39.83%	59.30%	58.80%	58.27%	65.59%	56.41%	57.68%

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>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$4,770	\$4,852	\$4,957	\$4,826	\$4,778	\$3,934	\$3,891	\$3,799	\$3,831	\$3,788
Contributions in relation to the contractually required contribution	\$(4,770)	\$(4,852)	\$(4,957)	\$(4,826)	\$(4,778)	\$(3,934)	\$(3,891)	\$(3,799)	\$(3,831)	\$(3,788)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered-employee payroll	\$44,381	\$45,275	\$46,253	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200	\$41,988	\$42,758
Contributions as a percentage of covered-employee payroll	10.75%	10.72%	10.72%	10.76%	10.83%	9.42%	9.37%	9.22%	9.12%	8.86%

**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>	<u>2022</u>	<u>2023</u>
University's proportion of the net OPEB liability (asset)	0.462%	0.437%	0.418%	0.405%	0.389%	0.558%	0.420%
University's proportionate share of the net OPEB liability (asset)	\$16,482	\$15,159	\$12,258	\$10,220	\$8,368	\$13,870	\$10,238
University's covered-employee payroll	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200	\$41,988	\$42,758
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	36.75%	34.37%	29.34%	24.62%	20.31%	33.03%	23.94%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.58%	39.05%	51.74%	47.75%	52.97%

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>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$792	\$778	\$729	\$715	\$691	\$741	\$796
Contributions in relation to the contractually required contribution	\$(792)	\$(778)	\$(729)	\$(715)	\$(691)	\$(741)	\$(796)
Contribution deficiency (excess)	-	-	-	-	-	-	-
University's covered-employee payroll	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200	\$41,988	\$42,758
Contributions as a percentage of covered-employee payroll	1.77%	1.76%	1.75%	1.72%	1.68%	1.76%	1.86%

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>	<u>2022</u>	<u>2023</u>
University's proportion of the net OPEB liability (asset)	0.974%	0.950%	0.897%	0.873%	0.848%	0.839%	0.825%
University's proportionate share of the net OPEB liability (asset)	\$214	\$268	\$279	\$303	\$111	\$261	\$233
University's covered-employee payroll	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200	\$41,988	\$42,758
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.48%	0.61%	0.67%	0.73%	0.27%	0.62%	0.54%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%	71.57%	89.15%	73.97%	76.91%

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>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$9	\$9	\$12	\$14	\$17	\$20	\$23
Contributions in relation to the contractually required contribution	\$(9)	\$(9)	\$(12)	\$(14)	\$(17)	\$(20)	\$(23)
Contribution deficiency (excess)	-	-	-	-	-	-	-
University's covered-employee payroll	\$44,838	\$44,111	\$41,776	\$41,511	\$41,200	\$41,988	\$42,758
Contributions as a percentage of covered-employee payroll	0.02%	0.02%	0.03%	0.03%	0.04%	0.05%	0.05%

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 Employees 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>	<u>2022</u>	<u>2023</u>
University's proportion of the net pension liability (asset)	0.67%	0.66%	0.61%	0.58%	0.52%	0.36%	0.28%	0.59%	0.59%	0.58%
University's proportionate share of the net pension liability (asset)	\$62,124	\$68,784	\$71,768	\$80,255	\$73,618	\$53,379	\$41,858	\$81,334	\$81,122	\$74,341
University's covered-employee payroll	\$11,898	\$11,750	\$10,723	\$9,842	\$8,829	\$5,972	\$4,533	\$4,023	\$4,174	\$4,458
University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	522.14%	585.40%	669.29%	815.43%	833.82%	893.82%	923.41%	2,021.73%	1,943.50%	1,667.59%
Plan fiduciary net position as a percentage of the total pension liability	25.39%	21.73%	17.54%	16.07%	15.81%	16.57%	16.92%	22.01%	21.70%	25.81%

SCHEDULE OF MOREHEAD STATE UNIVERSITY'S PENSION CONTRIBUTIONS

Kentucky Employees 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>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$3,199	\$3,587	\$3,249	\$3,766	\$3,431	\$2,357	\$1,807	\$1,602	\$6,331	\$6,246
Contributions in relation to the contractually required contribution	\$(3,199)	\$(3,587)	\$(3,249)	\$(3,766)	\$(3,431)	\$(2,357)	\$(1,807)	\$(1,602)	\$(6,331)	\$(6,246)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered-employee payroll	\$11,898	\$11,750	\$10,723	\$9,842	\$8,829	\$5,972	\$4,533	\$4,023	\$4,174	\$4,458
Contributions as a percentage of covered-employee payroll	26.89%	30.53%	30.30%	38.26%	38.86%	39.47%	39.86%	39.82%	151.70%	140.11%

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

Kentucky Employees 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>	<u>2022</u>	<u>2023</u>
University's proportion of the net OPEB liability (asset)	0.587%	0.533%	0.368%	0.286%	0.552 %	0.339%	0.327%
University's proportionate share of the net OPEB liability (asset)	\$14,927	\$12,452	\$8,088	\$7,382	\$12,510	\$7,544	\$1,888
University's covered-employee payroll	\$9,842	\$8,829	\$5,972	\$4,533	\$4,023	\$4,174	\$4,458
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	151.67 %	141.04%	135.43%	162.85%	310.96%	180.74%	42.35%
Plan fiduciary net position as a percentage of the total OPEB liability	33.94%	37.63%	41.05%	38.00%	47.52%	46.80%	78.92%

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 Employees 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>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$830	\$692	\$463	\$353	\$301	\$744	\$654
Contributions in relation to the contractually required contribution	\$(830)	\$(692)	\$(463)	\$(353)	\$(301)	\$(744)	\$(654)
Contribution deficiency (excess)	-	-	-	-	-	-	-
University's covered-employee payroll	\$9,842	\$8,829	\$5,972	\$4,533	\$4,023	\$4,174	\$4,458
Contributions as a percentage of covered-employee payroll	8.43%	7.84%	7.75%	7.79%	7.48%	17.82%	14.67%

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.

MOREHEAD STATE UNIVERSITY

Notes to the Required Supplementary Information Last 10 Fiscal Years

Pension

Changes in assumptions – In fiscal year 2024, there were no material changes to the KERS or the KTRS plan.

In fiscal year 2023, there were no material changes to the KERS or the KTRS plan.

In fiscal year 2022, for KERS Salary Increases changed from 3.55% - 15.55% for Non-Hazardous and Hazardous to 3.30% - 15.30% for Non-Hazardous and to 3.55% to 20.05% for Hazardous. The KERS Amortization Period changed from 26 years, closed to 30 years, closed. For KTRS Price Inflation changed from 3.00% to 2.50%, Salary Increases changed from 3.50% - 7.30%, including inflation to 3.00% - 7.50%, including inflation, and the Investment Rate of Return changed from 7.50%, net of pension plan investment expense, including inflation to 7.10%, net of pension plan investment expense, including inflation.

In fiscal year 2021, there were no changes to the KERS plan or the KTRS plan.

In fiscal year 2020, for KERS, the salary increase assumption changed from 3.05%, average to 3.55% - 15.55%, varies by service. There were no changes for KTRS.

In fiscal year 2019, there were no changes to the KERS plan and the KTRS plan discount rate increased from 4.49% to 7.50%.

In fiscal year 2018, the KERS plan discount rate and assumed investment rate of return decreased from 6.75% to 5.25%, the assumed rate of inflation decreased from 3.25% to 2.30% which also resulted in a 0.95% decrease in the salary increase assumption for all years of service. The payroll growth rate assumption decreased from 4.00% to 0.00% and the KTRS plan discount rate increased from 4.20% to 4.49%.

In fiscal year 2017, the KERS Non-Hazardous investment rate and discount rate both decreased from 7.50% to 6.75% and the KTRS plan discount rate decreased from 4.88% to 4.20%.

In fiscal year 2016, the KERS plan inflation rate decreased from 3.50% to 3.25%, the estimated salary increases decreased from 4.50% to 4.00%, and the investment rate and discount rate both decreased from 7.75% to 7.50%. Additionally, the mortality tables changed from the 1983 and 1994 Group Annuity Mortality Tables to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (adjusted for males and females). The KTRS plan discount rate decreased from 5.23% to 4.88%.

* The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

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.

MOREHEAD STATE UNIVERSITY

Notes to the Required Supplementary Information, continued Last 10 Fiscal Years

OPEB

Changes in assumptions – In fiscal year 2024, the KTRS Healthcare Trend Rate for Ages 65 and older and for under 65 were combined. 6.75% was used for FYE 2023 decreasing to an ultimate rate of 4.50% by FYE 2032. The KTRS Medicare Part B Premiums rate changed to 1.55% for FYE 2023 with an ultimate rate of 4.50% by FYE 2034. For KERS the inflation rate increased to 2.50%, investment return rate increased to 6.50%, the Healthcare trend rate for Pre-65 changed to an initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years and for Post-65 initial trend rate starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

In fiscal year 2023, the KTRS MIF Healthcare Trend Rate for Ages 65 and older increased from 5.00% to 5.125%. The KTRS MIF Medicare Part B Premiums increased from 4.40% to 6.97%. For KERS the Healthcare Trend Rate for Under Age 65 increased from 6.25% to 6.40% and for Ages 65 and Older the Healthcare Trend Rate increased from 5.50% to 6.30%.

In fiscal year 2022, for KERS the Healthcare Trend Rate for Under Age 65 decreased from 6.40% to 6.25% and for Ages 65 and Older the Healthcare Trend Rate increased from 2.90% to 5.50%. The KERS Salary Increases for Hazardous changed from 3.55% - 19.55% to 3.55% - 20.05%. The KERS Discount Rates used for Non-Hazardous and Hazardous decreased from 5.43% to 5.26% and from 5.28% to 5.01%, respectively. For KTRS, Salary Increases changed from 3.50% - 7.20% to 3.00% - 7.50%, the Inflation Rate decreased from 3.00% to 2.50%, Real Wage Growth decreased from 0.50% to 0.25%, Wage Inflation decreased from 3.50% to 2.75%, and the Municipal Bond Index rate decreased from 2.19% to 2.13%. The KTRS MIF Healthcare Cost Trend Rates for Under Age 65 and Ages 65 and Older decreased from 7.25% to 7.00% and 5.25% to 5.00%, respectively. The KTRS MIF Medicare Part B Premiums decreased from 6.49% to 4.40%.

In fiscal year 2021, for KERS the healthcare trend rates for Under Age 65 and Ages 65 and Older increased from 7.00% to 7.25% and 5.00% to 5.10%, respectively. The KTRS Municipal Bond Index rate decreased from 3.50% to 2.19%. The KTRS MIF health care cost trends for Under Age 65 and Ages 65 and Older decreased from 7.50% to 7.25% and 5.50% to 5.25%, respectively. The KTRS MIF Medicare Part B Premiums increased from 2.63% to 6.49%. The KTRS LIF Salary Increases changed from 3.50% – 7.45% to 3.50% - 7.20%.

In fiscal year 2020, for KERS the salary increases changed from 3.05% avg. to 3.55% – 15.55% (non-hazardous) and 3.55% – 19.55% (hazardous). The KTRS Municipal Bond Index rate decreased from 3.89% to 3.50%. The KTRS MIF health care cost trends for Under Age 65 and Ages 65 and Older decreased from 7.75% to 7.50% and 5.75% to 5.50%, respectively.

In fiscal year 2019, the KERS Non-hazardous plan discount rate increased from 5.83% to 5.86% and the KERS Hazardous plan discount rate increased from 5.87% to 5.88%. The KTRS plan health care trend rates decreased from 1.02% to 0.00% for Medicare Part B premiums, the municipal bond index rate increased from 3.56% to 3.89%, the amortization period was changed from 27 year to 30 years and the inflation rate increased from 3.00% to 3.50%.

In fiscal year 2018, the KERS plan assumed investment rate of return decreased from 7.50% to 6.25%, the inflation rate decreased from 3.25% to 2.30% which also resulted in a 0.95% decrease in the salary increase assumption for all years of service, the payroll growth rate assumption decreased from 4.00% to 0.00%. There were no changes in assumptions for the KTRS plan.

MOREHEAD STATE UNIVERSITY

Notes to the Required Supplementary Information, continued
Last 10 Fiscal Years

OPEB, continued

Changes in benefit terms – For fiscal year 2018, for the KTRS plan, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 was restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

* The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

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***

Independent Auditor's Report

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 (*Government Auditing Standards*), the financial statements of the business-type activities of Morehead State University (the University) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 10, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Dean Dotson Allen Ford, PLLC

October 10, 2024

Lexington, Kentucky

MOREHEAD STATE UNIVERSITY

Schedule of Findings and Responses

Year ended June 30, 2024

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**