

WESTERN KENTUCKY UNIVERSITY
(A Component Unit of the Commonwealth of Kentucky)
Bowling Green, Kentucky

**REPORT ON AUDIT OF INSTITUTION
OF HIGHER EDUCATION
IN ACCORDANCE WITH UNIFORM GUIDANCE**
June 30, 2023

WESTERN KENTUCKY UNIVERSITY
Bowling Green, Kentucky

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Independent Auditor's Report

Board of Regents
Western Kentucky University
Bowling Green, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of Western Kentucky University (University), collectively, a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units and the fiduciary activities of the University as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Western Kentucky University Foundation, Inc. and College Heights Foundation, Inc., which represent 56%, 76%, and 49%, respectively, of the total assets, net assets, and total revenues of the aggregate discretely presented component units as of and for the year ended June 30, 2023. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Western Kentucky University Foundation, Inc. and College Heights Foundation, Inc., are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit 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 General 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of WKU Student Life Foundation, Inc., Western Kentucky University Foundation, Inc., and College Heights Foundation, Inc., component units included in financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities 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 opinions. 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit plan information 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 (GASB), 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, 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 solely 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 the effectiveness of the University's 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.

FORVIS,LLP

Louisville, Kentucky
September 29, 2023

Overview

Management's Discussion and Analysis ("MD&A") of Western Kentucky University's ("WKU" or the "University") financial statements is intended to provide an overview of the financial position, changes in financial position, and cash flows of the University as of and for the fiscal year ended June 30, 2023, with comparative information as of and for the year ended June 30, 2022. MD&A, in addition to the financial statements and the footnote disclosures, is the responsibility of University management. Management suggests this discussion be read in conjunction with the audited financial statements and notes appearing in this report.

About Western Kentucky University

Western Kentucky University, founded in 1906, is part of the public Kentucky postsecondary education system which offers more than 180 academic degree programs at the baccalaureate and graduate degree levels.

Western Kentucky University's mission is to prepare students of all backgrounds to be productive, engaged, and socially responsible citizen-leaders of a global society. The University provides research, service and lifelong learning opportunities for its students, faculty, and other constituents. WKU enriches the quality of life for those within its reach.

WKU is governed by an 11-member Board of Regents, 8 of whom are appointed by the governor and 3 of whom are constituency representative elected by faculty, staff, and students of the University. The Board of Regents sets policy and provides oversight on the operations of the University. The governing board approves the annual budget, tuition rates and applicable student fees.

Reporting Entity

The University is a component unit of the Commonwealth of Kentucky. The financial statements of the University include the University and its blended component unit, the Western Kentucky University Research Foundation.

Financial statements have also been included for the University's discretely presented component units, in accordance with the requirements of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. These component units are the Western Kentucky University Foundation, Inc., College Heights Foundation, Inc. and the WKU Student Life Foundation, Inc. Financial statements for these entities consist of Statements of Financial Position (balance sheets) and Statements of Activities (income statements). These statements are prepared in accordance with the appropriate Financial Accounting Standards Board ("FASB") pronouncements.

All 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.

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

An independent audit, performed by FORVIS LLP, provides an opinion on the basic financial statements taken as a whole. FORVIS LLP has expressed an unmodified opinion on the financial statements stating that such statements present fairly, in all material respects, the financial position of the University as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended. Included in these financial statements are the financial statements of the Western Kentucky University Research Foundation, which is a blended component unit of the University's financial statements. Also included are the financial statements of the Western Kentucky University Foundation, College Heights Foundation, and the Student Life Foundation, which are each discretely presented within the financial statements of the University. FORVIS LLP received and relied upon audit reports prepared and work performed by other auditors as a basis of their opinion on the University's financial statements.

FORVIS LLP has applied certain limited procedures consisting principally of inquiries of management regarding the methods of measurement and presentation of MD&A, which the Governmental Accounting Standards Board ("GASB") has determined to be supplementary information required to accompany but not be part of the basic financial statements. FORVIS LLP, however, did not audit such information and did not express an opinion on it.

Fiscal Year 2023 Highlights

The financial viability of a public university is a function of a secure and preferably growing enrollment base, solid and preferably growing private giving, and state funding. It is noted that a majority of the assets of the WKU Foundation are held and expended through the Foundation and are not recognized in the University stand-alone financial statements except for capital asset purchases transferred to the University. Per state requirements, the "Bucks for Brains" state-funded endowment funds flow through the University but are transferred to the Foundation for investment and management purposes.

The following data is provided to help assess the financial viability of the University:

	<u>Fall 2022</u>	<u>Fall 2021</u>
<u>Enrollment Base (Headcount)</u>		
Undergraduate applications	7,505	7,255
Undergraduate enrollment (including returning students)	14,440	14,729
First-time freshmen	2,755	2,832
Total graduate enrollment	2,053	2,021
Total enrollment	16,493	16,750

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

The following data, with a comparison between the 2022/2023 and 2021/2022 school years, is provided to help assess the financial viability of the University:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<u>Supporting Foundations</u>		
Endowments	\$241.7 million	\$218.0 million
Total cash receipts	\$20.4 million	\$22.2 million
<u>State Appropriations</u>		
General non-operating revenue	\$ 85,723,800	\$ 78,345,400
Capital appropriation	<u>3,299,336</u>	<u>-</u>
 Total	 <u>\$ 89,023,136</u>	 <u>\$ 78,345,400</u>

The University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* during the fiscal year ended June 30, 2023. The adoption of this statement resulted in recording subscription assets of \$3.8 million and subscription liabilities of \$3.8 million as of July 1, 2022. The impact of this statement is not reflected in the fiscal year June 30, 2022 amounts included in this management's discussion and analysis.

Statement of Net Position

The Statement of Net Position presents the financial position of the University as of the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University. The change in net position is an indicator of whether the overall financial position has improved or worsened during the year and over time. One can think of net position as one method to measure the University's financial strength. Many non-financial factors, such as strategic planning assessments, the trend in admissions, applications and student retention, the condition of the University's capital assets and the quality of the faculty also need to be considered to assess the overall health of the University.

Restricted net position is subject to externally imposed restrictions governing its use. The corpus of non-expendable restricted resources is only available for investment purposes. Although unrestricted net position is not subject to externally imposed stipulations, a significant portion of these assets has been internally designated to fund encumbrances brought forward from the prior fiscal year, working capital requirements, emergency reserve, and specific support of academic and support programs. Allocations of position is set by University policy or approved by the Board of Regents.

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WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of June 30, 2023 and 2022, is as follows:

Condensed Statement of Net Position (in Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current and non-current other assets	\$ 170,303	\$ 155,214
Capital assets, net	411,716	450,213
Lease and subscription assets, net	<u>33,628</u>	<u>-</u>
Total assets	<u>615,647</u>	<u>605,427</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on bond refunding	1,652	2,198
Pension and OPEB outflows	<u>42,294</u>	<u>37,032</u>
Total deferred outflows of resources	<u>43,946</u>	<u>39,230</u>
Total assets and deferred outflows of resources	<u>\$ 659,593</u>	<u>\$ 644,657</u>
LIABILITIES		
Long-term obligations (current and non-current)	\$ 131,775	\$ 134,481
Lease and subscription liabilities	31,269	-
Net pension liability	206,908	199,582
Net OPEB liability	43,221	35,398
Other liabilities	25,965	21,259
Unearned revenue	<u>44,896</u>	<u>47,253</u>
Total liabilities	<u>484,034</u>	<u>437,973</u>
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB inflows	33,515	82,070
Lease inflows	<u>1,773</u>	<u>1,300</u>
Total deferred inflows of resources	<u>35,288</u>	<u>83,370</u>
NET POSITION		
Net investment in capital assets	321,410	313,823
Restricted		
Non-expendable	16,744	19,854
Expendable	457	847
Unrestricted	<u>(198,340)</u>	<u>(211,210)</u>
Total net position	<u>140,271</u>	<u>123,314</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 659,593</u>	<u>\$ 644,657</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

On January 9, 2023, the University established an investment policy that defines investment objectives to provide consistent guidelines for generating returns on short- and medium-term investments cash and cash equivalent funds. The policy is designed to ensure the effective management of working capital to provide adequate cash flow and optimal returns on cash balances. Total investments for the year ended June 30, 2023 were \$47,246,719.

Long-term obligations include two new general receipts bonds issued during the fiscal year ended June 30, 2023. The 2022 Series A bonds were issued August 12, 2022 in the amount of \$41,685,000 to renovate the press box in Houchens Smith Stadium and construct a new athletic fieldhouse. The 2022 Series B bonds were issued August 5, 2022 in the amount of \$10,315,000 to redeem the conduit debt of the City of Bowling Green, KY.

Bonds payable totaled \$131,732,014 at June 30, 2023 with final payments on the bonds scheduled for fiscal year 2042.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position summarizes all financial transactions that increase or decrease net position. The purpose of the statement is to present the revenues from providing goods and services; expenses incurred to acquire and deliver the goods and services; and other revenues, expenses, and gains and losses recognized by the University. Financial activities are reported as either operating or non-operating.

The most significant source of non-operating revenue for fiscal year 2023 is state appropriations. State appropriations are non-operating because these funds are non-exchange revenues provided by the General Assembly to the University without the General Assembly directly receiving commensurate value (goods and services) for those revenues. Other important non-operating revenue sources include non-exchange grants and contracts.

Accordingly, the University reports operating losses of \$(138,787,680) and \$(107,058,817) for fiscal years 2023 and 2022, respectively.

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

A summary of the University's activities for the years ended June 30, 2023 and 2022 is as follows:

Statement of Revenues, Expenses, and Changes in Net Position (in Thousands)

	<u>2023</u>	<u>2022</u>
Operating revenues		
Net tuition and fees	\$ 91,656	\$ 96,148
Grants and contracts	124	26
Sales and services of educational departments	22,605	20,176
Auxiliary enterprises	13,984	15,146
Other	<u>17,465</u>	<u>14,847</u>
Total operating revenues	<u>145,834</u>	<u>146,343</u>
Operating expenses	<u>284,622</u>	<u>253,401</u>
Operating loss	<u>(138,788)</u>	<u>(107,058)</u>
Non-operating revenues (expenses)		
State appropriations	85,723	78,346
Grants and contracts	73,251	94,347
Investment income, net	(550)	2,050
Interest on capital asset-related debt	(5,830)	(4,578)
Other	<u>(148)</u>	<u>(2,325)</u>
Net non-operating revenues	<u>152,446</u>	<u>167,840</u>
Gain (loss) before capital contributions	13,658	60,782
State capital appropriation	<u>3,299</u>	<u>-</u>
Increase in net position	16,957	60,782
Net position, beginning of year	<u>123,314</u>	<u>62,532</u>
Net position, end of year	<u>\$ 140,271</u>	<u>\$ 123,314</u>

(Continued)

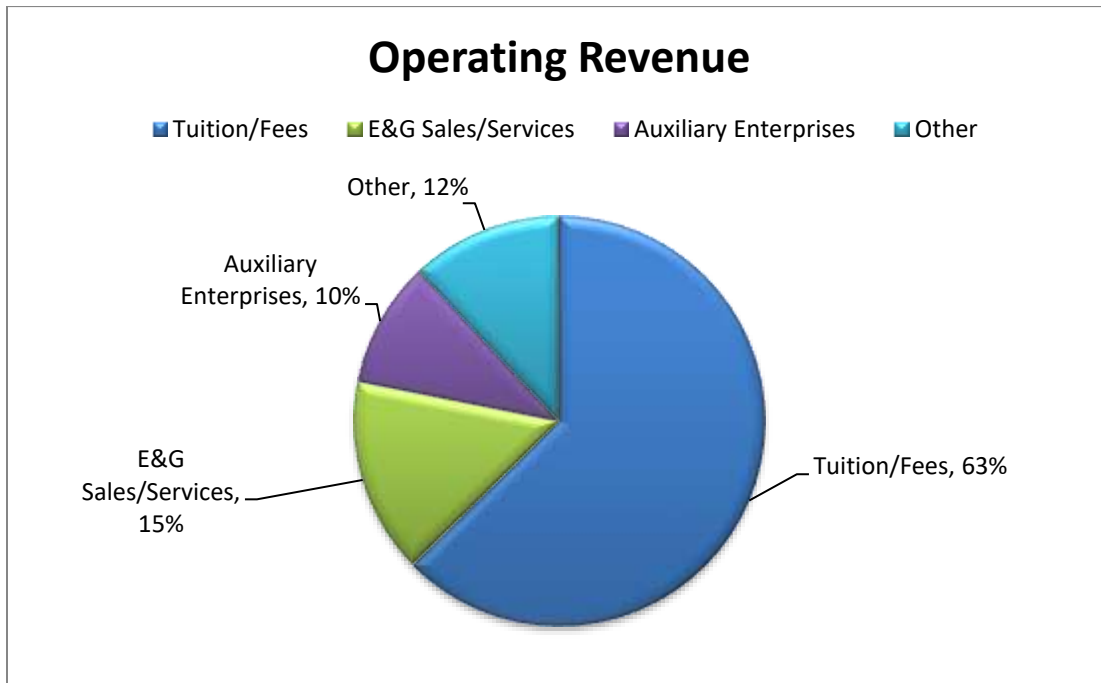
Operating Revenues

Operating revenues include all transactions that result in the sales of goods and services. For the University, the most significant operating revenue is student tuition and fees. Student tuition and fees revenue is a function of enrollment and rates approved by the University's Board of Regents. Other operating revenue is due to University operations such as conferences and workshops, the farm, the police department, and athletics.

As noted in the aforementioned enrollment data the University's total headcount enrollment decreased by approximately 1.5% between fall 2021 (16,750 students) and fall 2022 (16,493 students). As of fall 2022, approximately 76.6% of students enrolled at the University were Kentucky residents. An additional 11.6% of the student population came from Tennessee with many coming to the University through a state reciprocity agreement (*i.e.*, enrolled at in-state rates) or in the Tuition Incentive Program.

Tuition and fees revenue is recorded in the financial statements net of scholarship allowances, gift scholarships, and institutional aid. A scholarship allowance is the difference between the stated charges for goods and services provided by the institution and the amount that is billed to students and third parties making payments on behalf of students. College Access Program and KEES Program have been included in the scholarship allowance after these sources have been used to satisfy a student's fees and charges. Any excess aid disbursed to the student is recognized as a student financial aid expense. Net tuition and fees, as of June 30, 2023 and 2022, were approximately 52.6% and 54.6%, respectively of the gross tuition and fees with approximately \$82.7 million and \$79.8 million, respectively, being recorded as scholarship allowance.

The distribution of FY 2023 operating revenue, by source, is summarized as follows:



(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Grants and Contracts Awards (Excluding Financial Aid)

The University is awarded grants and contracts by various external agencies. These grants and contracts awards represent amounts that will be recognized as revenue when the service is provided regardless of when cash is exchanged. Thus, the operating and non-operating revenue generated by such grants and contracts will equal the actual expenses in a given fiscal year.

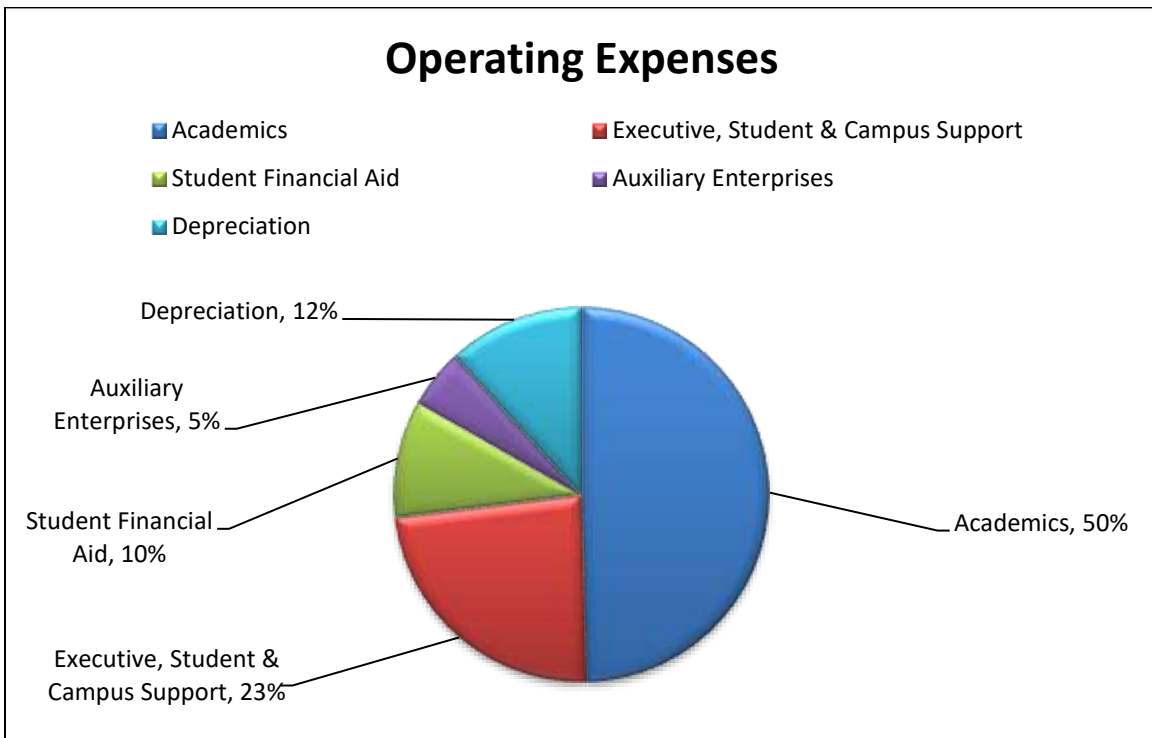
The grant and contract awards received in a given year are frequently multiyear awards for which only the current year activity related to the award will be recorded (*i.e.*, any cash received in excess of expenses incurred will be recorded as unearned revenue). Additionally, awards related to future periods are not recorded in the University's financial statements. The following table provides a two-year comparison of total grants and contracts awarded (not received/recorded) during fiscal years 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Federal	\$ 15,775,965	\$ 18,962,167
State	2,438,536	1,672,776
Other	<u>1,764,498</u>	<u>3,360,606</u>
Total	<u>\$ 19,978,999</u>	<u>\$ 23,995,549</u>

(Continued)

Operating Expenses

Operating expenses are all costs necessary to meet the University's mission, goals and objectives through a broad array of programs and activities. Expenses other than depreciation are reported by program classification (e.g., instruction, research, public service, auxiliary enterprises). Depreciation and amortization are recognized as an expense and a reduction in the value of the capital, lease and subscription assets. The following graph summarizes expenses as academics, executive, student and campus support, student financial aid, depreciation, and auxiliary enterprises. Academics include the program classification categories of instruction, research, public service, libraries and academic support. Executive, student and campus support includes student services, institutional support and operation and maintenance of the plant.



(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Non-operating Revenues and Expenses

Non-operating revenues are all revenues that are primarily non-exchange in nature. The most significant single source of non-operating revenue for the University is state appropriations for other than capital purposes. Other sources include many grants and contracts, endowment contributions, and investment income.

The University's investments consist primarily of collateralized mortgage obligations and its equity in Commonwealth of Kentucky pooled investment funds for fiscal year 2022. The new short-term investment policy for fiscal year added equity securities, US Government and agency bonds, corporate obligations and commercial paper to the University's investment portfolio in addition to the investments of fiscal year 2022. Investment income for the years ended June 30, 2023 and 2022 is comprised of the following:

	<u>2023</u>	<u>2022</u>
Investment income (loss)	\$ 2,685,355	\$ (135,657)
Net change for the year in the fair value of investments	<u>(3,235,359)</u>	<u>2,185,751</u>
Total investment income (loss)	<u>\$ (550,004)</u>	<u>\$ 2,050,094</u>

State appropriations were \$85,723,800 and \$78,345,400 for 2023 and 2022, respectively.

Change in Net Position

For the years ended June 30, 2023 and 2022, the University's net position increased by \$16,957,736 and \$60,781,103, respectively. The year-end net position for June 30, 2023 and 2022 were \$140,271,683 and \$123,313,947, respectively.

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Statement of Cash Flows

The Statement of Cash Flows presents data related to the University's cash inflows and outflows summarized by operating, non-capital financing, capital and related financing and investing activities. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments by the University that will allow for the assessment of the University's ability to generate net cash flows and to meet obligations as they come due. Under certain circumstances, such an analysis might demonstrate a university's need for external financing. The Statement of Cash Flows is broken into the following sections:

- Operating cash flows and the net cash used for the operating activities of the University
- Cash flows from non-capital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities
- Reconciliation of the net cash flows from operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position

At June 30, 2023 and 2022, respectively, the major sources of cash received for operating activities were tuition and fees of \$89,227,306 and \$101,720,495; sales and services of educational departments of \$22,605,447 and \$20,176,276; and auxiliary enterprises of \$13,984,417 and \$15,145,407. Major uses of cash for operating activities were payments to employees for salaries and benefits of \$169,818,194 and \$175,337,544; and to suppliers and contractors of \$102,756,517 and \$112,291,614 at June 30, 2023 and 2022, respectively. The majority of non-capital financing activities are state appropriations and grants and contracts. Principal and interest paid on capital debt, lease liabilities, and subscription liabilities are recognized as capital and related financing activities. Investing activities recognize the cash flows from proceeds from sales and maturities of investments and interest receipts.

The Statements of Cash Flows are summarized as follows:

Condensed Statements of Cash Flows (in thousands)

	<u>2023</u>	<u>2022</u>
Cash Provided By (Used In)		
Operating activities	\$(141,372)	\$(145,458)
Non-capital financing activities	158,237	172,328
Capital and related financing activities	(4,831)	(36,973)
Investing activities	<u>(42,024)</u>	<u>(435)</u>
Net decrease in cash and cash equivalents	(29,990)	(10,538)
Cash and cash equivalents, beginning of year	<u>113,717</u>	<u>124,255</u>
Cash and cash equivalents, end of year	<u>\$ 83,727</u>	<u>\$ 113,717</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Capital Assets and Long-term Obligations

Capital Assets

As of June 30, 2023 and 2022, the University had \$411.7 million and \$417.5 million invested in capital assets, net of accumulated depreciation of \$494.2 million and \$466.5 million, respectively. Capital assets at June 30, 2023 and 2022 are summarized below:

	<u>2023</u>	<u>2022</u>
Land	\$ 14,075,527	\$ 14,185,528
Buildings and improvements	636,427,594	633,605,604
Infrastructure	73,750,963	72,111,843
Furniture, fixtures, and equipment	94,093,109	90,927,623
Library materials	69,896,815	67,432,992
Construction in progress	<u>17,666,788</u>	<u>5,734,346</u>
Total capital assets	905,910,796	883,997,936
Less accumulated depreciation	<u>(494,194,690)</u>	<u>(466,533,217)</u>
Capital assets, net	<u>\$ 411,716,106</u>	<u>\$ 417,464,719</u>

The major construction projects in progress as of June 30, 2023 include a hilltop restoration project at the former site of Garrett Conference Center, ongoing construction of both a softball facility and a soccer facility, and a new College of Business educational building.

Lease Assets

As of June 30, 2023 and 2022 the University had \$35.3 million and \$34.9 million invested in lease assets, net of accumulated amortization of \$4.5 million and \$2.1 million, respectively. Lease assets at June 30, 2023 and 2022 are summarized below:

	<u>2023</u>	<u>2022</u>
Real estate	34,702,377	34,249,615
Equipment	578,550	553,648
Vehicles	<u>63,242</u>	<u>63,242</u>
Total lease assets	35,344,169	34,866,505
Less accumulated depreciation	<u>(4,542,106)</u>	<u>(2,118,369)</u>
Lease assets, net	<u>\$ 30,802,063</u>	<u>\$ 32,748,136</u>

Subscription Assets

As of June 30, 2023, the University had subscription assets of \$5,098,761 net of accumulated amortization of \$2.2 million.

Pension and Other Postemployment Benefits ("OPEB")

The University participates in Kentucky Employees' Retirement System ("KERS") and Kentucky Teachers' Retirement System ("KTRS") (referred to collectively as "the Plans"), which are cost-sharing, multiple-employer defined benefit pension and OPEB plans. The University's contributions to the Plans are actuarially determined and statutorily required. These statutorily required contributions constitute the full legal funding requirements of the University for the participation of its employees in the Plans. The University recognizes a proportionate share of the State's collective pension and OPEB liability for the Plans under Government Accounting Standards Board (GASB) statements 68 for pension and 75 for OPEB. The proportion of pension and OPEB liability is distributed based on the University's covered payroll and/or actual employer contributions to the Plans, whichever is consistent with the manner in which contributions to the individual plans are determined.

The University is also required to recognize pension and OPEB expense and report deferred outflows of resources and deferred inflows of resources related to pension and OPEB for its proportionate share, and these amounts primarily result from changes in the components of the net pension and OPEB liability - that is, changes in the total pension and OPEB liability and in the Plans' fiduciary net position. Changes in the net pension and OPEB liability not included in pension and OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources. If these deferred amounts will serve to decrease pension and OPEB expense upon recognition, they are classified as deferred inflows. If the deferred amounts will increase pension and OPEB expense upon recognition, they are classified as deferred outflows. Employer contributions subsequent to the measurement date of the net pension and OPEB liability are required to be reported as deferred outflows of resources.

Although accounting standards require the recognition of the net pension and OPEB liability, the related deferred outflows of resources and deferred inflows of resources, and additional actuarially determined defined-benefit pension and defined-benefit OPEB expense, they do not represent legal claims on the Organization's resources and there are no additional cash flows or funding requirements outside of the statutorily required contributions.

Under KERS, a separate plan exists for Nonhazardous and Hazardous duty employees. For the fiscal year ended June 30, 2023, participating employers in the KERS Nonhazardous plan contributed 9.97%, as set by Kentucky Public Pensions Authority ("KPPA"), of each Nonhazardous employee's creditable compensation, which was a decrease from the 10.10% required contributions for the year ended June 30, 2022. For the fiscal year ended June 30, 2023, participating employers in the KERS Hazardous plan contributed 31.82% as set by KPPA, of each Hazardous employee's creditable compensation, which was a decrease from the 33.43% required contributions for the year ended June 30, 2022. Total employer contributions to KERS were \$11,188,447 (\$9,029,608 related to pension and \$2,158,839 related to OPEB) and \$11,454,974 (\$9,224,126 related to pension and \$2,230,848 related to OPEB) for the years ended June 30, 2023 and 2022, respectively.

All full-time University faculty members and certain other staff occupying a position requiring certification or graduation from a four-year college or university as a condition of employment are covered by KTRS. For the fiscal years ended June 30, 2023 and 2022, the University was contractually required to contribute between 9.775% and 15.865% based on employee entry dates into the plan. Total employer contributions to KTRS were \$6,943,857 (\$5,686,652 related to pension and \$1,257,205 related to OPEB) for the year ended June 30, 2023 and \$6,687,887 (\$5,668,084 related to pension and \$1,019,803 related to OPEB) for the year ended June 30, 2022.

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

The University's net pension and OPEB liabilities was \$250,129,235 and \$234,979,309 as of June 30, 2023 and 2022, respectively. Total pension and OPEB expenses were \$(38,667,518) and \$(56,053,741) for the years ended June 30, 2023 and 2022, respectively. Total deferred outflows related to pension and OPEB were \$42,294,431 and \$37,032,158 and total deferred inflows were \$33,514,292 and \$82,069,462 for the years ended June 30, 2023 and 2022, respectively.

Long-Term Obligations

As of June 30, 2023 and 2022, the University had \$163.0 million and \$134.5 million, respectively, in long-term obligations consisting of bonds payable (Consolidated Educational Buildings Revenue Bonds and General Receipts Bonds), lease liabilities, subscription liabilities, and other long-term obligations. The total long-term obligations, including the current portion, are summarized as follows:

	<u>2023</u>	<u>2022</u>
Pledges to the City	\$ -	\$ 10,359,186
General receipts bonds	131,732,014	93,536,546
Leases	29,212,910	29,952,161
Subscriptions	2,056,022	-
Other long-term obligations	<u>43,125</u>	<u>633,565</u>
Total	<u>\$ 163,044,071</u>	<u>\$ 134,481,458</u>

Economic Factors Impacting Future Periods

The following are known facts and circumstances that may affect the future financial viability of the University:

- WKU's fall 2022 total enrollment of 16,493 continued a trend of fewer students. First-time freshmen enrollment decreased by 77 students. WKU's continuing emphasis on the academic quality of the incoming class has resulted in an average ACT score of 21.6 and a High School GPA of 3.49. Retention rates increased to 76.6 percent for fall 2022 from 72.8 percent for fall 2021. Continued emphasis on student retention will help stabilize a recurring revenue base.
- The Council on Postsecondary Education (CPE) has the statutory responsibility to approve tuition rates. Significant emphasis continues to be placed on setting tuition rates with modest increases that will not impede economic access to postsecondary education. CPE enacted a tuition and fee-setting schedule enabling universities to raise tuition up to 5 percent through fiscal year 2024-25, with a one-year maximum of 3 percent. CPE approved a tuition increase of 3 percent at WKU for fiscal year 2024.
- Kentucky House Bill 1 was passed by the 2022 Regular Session of the Kentucky General Assembly provides a state expenditure plan for the 2022-24 biennium. The overall total of state appropriation funding for fiscal year 2024 has decreased \$2,271,900 to a total of \$83,449,700 with most of the decrease attributed to performance funding. Approximately \$68,000,000 has been provided in state capital funds along with \$74,000,000 to construct a new College of Business facility.

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

- WKU developed an investment policy and cash management strategy, which aims to achieve the following objectives in priority order: principal protection, liquidity, and investment earnings. This strategy should provide the university with an additional \$3 million each year to apply toward the operating budget.
- WKU completed its transition to the Resource Allocation, Management and Planning (RAMP) budget model last year for the development of the FY2023 operating budget. Rather than a historical, incremental budgeting process, RAMP is an incentive-based approach that uses the principles of responsibility-centered management (RCM) and is a financial management philosophy that supports decentralized decision-making to allow us to incentivize and reward performance. By assigning ownership of revenues and expenses to the academic colleges, RAMP fosters entrepreneurship, encourages efficiency, and promotes sound educational choices. Key principles of the budget model include:
 - Create incentives that promote the advancement of campus goals
 - Simplicity
 - Improve transparency
 - Revenue ownership and accountability for academic units
 - Encourage engagement and collaboration
- The 2022-23 academic year marked the mid-point for the ten-year WKU Strategic Plan *Climbing to Greater Heights 2018-2028*. Over the first five years, WKU increased student retention by 6.7 percentage points, attaining a 78.4% retention rate and nearly reaching our original ten-year goal of 80%. Importantly, underrepresented minority student retention escalated by 15 percentage points, low-income student retention by 11.1 percentage points, and first-generation student retention by 9.7 percentage points. Living Learning Communities played a valuable role in fall-to-spring retention and have become more popular with students each year. Student applied learning was facilitated by growth in faculty research funding, investment in infrastructure, and the expansion of avenues for internships. Our physical spaces continue to be functionally and aesthetically improved, including the final touches at the top of the Hill and the initiation of a new home for the Gordon Ford College of Business. Global learning experiences for students continued to expand, and our regional lighthouse shined brightly with the transformation of the Center for Research and Development into a regional-to-internationally important Innovation Campus. Over the next five years we will continue to implement our WKU Strategic Plan for Our Students, Our Hill, and Our Community and Beyond.

(Continued)

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2023

	<u>2023</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 41,525,955
Short-term investments	12,337,463
Accounts receivable, net of allowance of \$2,619,697	12,253,554
Federal and state grants receivable	5,443,555
State capital contribution receivable	3,299,336
Lease receivable	715,359
Inventories	44,064
Loans to students	25,651
Prepaid expenses and other	<u>1,581,634</u>
Total current assets	<u>77,226,571</u>
Noncurrent assets	
Restricted cash & cash equivalents	42,200,840
Noncurrent investments	31,829,670
Loans to students, net of allowance of \$548,366	171,661
Assets held in trust	17,806,470
Lease receivable	1,067,431
Capital assets – non-depreciable	31,742,315
Capital and assets – depreciable	874,168,481
Accumulated depreciation	(494,194,690)
Lease assets, net	30,802,063
Subscription assets, net	<u>2,826,169</u>
Total noncurrent assets	<u>538,420,410</u>
Total assets	<u>615,646,981</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	1,652,017
Deferred outflows – KTRS Pension	14,726,615
Deferred outflows – KERS Non-Hazardous Pension	8,350,140
Deferred outflows – KERS Hazardous Pension	1,324,984
Deferred outflows – KERS OPEB	5,861,487
Deferred outflows – KTRS OPEB	<u>12,031,205</u>
Total deferred outflows of resources	<u>43,946,448</u>
Total assets and deferred outflows of resources	<u>\$ 659,593,429</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2023

	<u>2023</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 9,836,373
Self-insured health liability	1,217,850
Self-insured workers' compensation liability	199,038
Accrued payroll and withholdings	7,081,454
Accrued compensated absences	5,121,154
Accrued interest	1,376,647
Unearned revenue	44,895,727
Long-term obligations - current	12,869,432
Lease liabilities – current	789,684
Subscription liabilities – current	1,460,876
Deposits held in custody for others	<u>1,132,515</u>
Total current liabilities	<u>85,980,750</u>
Non-current liabilities	
Long-term obligations	118,905,707
Lease liabilities	28,423,226
Subscription liabilities	595,146
Net pension liability – KTRS	75,517,054
Net pension liability – KERS Non-Hazardous	128,496,201
Net pension liability – KERS Hazardous	2,894,770
Net OPEB liability – KERS	22,614,210
Net OPEB liability – KTRS	<u>20,607,000</u>
Total non-current liabilities	<u>398,053,314</u>
Total liabilities	<u>484,034,064</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows – KTRS Pension	14,390,903
Deferred inflows – KERS Non-Hazardous Pension	1,501,009
Deferred inflows – KERS Hazardous Pension	114,054
Deferred inflows – KERS OPEB	5,984,326
Deferred inflows – KTRS OPEB	11,524,000
Leases	<u>1,773,390</u>
Total deferred inflows	<u>35,287,682</u>
NET POSITION	
Net investment in capital assets	321,410,494
Restricted	
Non-expendable - endowments	16,744,356
Expendable	
Loans	457,148
Unrestricted	<u>(198,340,315)</u>
Total net position	<u>140,271,683</u>
Total liabilities, deferred inflows and net position	<u>\$ 659,593,429</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

	<u>2022</u>
ASSETS	
Cash and cash equivalents	\$ 7,309,462
Investments	89,022,931
Pledges receivable, net	2,741,160
Prepaid expenses and other assets	65,386
Property, net	1,487,011
Assets held for others	<u>20,919,555</u>
Total assets	<u>\$ 121,545,505</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 306,693
Deferred gift liabilities	760,941
Liability for assets held for others	<u>20,919,555</u>
Total liabilities	<u>21,987,189</u>
Net Assets	
Without donor restrictions	6,494,029
With donor restrictions	<u>93,064,287</u>
Total net assets	<u>99,558,316</u>
Total liabilities and net assets	<u>\$ 121,545,505</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WKU STUDENT LIFE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2023

	<u>2023</u>
ASSETS	
Cash and cash equivalents	\$ 24,067,633
Accounts receivable - Western Kentucky University	713,074
Accounts receivable - students - net of allowance of \$550,169	464,657
Net investment in direct financing lease - related party	1,273,027
Prepaid expenses	328,804
Assets limited as to use	8,091,536
Property and equipment, net	<u>141,737,680</u>
Total assets	<u>\$ 176,676,411</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 1,444,899
Accrued expenses	429,241
Prepaid rent from students	47,608
Asset retirement obligation	794,269
Deferred revenue – Hilltopper Hub and First Year Village	2,515,500
Long-term debt, net of unamortized debt issue costs	<u>109,730,686</u>
Total liabilities	114,962,203
Net Assets	
Without donor restrictions	<u>61,714,208</u>
Total liabilities and net assets	<u>\$ 176,676,411</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
COLLEGE HEIGHTS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

	<u>2022</u>
ASSETS	
Cash and cash equivalents	\$ 3,084,761
Interest and dividends receivable	62,561
Investments	90,947,534
Accounts receivable	6,500
Other assets	16,981
Pledges receivable, net	757,274
Beneficial interest in third-party trusts	6,365,312
Assets held for others	3,346,425
Fixed assets, net of depreciation	<u>955,180</u>
Total assets	<u>\$ 105,542,528</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 1,551
Refundable advances and gift annuity liabilities	2,594,171
Liability for assets held for others	<u>3,346,425</u>
Total liabilities	5,942,147
Net assets	
Without donor restrictions	3,011,231
With donor restrictions	<u>96,589,150</u>
Total net assets	<u>99,600,381</u>
Total liabilities and net assets	<u>\$ 105,542,528</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended June 30, 2023

	<u>2023</u>
REVENUES	
Operating revenues	
Tuition and fees, net of discounts and allowances of \$82,652,080	\$ 91,655,687
Federal grants and contracts	80,953
Local and private grants and contracts	42,835
Sales and services of educational activities	22,605,447
Auxiliary enterprise revenues, net of discounts and allowances of \$4,480,944	13,984,417
Other operating revenues	17,464,618
Total operating revenues	<u>145,833,957</u>
EXPENSES	
Operating expenses	
Education and general	
Instruction	91,954,418
Research	6,372,878
Public service	16,986,868
Libraries	4,133,420
Academic support	21,729,170
Student services	37,661,106
Institutional support	39,232,561
Operation and maintenance of plant	28,538,233
Student financial aid	28,794,016
Pension and OPEB expense	(38,667,518)
Depreciation and amortization	33,421,983
Auxiliary enterprises	14,464,502
Total operating expenses	<u>284,621,637</u>
Operating loss	<u>(138,787,680)</u>
Non-operating revenues (expenses)	
State appropriations	77,946,600
State appropriations – Performance Funding	7,777,200
Federal grants and contracts	43,013,634
State grants and contracts	28,883,572
Local and private grants and contracts	1,353,789
Net investment income (expense)	(550,004)
Interest on capital asset-related debt	(5,829,859)
(Loss) gain on disposal of capital assets	(262,314)
Other non-operating revenues (expenses)	113,462
Net non-operating revenues	<u>152,446,080</u>
Income (Loss) Before Capital Contributions	13,658,400
State capital appropriations	<u>3,299,336</u>
Increase in net position	16,957,736
Net position, beginning of year	<u>123,313,947</u>
Net position, end of year	<u>\$ 140,271,683</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains (losses), and other support:			
Contributions	\$ 102,709	\$ 4,751,984	\$ 4,854,693
Non-charitable contributions	167,123	1,279,750	1,446,873
Investment income	71,594	1,824,446	1,896,040
Net unrealized and realized losses on investments	(505,578)	(12,367,411)	(12,872,989)
Net actuarial gain from deferred gift liabilities		103,610	103,610
Rental and royalty income	<u>7,489</u>	<u>2,650</u>	<u>10,139</u>
	(156,663)	(4,404,971)	(4,561,634)
 Net assets released from restriction	 <u>8,008,804</u>	 <u>(8,008,804)</u>	 <u>-</u>
 Total revenues, gains (losses), and other support	 <u>7,852,141</u>	 <u>(12,413,775)</u>	 <u>(4,561,634)</u>
 Expenses:			
Expenses on behalf of WKU programs:			
Public service	643,882	-	643,882
Construction	776,074	-	776,074
Programmatic	<u>5,569,939</u>	<u>-</u>	<u>5,569,939</u>
Total program expenses	6,989,895	-	6,989,895
 Management and general	 1,556,196	 -	 1,556,196
Fundraising	<u>79,472</u>	<u>-</u>	<u>79,472</u>
 Total expenses	 <u>8,625,563</u>	 <u>-</u>	 <u>8,625,563</u>
 Change in net assets	 (773,422)	 (12,413,775)	 (13,187,197)
 Net asset, beginning of year	 <u>7,267,451</u>	 <u>105,478,062</u>	 <u>112,745,513</u>
 Net assets, end of year	 <u>\$ 6,494,029</u>	 <u>\$ 93,064,287</u>	 <u>\$ 99,558,316</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
 WKU STUDENT LIFE FOUNDATION, INC.
 STATEMENT OF ACTIVITIES
 Year ended June 30, 2023

	<u>2023</u>
OPERATING REVENUES	
Student housing revenue	\$ 28,606,160
Interest income – direct financing lease	88,775
First Year Village prepaid lease revenue	25,117
Hilltopper Hub prepaid lease revenue	176,471
Other	<u>1,041,474</u>
Total operating revenues	<u>29,937,997</u>
OPERATING EXPENSES	
Salaries, benefits, and related expenses	6,257,734
Utilities	3,153,858
Repairs, maintenance, and supplies	2,483,364
Management fees	84,200
Professional fees	294,371
Insurance	900,373
Depreciation and amortization	6,030,848
Bad debt expense	710,899
Other	<u>583,106</u>
Total operating expenses	<u>20,498,753</u>
Change in net assets from operations	<u>9,439,244</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,063,178
Interest expense, fees, and bond issuance costs	<u>(4,053,291)</u>
Total non-operating expenses	<u>(2,990,113)</u>
Change in net assets without donor restrictions	6,449,131
Net assets without donor restrictions, beginning of year	<u>55,265,077</u>
Net assets without donor restrictions, end of year	<u>\$ 61,714,208</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
COLLEGE HEIGHTS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains (losses), and other support:			
Contributions	\$ 1,520,527	\$ 7,851,159	\$ 9,371,686
Net investment income	(391,318)	(13,527,609)	(13,918,927)
Change in value of split-interest agreements	-	(1,043,435)	(1,043,435)
Net assets released from restrictions			
Satisfaction of program restrictions	<u>7,372,910</u>	<u>(7,372,910)</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>8,502,119</u>	<u>(14,092,795)</u>	<u>(5,590,676)</u>
Expenses:			
Program services	7,786,618	-	7,786,618
Supporting services			
Management and general	935,252	-	935,252
Fundraising	<u>23,175</u>	<u>-</u>	<u>23,175</u>
Total supporting services	958,427	-	958,427
Total expenses	<u>8,745,045</u>	<u>-</u>	<u>8,745,045</u>
Change in net assets	(242,926)	(14,092,795)	(14,335,721)
Net asset, beginning of year	<u>3,254,157</u>	<u>110,681,945</u>	<u>113,936,102</u>
Net assets, end of year	<u>\$ 3,011,231</u>	<u>\$ 96,589,150</u>	<u>\$ 99,600,381</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	<u>WKU Program Services</u>						<u>Total Expenses</u>
	<u>Public Service</u>	<u>Construction</u>	<u>Programmatic</u>	<u>Total WKU Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries/wages, payroll taxes, and benefits	\$ 88,629	\$ -	\$ 1,559,117	\$ 1,647,746	\$ 793,682	\$ 1,399	\$ 2,442,827
Scholarships and honorariums	17,178	-	737,682	754,860	-	-	754,860
Professional fees and other services	328,028	-	140,494	468,522	605,679	46,818	1,121,019
Travel, meals, and entertainment	42,172	-	911,664	953,836	10,739	16,799	981,374
Printing, supplies, and other office expenses	48,903	-	269,975	318,878	49,676	479	369,033
Other miscellaneous expenses	847	-	219,757	220,604	4,519	460	225,583
Gifts and donations	60,618	-	1,280,397	1,341,015	-	13,517	1,354,532
Capital expenditures	51,279	776,074	226,028	1,053,381	-	-	1,053,381
Dues/subscriptions and registrations	-	-	209,339	209,339	-	-	209,339
Equipment rentals and maintenance	6,228	-	15,486	21,714	-	-	21,714
Bad debt expense	-	-	-	-	91,901	-	91,901
Total expenses	<u>\$ 643,882</u>	<u>\$ 776,074</u>	<u>\$ 5,569,939</u>	<u>\$ 6,989,895</u>	<u>\$ 1,556,196</u>	<u>\$ 79,472</u>	<u>\$ 8,625,563</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
COLLEGE HEIGHTS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fund Raising</u>	
Scholarships	\$ 6,881,143	\$ -	\$ -	\$ 6,881,143
Other expenses	905,475	-	-	905,475
Salaries and benefits	-	717,662	-	717,662
Professional fees	-	58,826	-	58,826
Postage	-	36,359	-	36,359
Fundraising	-	-	23,175	23,175
Travel and transportation	-	16,173	-	16,173
Software	-	11,770	-	11,770
Renovation expenses	-	9,674	-	9,674
Equipment and furnishings	-	8,076	-	8,076
Office supplies	-	6,258	-	6,258
Bank fees	-	6,013	-	6,013
Telephone	-	5,252	-	5,252
Gifts	-	4,759	-	4,759
Memberships	-	4,413	-	4,413
Staff development	-	3,435	-	3,435
Real estate expenses	-	3,429	-	3,429
Sponsorships	-	1,200	-	1,200
Total expenses before depreciation	7,786,618	893,299	23,175	8,703,092
Depreciation	-	41,953	-	41,953
Total expense	\$ 7,786,618	\$ 935,252	\$ 23,175	\$ 8,745,045

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF CASH FLOWS
Year ended June 30, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 89,227,306
Grants and contracts	2,506,056
Payments to employees	(169,818,194)
Payments to suppliers	(102,756,517)
Loans issued to students, net of collection	150,208
Collection of loans to students	131,283
Sales and services of educational departments	22,605,447
Other operating revenues	16,989,049
Auxiliary enterprise revenues	13,984,417
Auxiliary enterprise payments:	
Payments to employees	(5,439,562)
Payments to suppliers	(8,951,392)
Net cash used in operating activities	<u>(141,371,899)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	77,946,600
State appropriations – Performance Funding	7,777,200
Grants and contracts receipts	73,250,995
Student organization agency receipts (disbursements) - net	(72,565)
Other nonoperating revenues (expenses)	(665,256)
Net cash provided by non-capital financing activities	<u>158,236,974</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from bond issuance	52,000,000
Proceeds from sale of capital assets	88,898
Purchases of capital assets	(23,255,172)
Principal paid on capital debt	(23,961,234)
Interest paid on capital debt	(4,383,856)
Principal paid on leases payable	(1,216,915)
Interest paid on leases payable	(981,356)
Principal paid on subscription liability	(3,042,739)
Interest paid on subscription liability	(78,461)
Net cash used in capital and related financing activities	<u>(4,830,835)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(57,698,790)
Proceeds from sales and maturities of investments	13,383,383
WKU Research Foundation assets held in trust	(394,340)
Investment income	2,685,355
Net cash used in investing activities	<u>(42,024,392)</u>
Net change in cash and cash equivalents	(29,990,152)
Cash and cash equivalents, beginning of year	<u>113,716,947</u>
Cash and cash equivalents, end of year	<u>\$ 83,726,795</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF CASH FLOWS
Year ended June 30, 2023

	<u>2023</u>
Reconciliation of net operating loss to net cash used in operating activities	
Operating loss	\$ (138,787,680)
Depreciation and amortization expense	33,421,983
Changes in operating assets and liabilities	
Accounts receivable, net	(2,425,318)
Federal and state grants receivable	2,146,281
Lease receivable	(475,569)
Assets held in trust	590
Inventories	73,548
Loans to students, net	281,491
Prepaid expenses and other	79,483
Accounts payable	2,323,071
Health insurance and workers' compensation liability	(70,591)
Accrued payroll and payroll withholdings	1,392,270
Accrued compensated absences	674,244
Deferred outflows – pension, OPEB liability and bond refunding	(4,716,293)
Deferred inflows – pension, OPEB liability and leases	(48,081,894)
Net pension liability	7,326,381
Net OPEB liability	7,823,545
Unearned revenue	<u>(2,357,441)</u>
Net cash used in operating activities	<u>\$ (141,371,899)</u>
 Supplemental cash flows information	
Non-cash activities:	
Lease obligations incurred for lease assets	477,664
Construction in process included in accounts payable	674,396
Donation of capital assets from related parties	<u>707,816</u>
Total non-cash activities	<u>\$ 1,859,876</u>
 Reconciliation of cash and cash equivalents to the statement of net position	
Cash and cash equivalents	41,525,955
Restricted cash and cash equivalents	<u>42,200,840</u>
Total cash and equivalents	<u>\$ 83,726,795</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
Year ended June 30, 2023

	<u>Custodial Funds</u>
	<u>2023</u>
Assets	
Cash and equivalents	\$ <u>751,727</u>
Total assets	\$ <u><u>751,727</u></u>
Net Position	
Restricted for:	
Organizations and other governments	\$ <u>751,727</u>
Total net position	\$ <u><u>751,727</u></u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2023

	<u>Custodial Funds</u>
	<u>2023</u>
Additions	
Sales and services	\$ 40,897
Other miscellaneous revenues	<u>2,678,963</u>
Total additions	<u><u>2,719,860</u></u>
Deductions	
Compensation	492,604
Benefits	119,743
General and administrative expenses	<u>2,157,006</u>
Total deductions	<u><u>2,769,353</u></u>
Net increase (decrease) in fiduciary net position	(49,493)
Net position, beginning of year	<u>801,220</u>
Net position, end of year	<u><u>\$ 751,727</u></u>

See accompanying notes to financial statements.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Western Kentucky University (the “University”) is a state supported institution of higher education located in Bowling Green, Kentucky, and accredited by the Southern Association of Colleges and Schools Commission on Colleges. The University awards graduate and undergraduate degrees and serves a student population of approximately 16,493 in 2023. The University is operated under the jurisdiction of a Board of Regents and is a component unit of the Commonwealth of Kentucky. Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Family Education Loan, Federal Direct Loan and Federal Perkins Loan Programs. The University extends unsecured credit to students.

Reporting Entity: The financial reporting entity includes Western Kentucky University, as the primary government, and the accounts of the Western Kentucky University Research Foundation, Inc. (“Research Foundation”), collectively referred to as the University.

The financial reporting entity, as defined by Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, under which these basic financial statements include all organizations, activities, functions and component units for which the University is financially accountable, consists of the organizations for which exclusion could cause the financial statements to be misleading or incomplete. The determination of financial accountability includes consideration of a number of criteria including (1) the University’s ability to appoint a voting majority of another entity’s governing body and to impose its will on that entity; (2) the potential for that entity to provide specific financial benefits or to impose specific financial burdens on the University; and (3) that entity’s fiscal dependency on the University.

The Research Foundation is included in the University’s financial statements as a component unit based on the above criteria. The Research Foundation is a legally separate not-for-profit corporation that is, in substance, a part of the University’s operations. It is organized exclusively to benefit the University by generating funding for and performing many of the University’s research activities.

The Research Foundation’s financial data is combined with the University for financial reporting purposes by the blended component unit method. Transactions between the University and the Research Foundation are eliminated upon consolidation.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, requires certain organizations be reported as component units of a primary government based on the nature and significance of that organization’s relationship to the primary government. Western Kentucky University Foundation, Inc., College Heights Foundation, Inc. and WKU Student Life Foundation, Inc. (the “Foundations”) are discretely presented component units of the University. The Foundations are private nonprofit organizations that report under Financial Accounting Standards Board (“FASB”) Accounting Standards Codifications (“ASC”), including FASB ASC No. 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations’ financial information in the University’s financial report for these differences.

The financial information included for each foundation noted above is derived from the respective foundation’s annual audited financial statements. WKU Foundation, Inc. and College Heights Foundation, Inc. operate on a calendar year. Thus, the information included for each of these foundations is as of and for the year ended December 31, 2022. The Student Life Foundation, Inc. operates on a fiscal year beginning July 1, and extending through June 30; likewise, the information contained herein is as of and for the year ended June 30, 2023.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Accounting and Presentation: The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in non-operating revenues and expenses.

The University routinely incurs expenses for which both restricted and unrestricted net position is available. The University's policy is to allow departmental units the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources.

For financial reporting purposes, the University is considered an enterprise fund and all balances and activities of the University are included in this fund. In accordance with GASB Statement No. 84, Fiduciary Activities, fiduciary funds are used to account for assets held in trust by the University for the benefit of individuals, organizations, or other governments. Specifically, the University holds assets for a variety of student groups, as well as for the Kentucky Institute for International Studies (KIIS), the Cooperative Center for Study Abroad (CCSA), and the World Council for Gifted and Talented Children (WCGTC).

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The University considers all liquid investments with original maturities of three months or less to be cash equivalents. The University does consider uninvested cash held in investment accounts as cash or cash equivalents. Funds held by the Commonwealth of Kentucky are also considered cash equivalents. At June 30, 2023, cash equivalents consisted primarily of uninvested cash held in investment accounts and funds held by the Commonwealth of Kentucky.

The University currently uses commercial banks and the Commonwealth of Kentucky as depositories. Deposits with commercial banks are covered by federal depository insurance or collateral held by the banks in the University's name. At the Commonwealth level, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth-pooled deposits are covered by federal depository insurance or by collateral held by the bank in the Commonwealth's name.

Restricted Cash and Cash Equivalents: Externally restricted cash and cash equivalents are classified as restricted assets. These bond proceeds include cash and cash equivalents used to purchase or construct capital or other noncurrent assets.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Investments and Investment Income: Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. The investment in equity investee is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value, and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, staff, and external entities, and include reimbursement of costs from external entities and related foundations. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Bond Issuance Costs: The bond issuance costs are expensed in the year of the bond issuance.

Inventories: Inventories, consisting principally of postage supplies, are stated at the lower of cost, determined using the FIFO (first-in, first-out) method, or market.

Loans to Students: The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset and is not allocated to functional expense categories. Equipment with an estimated useful life of greater than one year and a cost of \$5,000 is capitalized and depreciated with one-half year's depreciation taken during the year of purchase or donation. Library materials are capitalized in total for the year with one-half year's depreciation taken during the year of purchase or donation. Construction in progress is capitalized when incurred. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred or when the project was closed and is identified as projects less than \$100,000. The University continues to track equipment with a cost of \$500 or more for insurance purposes consistent with applicable Kentucky Revised Statutes but does not capitalize items at these lower thresholds.

The following estimated useful lives are being used by the University:

Buildings and building improvements	15 - 40 years
Furniture, fixtures, and equipment	3 - 15 years
Land improvements and infrastructure	20 years
Library materials	10 years

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Lease Assets: Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets: Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment: The University evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital and lease asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the year ended June 30, 2023.

Lease Receivable: The University is a lessor for noncancellable leases of certain equipment and recognizes a related lease receivable and a deferred inflow of resources. At the commencement of a lease, the University initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for the lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The University monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Historical Collections: The University owns historical collections housed throughout the campus that it does not capitalize, including collections in the Kentucky Building & Museum. These collections adhere to the University's policy to (1) maintain them for public exhibition, education, or research; (2) protect, keep unencumbered, care for, and preserve them; and (3) require proceeds from their sale to be used to acquire other collection items. GAAP permits collections maintained in this manner to be charged to operations at time of purchase rather than capitalized.

Deferred Outflows of Resources: The University reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its statement of net position.

Compensated Absences: University policies permit employees to accumulate vacation and sick leave benefits that may be utilized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized when vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet utilized. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

such as Social Security and Medicare taxes which are computed using rates in effect at that date.

Unearned Revenue: Tuition and fee revenues collected during the fiscal year, which relate to the period after June 30, 2023, have been recorded as unearned revenues. Unearned revenues arise when resources are received by the University before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the University has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned and unexpended state capital appropriations.

Pensions: 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 Kentucky Employees' Retirement System and Kentucky Teachers' Retirement System (referred to collectively as "the Plans") and additions to/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 generally reported at fair value.

Other Postemployment Benefits (OPEB): For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Employees' Retirement System and Kentucky Teachers' Retirement System (referred to collectively as "the Plans") and additions to/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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Inflows of Resources: The University reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statement of net position.

Classification of Revenues: The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) interest on student loans. Operating revenues also include certain federal, state, local, and private grants and contracts.

Non-operating Revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements – Management's Discussion & Analysis – for State & Local Governments*, such as state appropriations and investment income.

Scholarship Discounts and Allowances: Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the

(Continued)

University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees, and other student charges, the University has recorded a scholarship allowance.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Net Position: The University's net position is classified as follows:

Net Investment in Capital Assets: This represents the University's total investment in capital, lease and subscription assets, net of accumulated depreciation, amortization, and outstanding debt and lease and subscription liabilities related to those capital, lease and subscription assets and change in deferred outflow loss on bond refinancing. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Position – Non-expendable: Non-expendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted Net Position: Unrestricted net position represents resources derived from student tuition and fees and sales and services of educational activities, intercollegiate athletics, and auxiliary enterprises. These resources are used at the discretion of the governing board to meet current expenses for any purpose.

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(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Service Concessions Arrangement: Effective July 1, 2020, the University entered into a 10-year bookstore services agreement with Barnes & Noble College Booksellers, LLC (Barnes & Noble) in which Barnes & Noble will operate and provide services for the bookstore of the University. The University entered into this agreement in order to provide the students, faculty, and staff of the University a bookstore within the Student Union that can be used to purchase textbooks, school supplies, and other merchandise.

This agreement meets the requirements of a service concession arrangement as defined by GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. As a result, at June 30, 2023, the University reports a capital asset for the portion of the facility utilized by Barnes & Noble as part of the overall building capital asset. No other significant transactions have been reported as a result of this agreement.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Recent Accounting Pronouncements Adopted/Implemented:

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019: The provisions of this Statement were initially effective for reporting periods beginning after December 15, 2020; however, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective date by 12 months upon its issuance in May 2020. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The adoption of this standard did not have a material effect on the University's net position or change in net position.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020: The provisions of this Statement are effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The adoption of this standard did not have a material effect on the University's net position or change in net position.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020: The provisions of this Statement are effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The adoption of this standard did not have a material effect on the University's net position or change in net position.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Recent Accounting Pronouncements: As of June 30, 2023, the GASB has issued the following statements not yet implemented by the University.

GASB Statement No. 99, *Omnibus 2022*, issued April 2022: The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The University has implemented the provisions of this accounting standard related to leases, PPPs, and SBITAs with no material impact to its financial statements. The University will implement the remainder of the provisions related to financial guarantees and the classification and reporting of derivative instruments during its fiscal year ending June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, issued June 2022: The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The University will implement the requirements of this guide for its fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, issued June 2022: The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. The University will implement the requirements of this guide for its fiscal year ending June 30, 2025.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - ASSETS HELD IN TRUST

Assets held in trust as of June 30, 2023 consisted of:

Cash equivalents	\$ 1,022,524
Common equity, common fixed income, and mutual funds	<u>16,783,946</u>
Fair value of assets held in trust	<u>\$ 17,806,470</u>

Assets held in trust by the WKU Foundation and College Heights Foundation primarily include funds held for Research Foundation projects and the Regional University Excellence Trust Fund. Funding received through the Regional University Excellence Trust Fund is further described in Note 14.

NOTE 3 – DEPOSITS AND INVESTMENTS

At June 30, 2023, the carrying values of deposits and investments are included in the statement of net position as follows:

Carrying value:	
Deposits	\$ 80,647,209
Investments	<u>47,246,719</u>
	<u>\$ 127,893,928</u>

Included in the following statement of net position captions:

Cash and cash equivalents	\$ 41,525,955
Short-term investments	12,337,463
Restricted cash and equivalents	42,200,840
Noncurrent investments	<u>31,829,670</u>
	<u>\$ 127,893,928</u>

Deposits

The carrying amount of cash and cash equivalents was \$83,726,795 at June 30, 2023, while the bank balance was \$83,183,795 at June 30, 2023. All account balances at banks were either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities of the U.S. Government or with letters of credit issued by the Federal Home Loan Bank held in the University's name by financial institutions acting as the University's agent.

Of the University's cash balance as of June 30, 2023, \$35,814,244 is secured by FDIC insurance, and \$5,138,573 is collateralized by the pledging institution. Additionally, as of June 30, 2023, \$42,773,978 is held within various accounts with the Commonwealth of Kentucky.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

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 corporate bonds and equity securities. The Board is responsible for establishing investment policies. The policies are developed to ensure compliance with state laws and regulations and to maintain sound financial management practices. The day-to-day management of the and investments has been delegated to the University's Investment Committee.

The University's investments can be grouped into four significant categories as follows:

- *Tier 1* – Depository funds are designed to meet daily cash flow needs. This tier shall hold a minimum of 45 days cash for operating liquidity. The calculation of daily cash flow needs shall be based on consolidated prior fiscal year average operating expense per day. Tier 1 Depository funds will reside in the University's local depository account and will earn income based on the bank's contracted interest rate.
- *Tier 2* – Operating funds are designed to meet anticipated cash flow needs. These investments shall have maturity dates of up to one year. The primary objective of these funds is to preserve principal and liquidity while earning at maximum income rate. The funds in this tier will be continuously invested in readily available funds to meet any unanticipated cash flow needs.
- *Tier 3* – Reserve funds shall be investments designed to maximize income while preserving principal on a longer-term basis as same day liquidity is not necessary. These investments shall have maturity dates of three years or less.
- *Tier 4* – Strategic funds will be designed to enhance current income consistent with preservation of principal with longer-term prescribed maturity. These investments shall have a stated maturity date of not more than five years.

At June 30, 2023, the University had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Cash equivalents	\$ 3,079,586	\$ 3,079,586	\$ -	\$ -	\$ -
Commercial paper	245,953	245,953	-	-	-
U.S. government & agency bonds:					
U.S. Treasuries	4,385,189	472,698	3,912,491	-	-
Government agencies	3,308,816	3,059,451	249,365	-	-
Equity securities	123,265	123,265	-	-	-
Corporate obligations:					
Domestic bonds	19,785,358	6,276,722	13,508,636	-	-
Asset backed securities	9,300,877	-	7,752,321	1,548,556	-
International fixed income bonds	5,142,214	2,159,374	2,982,840	-	-
Foreign corporate obligations	249,420	-	249,420	-	-
Municipal taxable obligations	<u>1,626,041</u>	<u>-</u>	<u>1,626,041</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 47,246,719</u>	<u>\$ 15,417,049</u>	<u>\$ 30,281,114</u>	<u>\$ 1,548,556</u>	<u>\$ -</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Fair Value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. The framework for measuring fair value established by Generally Accepted Accounting Principles provides a fair value hierarchy as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The University has the following recurring fair value measurements, by type, at June 30, 2023:

Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Cash equivalents	\$ 3,079,586	\$ 2,333,744	\$ 745,843	\$ -
Commercial paper	245,953	-	245,953	-
U.S. government & agency bonds:				
U.S. Treasuries	4,385,189	4,385,189	-	-
Government agencies	3,308,816	1,040,140	2,268,676	-
Equity securities	123,265	123,265	-	-
Corporate obligations:				
Domestic bonds	19,785,358	-	19,785,358	-
Asset backed securities	9,300,877	-	9,300,877	-
International fixed income bonds	5,142,214	-	5,142,214	-
Foreign corporate obligations	249,420	-	249,420	-
Municipal taxable obligations	<u>1,626,041</u>	<u>-</u>	<u>1,626,041</u>	<u>-</u>
Total investments	<u>\$ 47,246,719</u>	<u>\$ 7,882,338</u>	<u>\$ 39,364,381</u>	<u>\$ -</u>

The University categorizes its fair value measurements within the fair value hierarchy. Certain investments are measured at fair value using net asset value (NAV) per share (or its equivalent) practical expedient, amortized cost, or historical cost and therefore have not been classified in the fair value hierarchy. These investments have not been included in the above table to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Net Position.

- Assets held in trust of \$17,806,470, which is valued at net asset value (NAV). There are no unfunded commitments and funds can be redeemed on a daily basis. The investment strategy is a long-term growth strategy and the underlying funds in the trust include cash, common stock, mutual funds, and fixed income securities.

(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not impose limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, bond resolutions govern the investment of bond reserves.

Credit Risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The University's investment policy allows investments in U.S. Agency securities if such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services.

Custodial Credit Risk: 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 deposits, investments, or collateral securities that are in the possession of an outside party. The University requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kentucky; bonds of any city, county, school district or special road district of the state of Kentucky; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization. The University is fully collateralized as of June 30, 2023.

Concentration of Credit Risk: Investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. At June 30, 2023, the University had no investments in any one issuer that represented five percent or more of total investments, other than U.S. Treasury and/or U.S. agency securities.

Investment Income (Expense)

Investment income (expense) for the year ended June 30, 2023 consisted of:

Interest income, including interest earned on cash equivalents	\$ 2,685,355
Net change in fair value of investments and assets held in trust	<u>(3,235,359)</u>
	<u>\$ (550,004)</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2023:

Tuition, fees, sales, and services	\$ 11,915,670
Miscellaneous, other	<u>2,957,581</u>
	14,873,251
Less allowance for doubtful accounts	<u>(2,619,697)</u>
Accounts receivable, net	<u>\$ 12,253,554</u>

NOTE 5 - CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2023 are summarized as follows:

	Balance July 1, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Non-depreciable capital assets:					
Land	\$ 14,185,528	\$ -	\$ (110,001)	\$ -	\$ 14,075,527
Construction in progress	<u>5,734,346</u>	<u>16,580,897</u>	<u>-</u>	<u>(4,648,455)</u>	<u>17,666,788</u>
	19,919,874	16,580,897	(110,001)	(4,648,455)	31,742,315
Depreciable capital assets:					
Buildings and improvements	633,605,604	-	5,700	2,816,290	636,427,594
Infrastructure	72,111,843	-	-	1,639,120	73,750,963
Furniture, fixtures, and equipment	90,927,623	3,827,618	(855,177)	193,045	94,093,109
Library materials	<u>67,432,992</u>	<u>2,734,420</u>	<u>(270,597)</u>	<u>-</u>	<u>69,896,815</u>
	864,078,062	6,562,038	(1,120,074)	4,648,455	874,168,481
Less accumulated depreciation:					
Buildings and improvements	300,794,723	19,782,600	5,700	-	320,583,023
Infrastructure	42,288,209	3,029,816	-	-	45,318,025
Furniture, fixtures, and equipment	69,221,948	3,199,229	(799,283)	-	71,621,894
Library materials	<u>54,228,337</u>	<u>2,714,008</u>	<u>(270,597)</u>	<u>-</u>	<u>56,671,748</u>
	466,533,217	28,725,653	(1,064,180)	-	494,194,690
Net capital assets	<u>\$ 417,464,719</u>	<u>\$ (5,582,718)</u>	<u>\$ (165,895)</u>	<u>\$ -</u>	<u>\$ 411,716,106</u>

A summary of construction in progress at June 30, 2023 is as follows:

Hilltop Restoration / Improve site of former Garrett Conference Center	\$ 4,276,834
Softball / Soccer Facility	3,665,955
College of Business	3,591,641
Other projects under \$1,000,000	<u>6,132,358</u>
	<u>\$ 17,666,788</u>

Contractual commitments in connection with all projects totaled \$8,365,532 at June 30, 2023.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LEASE AND SUBSCRIPTION ASSETS

Changes in lease assets for the year ended June 30, 2023 are summarized as follows:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	Balance <u>June 30, 2023</u>
Amortizable lease assets:					
Real estate	\$ 34,249,615	\$ 452,762	\$ -	\$ -	\$ 34,702,377
Equipment	553,648	24,902	-	-	578,550
Vehicles	<u>63,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,242</u>
	<u>34,866,505</u>	<u>477,664</u>	<u>-</u>	<u>-</u>	<u>35,344,169</u>
Less accumulated amortization:					
Real estate	1,874,136	2,141,217	-	-	4,015,353
Equipment	235,557	261,446	-	-	497,003
Vehicles	<u>8,676</u>	<u>21,074</u>	<u>-</u>	<u>-</u>	<u>29,750</u>
	<u>2,118,369</u>	<u>2,423,737</u>	<u>-</u>	<u>-</u>	<u>4,542,106</u>
Net capital assets	<u>\$ 32,748,136</u>	<u>\$ (1,946,073)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,802,063</u>

Changes in subscription assets for the year ended June 30, 2023 are summarized as follows:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	Balance <u>June 30, 2023</u>
Subscription IT assets	\$ 3,861,483	\$ 1,237,278	\$ -	\$ -	\$ 5,098,761
Less accumulated amortization:					
Subscription IT assets	<u>-</u>	<u>2,272,592</u>	<u>-</u>	<u>-</u>	<u>2,272,592</u>
Subscription Assets, Net	<u>\$ 3,861,483</u>	<u>\$ 855,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,826,169</u>

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following items as of June 30, 2023:

	<u>2023</u>
Aramark capital contract	\$ 33,678,044
Summer school tuition and fees	4,590,092
Grants and contracts	4,429,653
Advance sale of football tickets	711,627
Vehicle parking permits	491,055
University master plan program	206,010
Miscellaneous	<u>789,246</u>
Total unearned revenue	<u>\$ 44,895,727</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>
General receipts bonds payable, net of discounts	\$ 93,536,546	52,000,000	(13,804,532)	131,732,014	12,855,768
Other long-term debt	633,565	-	(590,440)	43,125	13,664
Pledges payable, net of discount premiums	<u>10,359,186</u>	<u>-</u>	<u>(10,359,186)</u>	<u>-</u>	<u>-</u>
Total bonds, pledges and leases	<u>\$ 104,529,297</u>	<u>\$ 52,000,000</u>	<u>\$ (24,754,159)</u>	<u>\$ 131,775,139</u>	<u>\$ 12,869,432</u>

General Receipts Bonds Payable

Bonds payable as of June 30, 2023 are composed of General Receipts Bonds, Series 2012A, 2013A, 2015A, 2016A, 2016B, 2016C, 2022A and 2022B. The bonds mature in varying amounts through May 1, 2042, with interest payable at annual rates ranging from 2.00% to 5.00%. Buildings and revenues from student registration fees are pledged as collateral against the Consolidated Educational Buildings Revenue Bond payable, whereas general receipts of the University are pledged as collateral against the General Receipts Bonds payable.

The total bonds payable as of June 30, 2023 were as follows:

	<u>2023</u>
General Receipts Bonds, Series 2012A, dated June 6, 2012, with interest rates from 2.00% to 5.00%. Final principal payment date is May 1, 2032.	\$ 18,968,405
General Receipts Bonds, Series 2013A, dated October 29, 2013, with interest rates from 2.00% to 4.75%. Final principal payment date is September 1, 2033.	22,841,363
General Receipts Refunding Bonds, Series 2015A, dated October 13, 2015, with interest rates from 2.00% to 3.00%. Final principal payment date is September 1, 2026.	2,656,704
General Receipts Refunding Bonds, Series 2016A, dated March 17, 2016, with interest rates from 2.00% to 5.00%. Final principal payment date is September 1, 2026.	11,414,412
General Receipts Bonds, Series 2016B, dated October 25, 2016, with interest rates from 2.00% to 4.00%. Final principal payment date is September 1, 2036.	7,387,672

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

General Receipts Refunding Bonds, Series 2016C, dated October 25, 2016, with interest rates from 3.00% to 4.00%. Final principal payment date is September 1, 2028.	18,945,317
General Receipts Bonds, Series 2022A, dated August 12, 2022, with a fixed interest rate equal to 3.24%. Final principal payment date is May 1, 2042.	41,685,000
General Receipts Refunding Bonds, Series 2022B, dated August 5, 2022, with a fixed interest rate equal to 2.63%. Final principal payment date is June 1, 2026.	<u>7,833,141</u>
Total bonds payable	<u>\$ 131,732,014</u>

The debt service requirements for the bonds payable as of June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 12,105,000	\$ 4,524,350	\$ 16,629,350
2025	12,550,000	4,084,473	16,634,473
2026	13,010,000	3,623,762	16,633,762
2027	12,780,000	3,138,123	15,918,123
2028	9,630,000	2,716,566	12,346,566
2029-2033	37,235,000	8,894,502	46,129,502
2034-2038	18,375,000	3,614,904	21,989,904
2039-2042	<u>12,490,000</u>	<u>1,027,890</u>	<u>13,517,890</u>
	128,175,000	31,624,570	159,799,570
Add: unamortized premiums, net of discounts	<u>3,557,014</u>	<u>-</u>	<u>3,557,014</u>
	<u>\$ 131,732,014</u>	<u>\$ 31,624,570</u>	<u>\$ 163,356,584</u>

On December 19, 2006, the University issued Western Kentucky University General Receipts Bonds, Series 2006A. The \$10,000,000 proceeds generated from the bond issue were used for a portion of the renovation/expansion of Academic Athletic Complex #2, South Campus Parking and Dining, Math and Science Academy, Student Health Services Center and for Information Technology Infrastructure improvements.

On May 30, 2007, the University issued Western Kentucky University General Receipts Bonds, Series 2007A. The \$43,180,000 proceeds generated from the bond issue were used to fund a portion of the renovation/expansion of Academic Athletic Complex #2, South Campus Parking and Dining, Math and Science Academy, Student Health Services Center and for Information Technology Infrastructure improvements.

On February 18, 2009, the University issued Western Kentucky University General Receipts Bonds, Series 2009A. The \$46,900,000 proceeds generated from the bond issue were used to fund a portion of the renovation/expansion of Van Meter Hall, Preston Center, Ivan Wilson Center, Science Campus, Grise Hall and various parking lots across campus.

(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

On November 15, 2011, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2011A. The \$6,905,000 proceeds were used as a refunding source for the Western Kentucky University Consolidated Educational Buildings Revenue Bond, Series P.

On June 6, 2012, the University issued Western Kentucky University General Receipts Bonds, Series 2012A. The \$35,860,000 proceeds generated from the bond issue were used for the Phase 3 renovation of Downing Student Union.

On June 6, 2012, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2012B. The \$6,450,000 proceeds were used as a refunding source for Western Kentucky University Consolidated Educational Buildings Revenue Bond, Series Q.

On October 29, 2013, the University issued Western Kentucky University General Receipts Bonds, Series 2013A. The \$36,095,000 proceeds generated from the bond issue were used to construct the Honors College/International Center and to complete the renovation of Downing Student Union.

On October 13, 2015, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2015A. The \$5,960,000 proceeds were used as a partial refunding source for Western Kentucky University General Receipts Bonds, Series 2006A. The refunding of the 2006A bonds decreased the University's debt service payments over the remaining 11 years by approximately \$367,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$328,000.

On March 17, 2016, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2016A. The \$23,240,000 proceeds were used as a partial refunding source for Western Kentucky University General Receipts Bonds, Series 2007A. The refunding of the 2007A bonds decreased the University's debt service payments over the remaining 18 years by approximately \$1.6 million and resulted in an economic gain of approximately \$1.4 million.

On October 25, 2016, the University issued Western Kentucky University General Receipts Bonds, Series 2016B. The \$8,905,000 proceeds are being used to construct a Parking Structure.

On October 25, 2016, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2016C. The \$27,395,000 proceeds were used as a partial refunding source for Western Kentucky University General Receipts Bonds, Series 2009A. The refunding of the 2009A bonds will decrease the University's debt service payments over the next 13 years by approximately \$2.86 million and resulted in an economic gain of approximately \$2.5 million.

On August 5, 2022, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2022B. The \$10,315,000 proceeds were used to redeem the conduit debt of the City of Bowling Green, Kentucky General Obligation and Special Revenue Refunding Bonds 2010 Series A for present value savings.

On August 12, 2022, the University issued Western Kentucky University General Receipts Bonds, Series 2022A. The \$41,685,000 proceeds were procured for the following purposes: (1) construction of a new athletic fieldhouse which will be used by the football team, marching band, intramural sports teams and other various campus groups; and (2) to renovate the press box in Houchens Smith Stadium.

(Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Pledges Payable

The University pledged certain future revenues consisting of student athletic fees to the City. The University signed a Memorandum of Agreement dated April 15, 2002, and amended by supplement No. 1 dated June 1, 2002, between the City, Hilltopper Athletic Foundation (the "HAF") and the University. Under this agreement, the University and the HAF agreed to pledge certain future revenues in exchange for the renovation of E. A. Diddle Arena, financed by General Obligation and Special Revenues Bonds Series 2002B and 2002C issued by the City. These bonds constituted general obligations of the City and the full faith, credit and taxing power of the City.

In the signed Memorandum of Agreement, as amended, the University agreed to (a) pledge the student athletic fees to the City for the payment of principal and interest on Series 2002B bonds and on a subordinated basis on Series 2002C bonds and (b) the University and HAF pledge the suite rentals (defined as annual suite rental minus annual HAF contributions) to the City on Series 2002C bonds. Additionally, the University agreed to pay to the City the proceeds from the sale of naming rights to Diddle Arena (if any) for Series 2002B bonds. The University also covenanted and agreed to maintain the student athletic fees in amounts not less than the principal and interest of the bonds.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

During 2011, the City issued Series 2010 General Obligation Bonds for the purpose of refunding the City's General Obligation and Special Revenue Series 2002B. The new Series 2010 effectively refunded a portion of the original 2002B issue. With the refunding issue, the University recorded the principal of the Series 2010 City Bonds as pledges payable to the City. Financing for the original issue was used for the improvement of University facilities. Financing for the refunding issue was used to refund a portion of the original 2002B issue, and likewise, an effective refinancing of the original pledges payable to the City. As described above, under the Memorandum of Agreement, as amended, the University agreed to pledge the student athletic fees to the City for the payment of principal and interest on the Series 2010 Bonds. The University covenanted and agreed to maintain the student athletic fees in amounts not less than the principal and interest of the bonds.

The University recorded the principal balances of the refunding issue Series 2010 City Bonds as pledges payable to the City.

On August 5, 2022, the University issued Western Kentucky University General Receipts Bonds, Series 2022B on August 5, 2022. The \$10,315,000 proceeds were used to redeem the conduit debt of the City of Bowling Green, Kentucky General Obligation and Special Revenue Refunding Bonds 2010 Series A for present value savings.

NOTE 9 – LEASE LIABILITIES

The University leases certain assets the terms of which expire in various years through 2043. During the year ended June 30, 2023, the University recognized \$320,410 of rental expense for variable payments not previously included in the measurement of lease liability. The following is a summary of lease liabilities transactions for the University for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>
Lease liabilities	\$ 29,952,161	\$ 477,664	\$ (1,216,915)	\$ 29,212,910	\$ 789,684

The following is a schedule by year of future minimum payments under the leases as of June 30, 2023:

Year ending June 30:	<u>Total to Be</u> <u>Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,753,957	\$ 789,684	\$ 964,273
2025	2,062,855	1,121,751	941,104
2026	2,007,744	1,099,996	907,748
2027	2,080,557	1,208,094	872,463
2028	2,139,975	1,305,990	833,985
2029-2033	11,225,035	7,723,719	3,501,316
2034-2038	14,753,663	12,849,081	1,904,582
2038-2043	<u>3,406,500</u>	<u>3,114,595</u>	<u>291,905</u>
	<u>\$ 39,430,286</u>	<u>\$ 29,212,910</u>	<u>\$ 10,217,376</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 – SUBSCRIPTION LIABILITIES

The University has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2028. During the year ended June 30, 2023, the University recognized \$276,401 of subscription expense for variable payments not previously included in the measurement of subscription liability. The following is a summary of SBITA liabilities transactions for the University for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>
SBITA liabilities	\$ 3,861,483	\$ 1,237,278	\$ (3,042,739)	\$ 2,056,022	\$ 1,460,876

The following is a schedule by year of payments under the SBITAs as of June 30, 2023:

Year ending June 30:	<u>Total to Be</u> <u>Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,489,639	\$ 1,460,876	\$ 28,763
2025	466,767	457,687	9,080
2026	117,287	116,010	1,277
2027	21,020	20,659	361
2028	<u>791</u>	<u>790</u>	<u>1</u>
	<u>\$ 2,095,504</u>	<u>\$ 2,056,022</u>	<u>\$ 39,482</u>

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Employees of the University are covered by one of three pension plans: the Optional Retirement Plan, the Kentucky Employees' Retirement System Plan, and the Kentucky Teachers Retirement System Plan.

Optional Retirement Plan

Plan Description: University faculty and administrative staff hired after July 1, 1996, have the option of participating in the Optional Retirement Program, a defined contribution pension plan. The plan is administered by one of three providers chosen by the employee. The plan provides retirement benefits to plan members. Benefit provisions are contained in the plan document and were established and may be amended by action of the Commonwealth of Kentucky.

For the year ended June 30, 2023, contribution rates for plan members and the University expressed as a percentage of covered payrolls were 6.16% and 8.74%, respectively. Of the University's 8.74% contribution, 0.00% is paid to Kentucky Teachers' Retirement System for unfunded liabilities.

Covered payroll totaled \$54,409,191 for the year ended June 30, 2023. The University's contributions to the Optional Retirement Program for the year ended June 30, 2023 were \$4,755,366. Employees' contributions to the Optional Retirement Program for the years ended June 30, 2023 were \$3,351,621.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System

Plan Description: The University contributes to the Kentucky Employees' Retirement System (KERS), a cost-sharing, multiple-employer defined benefit pension and OPEB plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees ("KPPA Board") of KPPA administers the KERS, County Employees Retirement System and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

KPPA issues a publicly available financial report that includes audited financial statements and audited required supplementary information for KERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KPPA website at www.kyret.ky.gov.

Basis of Accounting: For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of KERS and additions to/deductions from KERS's fiduciary net position have been determined on the same basis as they are reported by KERS. 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.

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of KERS-Non-Hazardous and Hazardous plans. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Non-Hazardous

	Tier 1 Participation Prior to <u>9/1/2008</u>	Tier 2 Participation <u>9/1/2008 through 12/31/13</u>	Tier 3 Participation <u>1/1/2014</u>
Benefit Formula	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor	1.97% or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA)	No COLA unless authorized by the Legislature. If authorized, the COLA is limited to 1.5%. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit	Any age with 27 years of service. Age 65 with 48 months of service. Money purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No month purchased calculations.	
Reduced Retirement Benefit	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit.

(Continued)

WESTERN KENTUCKY UNIVERSITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Employees Retirement System (Continued)

Hazardous

	Tier 1 Participation Prior to <u>9/1/2008</u>	Tier 2 Participation <u>9/1/2008 through 12/31/13</u>	Tier 3 Participation <u>1/1/2014</u>
Benefit Formula	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation	Highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	3 highest salaries; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor	2.49%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 26 years = 2.25%. Greater than 25 years = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA)	No COLA unless authorized by the Legislature. If authorized, the COLA is limited to 1.5%. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit	Any age with 20 years of service. Age 55 with 60 months of service.	Any age with 25 years of service. Age 60 with 60 months of service.	Any age with 25 years of service. Age 60 with 60 months of service.
Reduced Retirement Benefit	Age 50 with 15 years of service.	Age 50 with 15 years of service.	No reduced retirement benefit.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

OPEB Benefits Provided: The information below summarizes the major retirement benefit provisions of KERS-Non-Hazardous and Hazardous plans. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Insurance Tier 1: Participation began before 7/1/2003

Benefit Eligibility: Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: The system provides a monthly contribution subsidy of \$10 (Non-hazardous) and \$15 (Hazardous) for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Insurance Tier 3: Participation began on or after 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 180 months of service at retirement

Benefit: Tier 3 insurance benefits are identical to Tier 2, except Tier 3 members are required to have at least 180 months of service in order to be eligible.

Contributions: The University was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KPPA Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KPPA Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KPPA Board.

For the fiscal year ended June 30, 2023, participating employers in the Nonhazardous plan contributed 9.97% (7.82% allocated to pension and 2.15% allocated to OPEB) as set by KPPA, of each Nonhazardous employee's creditable compensation. For the fiscal year ended June 30, 2023, participating employers in the Hazardous plan contributed 31.82% (31.82% allocated to pension and 0.00% allocated to OPEB) as set by KPPA, of each Hazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KPPA are financed through employer contributions and investments earnings.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

The University has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2023. Total contributions by the Plan were \$11,188,447 (\$9,029,608 related to pension and \$2,158,839 related to OPEB) for the year ended June 30, 2023. The OPEB contribution amount does not include the implicit subsidy of \$470,563 for the fiscal year ended June 30, 2023.

Members whose participation began before 9/1/2008:

Nonhazardous contributions equal 5% and Hazardous contributions equal 8% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Member entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008:

Nonhazardous contributions equal to 6% and Hazardous contributions equal 9% of all creditable compensation, with 5% (Non-hazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the KPPA 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation on or after 1/1/2014:

Nonhazardous contributions equal to 6% and Hazardous contributions equal 9% of all creditable compensation, with 5% (Non-hazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the KPPA 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Pension Information

Total Pension Liability: The total pension liability ("TPL") was measured as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2022:

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay
Price inflation	2.30 percent
Salary increases	3.30 to 15.30 percent (Non-hazardous) and 3.55 to 20.05 (Hazardous), varies by service
Amortization period	30 years, closed
Investment rate of return	5.25 percent (Non-hazardous) and 6.25 percent (Hazardous)

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

The mortality table used for active members is PUB-2010 General Mortality Table 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 is a system-specific mortality table base on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Discount rate assumptions:

- (a) Discount Rate: The discount rate used to measure the total pension liability was 5.25% (Non-hazardous) and 6.25% (Hazardous).
- (b) Projected Cash Flows: The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 29-year amortization period of the unfunded actuarial accrued liability.
- (c) Long-Term Rate of Return: 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.
- (d) Municipal Bond Rate: The discount rate determination does not use a municipal bond rate.
- (e) Periods of Projected Benefit Payments: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.
- (f) Assumed Asset Allocation: 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:

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

2022 Non-hazardous

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
Public Equity	32.50%	4.45%
Private Equity	7.00%	10.15%
Fixed Income		
Core Bonds	20.50%	0.28%
Specialty Credit/High Yield	15.00%	2.28%
Cash	5.00%	-0.91%
Inflation Protected		
Real Estate	10.00%	3.67%
Real Return	<u>10.00%</u>	4.07%
Total	<u>100.00%</u>	

2022 Hazardous

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
Public Equity	43.50%	4.45%
Private Equity	10.00%	10.15%
Fixed Income		
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	15.00%	2.28%
Cash	1.50%	-0.91%
Inflation Protected		
Real Estate	10.00%	3.67%
Real Return	<u>10.00%</u>	4.07%
Total	<u>100.00%</u>	

The long-term expected rate of return on pension plan assets was established by the KPPA Board of Trustees at 5.25% (Non-hazardous) and 6.25% (Hazardous) based on a blending of the factors described above.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Employees Retirement System (Continued)

- (g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the University's allocated portion of the Non-hazardous net pension liability ("NPL") of the System, calculated using the discount rate of 5.25 percent, as well as what the University's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.25 percent) or 1 percentage-point higher (6.25 percent) than the current rate:

2022

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
The University's net pension liability - Non-hazardous	\$ 147,791,532	\$ 128,496,201	\$ 112,608,269

The following presents the University's allocated portion of the Hazardous net pension liability ("NPL") of the System, calculated using the discount rate of 6.25 percent, as well as what the University's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25 percent) or 1 percentage-point higher (7.25 percent) than the current rate:

2022

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
The University's net pension liability – Hazardous	\$ 3,825,013	\$ 2,894,770	\$ 2,140,912

Employer's Portion of the Collective Net Pension Liability: The University's proportionate share of the Non-hazardous net pension liability at June 30, 2023 is \$128,496,201, or approximately 0.969%. The University's proportionate share of the Hazardous net pension liability at June 30, 2023 is \$2,894,770, or approximately 0.570%. The net pension liabilities were distributed based on the employers' covered payroll provided for the measurement period ending June 30, 2022 and actual employer contributions to the plan for the measurement period ending June 30, 2021.

Measurement Date: June 30, 2021 is the actuarial valuation date and June 30, 2022 is the measurement date upon which the total pension liability is based.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Changes in Assumptions and Benefit Terms: There have been no assumption changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

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

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension Expense: The University was allocated pension expense of \$(4,526,820) related to the KERS Non-Hazardous and \$103,056 related to the KERS Hazardous for the year ending June 30, 2023.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled as deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

<u>2023 Non-hazardous</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 150,530
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	1,350,479
Net differences between expected and actual investment earning on plan investments	<u>497,991</u>	<u>-</u>
	497,991	1,501,009
Contributions subsequent to the measurement date	<u>7,852,149</u>	<u>-</u>
Total	<u>\$ 8,350,140</u>	<u>\$ 1,501,009</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$7,852,149 will be recognized as a reduction of net pension liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2024	\$ (1,505,742)
2025	(1,311)
2026	(125,652)
2027	<u>629,687</u>
	<u>\$ (1,003,018)</u>

<u>2023 Hazardous</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 25,129	\$ 51,997
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	62,057
Net differences between expected and actual investment earning on plan investments	<u>122,396</u>	<u>-</u>
	147,525	114,054
Contributions subsequent to the measurement date	<u>1,177,459</u>	<u>-</u>
Total	<u>\$ 1,324,984</u>	<u>\$ 114,054</u>

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$1,177,459 will be recognized as a reduction of net pension liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:		
2024	\$	(63,749)
2025		5,116
2026		(28,054)
2027		<u>120,158</u>
	<u>\$</u>	<u>33,471</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

OPEB Information

Total OPEB Liability: The total OPEB liability was measured as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2022:

Actuarial valuation date	June 30, 2021
Price inflation	2.30 percent
Payroll growth rate	0.00 percent
Salary increases	3.30 to 15.30 percent (Non-hazardous) and 3.55 to 20.05 percent (Hazardous), varies by service
Investment rate of return	6.25 percent
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.20 percent at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 13 years.
Post-65	Initial trend starting at 9.00 percent at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 13 years.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

The mortality table used for active members is PUB-2010 General Mortality Table 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 is a system-specific mortality table base on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total Non-hazardous OPEB liability was 5.72%. The discount rate used to measure the total Hazardous OPEB liability was 5.59%. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected separately to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy was not currently being included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.
- (c) **Long-Term Rate of Return:** 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.
- (d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 3.69% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022.
- (e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

(f) Assumed Asset Allocations: 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:

<u>2022 Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	43.50%	4.45%
Private Equity	10.00%	10.15%
Fixed Income		
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	15.00%	2.28%
Cash	1.50%	-0.91%
Inflation Protected		
Real Estate	10.00%	3.67%
Real Return	<u>10.00%</u>	4.07%
Total	<u>100.00%</u>	

The long-term expected rate of return on pension plan assets was established by the KPPA Board of Trustees at 6.25% based on a blending of the factors described above.

Sensitivity Analysis: This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Non-hazardous

The following presents the University's allocated portion of the Non-hazardous net OPEB liability of the System, calculated using the discount rate of 5.72 percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.72 percent) or 1-percentage-point higher (6.72 percent) than the current rate for Non-hazardous:

	1% Decrease (4.72%)	Current Discount Rate (5.72%)	1% Increase (6.72%)
The University's Net OPEB liability – Non-hazardous	\$ 27,021,088	\$ 22,570,715	\$ 18,475,201

The following presents the University's allocated portion of the Non-hazardous net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Non-hazardous:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Non-hazardous	\$ 18,556,883	\$ 22,570,715	\$ 26,881,234

Hazardous

The following presents The University's allocated portion of the Hazardous net OPEB liability of the System, calculated using the discount rate of 5.59% percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.59 percent) or 1-percentage-point higher (6.59 percent) than the current rate for Hazardous:

	1% Decrease (4.59%)	Current Discount Rate (5.59%)	1% Increase (6.59%)
The University's Net OPEB liability – Hazardous	\$ 521,515	\$ 43,495	\$ (344,550)

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Employees Retirement System (Continued)

The following presents the University's allocated portion of the Hazardous net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Hazardous:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
The University's Net OPEB liability – Hazardous	\$ (307,583)	\$ 43,495	\$ 469,852

Employer's Portion of the Collective OPEB Liability: The University's proportionate share of the Non-hazardous net OPEB liability at June 30, 2022 is \$22,570,715, or approximately 1.020%. The University's proportionate share of the Hazardous net OPEB liability at June 30, 2022 is \$43,495, or approximately 0.570%. The net OPEB liabilities were distributed based on the 2022 actual employer contributions to the plan.

Measurement Date: June 30, 2021 the actuarial valuation date and June 30, 2022 is the measurement date upon which the total OPEB liability is based.

Changes in Assumptions and Benefit Terms: Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022 is determined using these updated benefit provisions. In fiscal year 2023, for KERS the Healthcare Trend Rate for Under Age 65 increased from 6.25% to 6.20% and for Ages 65 and Older the Healthcare Trend Rate increased from 5.50% to 9.00%. The KERS Discount Rates used for Non-Hazardous and Hazardous increased from 5.26% to 5.72% and from 5.01% to 5.59%, respectively.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

OPEB Expense: The University was allocated OPEB expense of \$(760,065) related to the KERS Non-Hazardous and \$144,198 related to the KERS Hazardous for the year ending June 30, 2023.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

2022 Non-hazardous

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 549,931	\$ 1,807,825
Change of assumptions	1,268,695	1,497,425
Changes in proportion and differences between employer contributions and proportionate shares of contributions	585,931	2,267,624
Net differences between expected and actual investment earning on plan investments	<u>460,506</u>	<u>-</u>
	2,865,063	5,572,874
Contributions subsequent to the measurement date	<u>2,609,391</u>	<u>-</u>
Total	<u>\$ 5,474,454</u>	<u>\$ 5,572,874</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$2,609,391 will be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2024	\$ (1,896,274)
2025	(916,453)
2026	(259,904)
2027	<u>364,820</u>
	<u>\$ (2,707,811)</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

2022 Hazardous

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 54,200	\$ 179,095
Change of assumptions	250,677	208,541
Changes in proportion and differences between employer contributions and proportionate shares of contributions	7,749	23,816
Net differences between expected and actual investment earning on plan investments	<u>54,396</u>	<u>-</u>
	367,022	411,452
Contributions subsequent to the measurement date	<u>20,011</u>	<u>-</u>
Total	<u>\$ 387,033</u>	<u>\$ 411,452</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$20,011 will be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2024	\$ 15,927
2025	(13,098)
2026	(75,335)
2027	<u>28,076</u>
	<u>\$ (44,430)</u>

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System

Plan Description: All full-time University faculty members and certain other staff occupying a position requiring certification or graduation from a four-year college or university as a condition of employment are covered by the Kentucky Teachers' Retirement System (KTRS), a cost sharing - multiple employer public employee retirement system. KTRS is a defined benefit plan providing for retirement, disability, death benefits and health insurance. Participants have a fully vested interest after the completion of 60 months of service, 12 of which are current service.

KTRS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the pension plan's fiduciary net position. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601, by calling (502) 573-3266, or visiting the website at <http://trs.ky.gov>.

Basis of Accounting: For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, pension and OPEB expense, information about the fiduciary net position of the Kentucky Teachers' Retirement System of the State of Kentucky (KTRS) and additions to/deductions from KTRS's fiduciary net position have been determined on the same basis as they are reported by KTRS. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pension Plan Information

Pension Benefits Provided: The information on the following page summarizes the major retirement benefit provisions of KTRS plan. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

(Continued)

WESTERN KENTUCKY UNIVERSITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System

	Tier 1 Participation Prior to <u>July 1, 2008</u>	Tier 2 Participation on or After <u>July 1, 2008</u>
Covered Employees:	University faculty and professional staff that do not choose the Optional Retirement Plan (Deferred Contribution)	University faculty and professional staff that do not choose the Optional Retirement Plan (Deferred Contribution)
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service	
Final Compensation:	Average of the highest 5 annual salaries reduced 5% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.	Average of the highest 5 annual salaries reduced 6% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.
Benefit Factor:	Non-University members: 2.00% for service prior to 7/1/1983; 2.50% for service after 7/1/1983; 2.00% if participation after 7/1/2002 and less than 10 years; 2.50% if participation after 7/1/2002 and more than 10 years; 3.00% if retire after 7/1/2004 with more than 30 years. University members: 2.0% for each year of service.	Non-University members: 1.70% if less than 10 years; 2.00% if greater than 10 years, but no more than 20 years; 2.30% if greater than 20 years, but no more than 26 years; 2.50% if greater than 26 years, but no more than 30 years; 3.00% for service greater than 30 years. University members: 1.50% if less than 10 years; 1.70% if greater than 10 years, but less than 20 years; 1.85% if greater than 20 years, but less than 27 years; 2.00% if greater than 27 years.
Cost of Living Adjustment (COLA):	1.5% annually additional ad hoc increases must be authorized by the General Assembly.	
Unreduced Retirement Benefit:	Any age with 27 years of Kentucky service. Age 55 with 5 years of Kentucky service.	Any age with 27 years of Kentucky service. Age 60 with 5 years of Kentucky service. Age 55 with 10 years of Kentucky service.
Reduced Retirement Benefit:	Must be retired for service or disability to be eligible. Retired members are given a supplement based upon a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement.	

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

Contributions: Benefit and contribution rates are established by state statute. Per Kentucky Revised Statutes 161.540, 161.550 and 161.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KTRS Board. For the fiscal year ended June 30, 2023, University employees were required to contribute 8.185% of their annual covered salary for retirement benefits. The University was contractually required to contribute 15.865% (13.010% allocated to pension, 2.775% allocated to medical insurance and 0.080% allocated to life insurance) of covered payroll for plan members hired on or after July 1, 2008 and 9.775% (7.695% allocated to pension, 2.000% allocated to medical insurance and 0.080% allocated to life insurance) of covered payroll for plan members hired on or after January 1, 2022 for the fiscal year ended June 30, 2023. The actuarially determined amount, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The University has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2023. Total contributions by the Plan were \$6,943,857 (\$5,686,652 related to pension and \$1,257,205 related to OPEB) for the year ended June 30, 2023. In addition, the Commonwealth of Kentucky contributes ad hoc annual cost of living adjustments provided by the General Assembly for KTRS retirees. This contribution totaled \$7,242,560 for the year ended June 30, 2023.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2023, the University reported a liability for its proportionate share of the net pension liability that reflected a reduction for pension support provided to the University by the Commonwealth of Kentucky. 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 were as follows:

	<u>2023</u>
University's proportionate share of the net pension liability	\$ 75,517,054
Commonwealth of Kentucky's proportionate share of the net pension liability associated with the University	<u>98,135,777</u>
	<u>\$ 173,652,831</u>

The net pension liability was measured as of June 30, 2023. The University's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period. At June 30, 2023, the University's proportion was 0.427% and the Commonwealth of Kentucky's proportion associated with the University was 0.554%.

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

For the year ended June 30, 2023, the University recognized pension expense of \$(11,489,331) and revenue of \$2,080,889. 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	\$ (2,621,914)	\$ -
Change in assumptions	6,849,495	-
Net difference between projected and actual earnings on investments	4,812,382	-
Changes in proportionate share of contributions	<u>-</u>	<u>14,390,903</u>
	9,039,963	14,390,903
Contributions subsequent to the measurement date	<u>5,686,652</u>	<u>-</u>
	<u>\$ 14,726,615</u>	<u>\$ 14,390,903</u>

At June 30, 2023, the University reported \$5,686,652 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the following fiscal year. Deferred outflows and deferred inflows of resources at June 30, 2022, related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ (4,983,492)
2025	(1,386,549)
2026	(3,188,385)
2027	<u>4,207,486</u>
	<u>\$ (5,350,940)</u>

Actuarial assumptions: The total pension liability ("TPL") was determined by actuarial valuations as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	2.50%	
Salary Increases	3.00% - 7.50%, including inflation	
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation	

The rates of mortality for the period after service retirement are according to the Pub2010 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.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020 adopted by the Board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The long-term expected return on plan 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>2022 Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
Developed International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	-0.1%
High Yield Bonds	2.0%	1.7%
Other Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	<u>2.0%</u>	-0.3%
Total	<u>100.0%</u>	

Changes in Assumptions and Benefit Terms Since Prior Measurement Date: There were no changes since the prior measurement date.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the University reporting date that are expected to have a significant effect on the University's proportionate share of the collective net pension liability.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

Discount rate: The discount rate used to measure the total pension liability at June 30, 2023 was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will contribute the Actuarially Determined Contribution (ADC) in accordance with the LIF's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.

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 table presents the net pension liability of the University as of June 30, 2023, calculated using the discount rate of 7.10%, as well as what the University's net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Proportionate share of the Collective Net Pension Liability (<i>in thousands</i>)	\$ 96,495,188	\$ 75,517,054	\$ 58,201,353

Medical Insurance Plan

Plan Description: In addition to the OPEB benefits previously described, Kentucky Revised Statute 161.675 requires KTRS to provide post-employment healthcare benefits to eligible members and dependents. The KTRS 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 KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided: To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS 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. KTRS 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 KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Contributions: In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from state appropriation, and three percent (3.00%) from 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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At June 30, 2023, the University reported a liability of \$20,220,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the University. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective 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 employers, actuarially determined. At June 30, 2022, the University's proportion was 0.814%.

The amount recognized by the University as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability at June 30, 2023 that was associated with the University were as follows:

University's proportionate share of the net OPEB liability	\$ 20,220,000
State's proportionate share of the net OPEB liability associated with the University	<u>1,270,000</u>
Total	<u>\$ 21,490,000</u>

For the year ended June 30, 2023, the University recognized OPEB expense of \$(543,000) and revenue of \$(54,000) for support provided by the State. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 8,499,000
Changes of assumptions	4,106,000	-
Net difference between projected and actual earnings on OPEB plan investments	1,075,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	<u>5,481,000</u>	<u>2,868,000</u>
	10,662,000	11,367,000
University contributions subsequent to the measurement date	<u>1,221,461</u>	-
Total	<u>\$ 11,883,461</u>	<u>\$ 11,367,000</u>

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,221,461 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

Year ended June 30:	
2024	\$(1,219,000)
2025	(973,000)
2026	(674,000)
2027	868,000
2028	866,000
Thereafter	<u>427,000</u>
	<u>\$ (705,000)</u>

Actuarial Assumptions: The total OPEB liability measured at June 30, 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2022:

Actuarial valuation date	June 30, 2021
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates:	
Under 65	7.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2032
Ages 65 and Older	5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2025
Medicare Part B Premiums	6.97% for FYE 2022 with an ultimate rate of 4.50% by 2034
Municipal Bond Index Rate	3.37%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

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, 2021 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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected 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 (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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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>2022 Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional Category: High Yield	8.0%	1.7%
Other Additional Categories	9.0%	2.2%
Cash (LIBOR)	<u>1.0%</u>	-0.3%
Total	<u>100.0%</u>	

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 assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, 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.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rates: The following table presents the University's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's net OPEB liability (MI)	\$ 25,369,000	\$ 20,220,000	\$ 15,957,000

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

	1% Decrease	Current Trend Rate	1% Increase
University's net OPEB liability (MI)	\$ 15,158,000	\$ 20,220,000	\$ 26,515,000

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KTRS financial report.

Changes in Assumptions and Benefit Terms: A new benefit tier was added for members joining the System on and after January 1, 2022. There were no other changes in benefit terms for the year ending June 30, 2023. In fiscal year 2023, for KTRS, the MIF Healthcare Cost Trend Rates for Ages 65 and Older and Medicare Part B Premiums increased from 5.00% to 5.125% and from 4.40% to 6.97%, respectively. The Municipal Bond Index Rate for KTRS MIF and LIF increased from 2.13% to 3.37%.

Life Insurance Plan

Plan Description: KTRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The KTRS 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 KTRS Board of Trustees and the General Assembly.

Benefits Provided: KTRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. KTRS provides a life insurance benefit of two 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.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Contributions: In order to fund the post-retirement life insurance benefit, four hundredths of one percent (.04%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At June 30, 2023, the University reported a liability of \$387,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the University. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective 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 employers, actuarially determined. At June 30, 2022, the University's proportion was 1.244%.

The amount recognized by the University as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability at June 30, 2023 that was associated with the University were as follows:

University's proportionate share of the net OPEB liability	\$ 387,000
State's proportionate share of the net OPEB liability associated with the University	-
Total	\$ 387,000

For the year ended June 30, 2023, the University recognized OPEB expense of \$31,000 and revenue of \$16,000 for support provided by the State. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,000	\$ 46,000
Changes of assumptions	-	51,000
Net difference between projected and actual earnings on OPEB plan investments	106,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	60,000
	112,000	157,000
Contributions subsequent to the measurement date	35,744	-
Total	\$ 147,744	\$ 157,000

(Continued)

WESTERN KENTUCKY UNIVERSITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$35,744 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

Year ended June 30:		
2024	\$	(16,000)
2025		(16,000)
2026		(16,000)
2027		28,000
2028		(22,000)
Thereafter		<u>(3,000)</u>
	\$	<u>(45,000)</u>

Actuarial Assumptions: The total OPEB liability measured at June 30, 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2022:

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	25 years
Asset valuation method	Five-year smoothed value
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	3.37%

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, 2021 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.

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected 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 (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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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>2022 Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Other Additional Categories	6.0%	2.1%
Cash (LIBOR)	<u>2.0%</u>	-0.3%
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, 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 table presents the University's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

<u>2022</u>	1% Decrease (<u>6.10%</u>)	Current Discount Rate (<u>7.10%</u>)	1% Increase (<u>8.10%</u>)
University's net OPEB liability (LI)	\$ 598,000	\$ 387,000	\$ 216,000

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

(Continued)

Kentucky Teachers' Retirement System (Continued)

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KTRS financial report.

Changes of benefit terms: A new benefit tier was added for members joining the System on and after January 1, 2022. There were no other changes in benefit terms for the year ending June 30, 2023.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Claims and Litigation: The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University.

Government Grants: The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

NOTE 13 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, employee health and certain natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Prior to 2006, the University had joined together with other Kentucky governmental entities to form a public entity risk pool currently operating as a common risk management and insurance program for its members. The University paid an annual premium to the pool for its workers' compensation insurance coverage. The pool's governing agreement specified that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts. In 2006, the University began self-insuring workers' compensation claims. Risk Management Services Corporation administers the university's workers' compensation claims. During 2023, there were no significant reductions in insurance coverage from the previous years.

Under its self-insured health plan, the University accrued the estimated costs of health care claims based on claims filed subsequent to year end and an additional amount for incurred but not yet reported claims based on prior experience.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 - RISK MANAGEMENT (Continued)

Changes in the balance of the self-insured health liability as of June 30, 2023, 2022, and 2021, are summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,352,580	\$ 1,214,587	\$ 1,131,863
Claims and changes in estimates	16,518,415	15,612,713	14,701,575
Claims payments	<u>(16,653,145)</u>	<u>(15,474,720)</u>	<u>(14,618,851)</u>
Balance, end of year	<u>\$ 1,217,850</u>	<u>\$ 1,352,580</u>	<u>\$ 1,214,587</u>

Under its self-insured workers' compensation plan, the University accrued the estimated costs of workers' compensation claims based on claims filed subsequent of the year end and an additional amount for incurred but not yet reported claims.

Changes in the balance of the self-insured workers' compensation liability as of June 30, 2023, 2022, and 2021 are summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 134,899	\$ 75,951	\$ 165,595
Claims and changes in estimates	390,389	142,787	101,484
Claims payments	<u>(326,250)</u>	<u>(83,839)</u>	<u>(191,128)</u>
Balance, end of year	<u>\$ 199,038</u>	<u>\$ 134,899</u>	<u>\$ 75,951</u>

NOTE 14 - REGIONAL UNIVERSITY EXCELLENCE TRUST FUND (RUETF)

The Kentucky General Assembly appropriated funds to the RUETF with the passage of the Postsecondary Education Improvement Act of 1997 (House Bill 1). The purpose of this fund is to encourage private investment in public higher education activities within the Commonwealth of Kentucky. These funds were made available when matched dollar-for-dollar from external sources. The Commonwealth's Council on Postsecondary Education (CPE) was designated to oversee the distribution and use of these funds.

The University, under Kentucky House Bill 502, enacted by the 2000 General Assembly, included the provisions that "the proceeds of the endowment program authorized under Part X, Section I of this Act shall be deposited in the Regional University Excellence Trust Fund Account and invested at the direction of the CPE. Upon receipt of certification, the Council shall transfer the endowment funds from the account to the respective universities for management and investment by the university foundations if the foundations have been previously created to manage and invest private gifts and donations on behalf of the universities over time, otherwise by the university itself."

The University transfers these state match funds to the Western Kentucky University Foundation, Inc. and the College Heights Foundation for investment purposes. The Western Kentucky University Foundation, Inc. and the College Heights Foundation are non-affiliated foundations under the governing laws of the Commonwealth of Kentucky. These Foundations are responsible for managing some of the fund raising and investing activities of the University. The University has recorded the state appropriated RUETF as assets held in trust in the Regional University Excellence Trust Fund (see Note 2 for the fair value of assets held in trust).

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 14 - REGIONAL UNIVERSITY EXCELLENCE TRUST FUND (RUETF) (Continued)

Following is a summary of the funding for the RUETF as of June 30, 2023:

	<u>CPE Funding Received</u>	<u>External Matched Pledges</u>	
		<u>Received</u>	<u>Pledged</u>
Balance, July 1, 2022	\$ 14,211,209	\$ 16,393,173	\$ -
New Pledges	-	-	-
Current year collections	-	-	-
Balance, June 30, 2023	<u>\$ 14,211,209</u>	<u>\$ 16,393,173</u>	<u>\$ -</u>

The University's externally matched pledges, both received and outstanding, have not been recorded on the University's financial statements.

NOTE 15 - NATURAL AND FUNCTIONAL CLASSIFICATIONS OF OPERATING EXPENSES

The University's operating expenses by functional classification on June 30, 2023, were as follows:

<u>Functional Classification</u>	<u>Compensation and Benefits</u>	<u>Supplies, Contractual Services and Other</u>	<u>Utilities</u>	<u>Non Capitalized Property</u>	<u>Scholarships</u>	<u>Depreciation & Amortization</u>	<u>Total</u>
Instruction	\$ 81,818,335	\$ 9,286,426	\$ 1,871	\$ 847,786	\$ -	\$ -	\$ 91,954,418
Research	3,897,434	2,359,666	1,900	113,878	-	-	6,372,878
Public service	9,694,887	7,061,985	44,318	185,678	-	-	16,986,868
Libraries	3,487,937	531,590	1,971	111,922	-	-	4,133,420
Academic support	17,357,333	3,739,812	369	631,656	-	-	21,729,170
Student services	21,102,070	16,179,051	2,583	377,402	-	-	37,661,106
Institutional support	26,579,684	11,826,816	52,401	773,660	-	-	39,232,561
Operation and maintenance of plant	8,911,399	12,225,394	6,308,068	1,093,372	-	-	28,538,233
Student financial aid	54,886	543,493	-	44,945	28,150,692	-	28,794,016
Pension and OPEB	(38,667,518)	-	-	-	-	-	(38,667,518)
Depreciation	-	-	-	-	-	28,725,653	28,725,653
Amortization	-	-	-	-	-	4,696,330	4,696,330
Auxiliary enterprise	<u>5,439,561</u>	<u>5,736,649</u>	<u>3,217,525</u>	<u>70,767</u>	<u>-</u>	<u>-</u>	<u>14,464,502</u>
Total operating expenses	<u>\$ 139,676,008</u>	<u>\$ 69,490,882</u>	<u>\$ 9,631,006</u>	<u>\$ 4,251,066</u>	<u>\$ 28,150,692</u>	<u>\$ 33,421,983</u>	<u>\$ 284,621,637</u>

(Continued)

NOTE 16 - WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES

Nature of Operations: Western Kentucky University Foundation, Inc. (the “Foundation”) is a Kentucky nonprofit corporation formed to receive, invest, and expend funds for the enhancement and improvement of Western Kentucky University. The Foundation’s fiscal year ends on December 31. It is a legally separate, tax-exempt component unit of the University that manages certain endowments and investments on behalf of the University. The Foundation has a Board of Trustees separate from that of the University; however, the President and certain other officers of the University are also officers of the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the use of a majority of the resources, or income thereon, which the Foundation holds and invests is 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 statement package.

Complete financial statements for the Foundation can be obtained from the WKU Foundation Office, Alumni House, 1906 College Heights Blvd., Bowling Green, Kentucky, 42101.

Consolidation: The consolidated financial statements include the accounts of the WKU Foundation and its subsidiary, Alumni Square (collectively referred to as the Foundation). Significant intercompany transactions and accounts have been eliminated.

Investments

As of December 31, 2022, investments consist of the following:

	<u>2022</u>
Mutual funds	\$ 49,715,145
Exchange traded funds	11,284,942
Corporate bonds	4,593,372
Equity securities	30,368,122
Real estate and other alternative investments	<u>13,980,905</u>
	109,942,486
Less: investments included above which are held for WKU	15,650,901
Less: investments included above which are held for LifeWorks	1,772,667
Less: investments included above which are held for Alumni Association	624,391
Less: investments included above which are held for HAF	<u>2,871,596</u>
	<u>\$ 89,022,931</u>

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 16 - WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Assets Held for Others

Assets held for others represent resources in the possession of, but not under the control of the Foundation. As of December 31, 2022 assets held for others consist of the following:

	<u>2022</u>
WKU – Regional University Excellence Trust Fund	\$ 15,611,311
Hilltopper Athletic Foundation	2,789,954
LifeWorks	1,772,667
Alumni Association Lifetime	590,276
Tincher Family Fund – HAF	81,642
WKU Alumni Association -Martens Alumni Center Endowment Fund	34,115
Green River	<u>39,590</u>
	<u>\$ 20,919,555</u>

Accordingly, the accompanying statements of financial position as of December 31, 2022 reflect a liability for assets held for others in the amount of \$20,919,555.

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2022</u>
Subject to expenditure for specified purpose:	
Academic support/WKU programs	\$ 10,457,551
Athletics	2,946,362
Public service	1,811,989
Professorships	970,234
Scholarship funds	164,604
Promises to give, the proceeds from which have been restricted by donors for:	
Academic support/WKU programs	2,089,010
Athletics	274,488
Public services	<u>62,386</u>
Total subject to expenditure for specified purpose	18,776,624
Subject to passage of time:	
Assets held under split-interest agreements	361,375
Endowments:	
Subject to Foundation endowment spending policy and appropriation:	
Investments held in perpetuity, the income from which is expendable to support the Foundation (reported as investment income)	<u>73,926,288</u>
Total net assets with donor restriction	<u>\$ 93,064,287</u>

NOTE 16 - WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Net Assets With Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2022:

	<u>2022</u>
Distributions (proceeds are not restricted by donors):	
Assets held under split-interest agreements	\$ 10,865
Restricted-purpose spending-rate distributions and appropriations:	
Academic support/WKU programs	3,243,997
Athletics	2,344,880
Public service	735,294
Professorships	1,438,520
Scholarship funds	<u>235,248</u>
Total	<u>\$ 8,008,804</u>

Pension Plans

Through WKU, the Foundation participates in the Kentucky Employees' Retirement System (KERS) and the Kentucky Teachers' Retirement System (KTRS), both of which are cost-sharing, multiple-employer, defined benefit pension plans administered by the respective KERS and KTRS Boards of Trustees. Both KERS and KTRS provide retirement, disability, and death benefits to the Foundation's eligible employees. The Foundation reimburses WKU for the Foundation's share of the contributions made on behalf of eligible employees. As of December 31, 2022, contributions under KERS and KTRS made on behalf of eligible employees represent 80.17% and 15.87% of annual covered payroll, respectively. Employer contributions made under KERS and KTRS on behalf of Foundation employees total approximately \$95,000 for the year ended December 31, 2022.

Related Party Transactions

Accounts payable as of December 31, 2022 include approximately \$201,000, which is payable to WKU.

On August 13, 2021, the Board of Trustees approved the authorization of WKU Foundation issuing programmatic investment loans to increase the alternative investment penetration in their overall investment strategy. WKU Foundation can issue a related party loan to the WKU Real Estate Corporation, as needed, with a maximum of \$2 million. Interest rates of the loan will reflect current market. The Foundation Investment Policy Statement was modified to include programmatic investment loans as part of alternative investments. To date, no programmatic investment loans have been issued by WKU Foundation.

NOTE 16 - WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Subsequent Events

Effective January 1, 2023, WKU Foundation, Inc. was merged into College Heights Foundation, Inc. WKU Foundation's assets totaling \$115,613,427 were transferred to College Heights Foundation, Inc. as of May 8, 2023. Additionally, the total assets of Alumni Square were transferred to WKU Real Estate Corporation in the amount of \$1,550,882. Remaining assets of \$4,381,196 will be transferred to College Heights Foundation on or before December 31, 2023. This transaction was considered a merger in accordance with FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958)*.

NOTE 17 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES

Nature of Operations: WKU Student Life Foundation, Inc. ("Student Life") is a Kentucky nonprofit corporation formed to facilitate the purchase, recapitalization, and renovation of the student residential facilities at the University. Student Life is a legally separate, tax-exempt component unit of the University that owns, and through its signed agreements with the University, operates 14 residence halls with approximately 4,891 beds on the main campus of the University. Student Life also constructed and owns two facilities that provide a total of 290 beds off the main campus. Construction of two new halls was completed during the summer of 2021, and the beds became available for the fall 2021 semester. Student Life has a board of directors separate from that of the University; however, the chair and other members of the Western Kentucky University Foundation's board of trustees are also board members of Student Life. Because Student Life and the Foundation have common boards of trustees, and as the purpose of Student Life is to operate exclusively in support of the Foundation, which is a component unit created to benefit the University as described above, Student Life is considered a component unit of the University and is discretely presented in the University's financial statement package. Student Life's revenues and other support are derived principally from rental of living space to students of the University.

Complete financial statements for Student Life can be obtained from the WKU Student Life Foundation, Inc. office, P.O. Box 8290, Bowling Green, Kentucky, 42101.

Direct Financing Leasing Arrangements: Student Life constructed a food service building to improve food service offerings located near its residence halls on the south end of the main campus. Student Life entered into a long-term capital lease arrangement with the University to operate this facility for 25 years, which began on July 1, 2008, and ending on June 20, 2033.

Student Life also entered a lease with the University on June 30, 2022, to provide an additional food service operation. Student Life entered into a long-term capital lease arrangement with the University to operate this facility for 15 years, which began June 30, 2022, and ending on June 30, 2037, and subject to five separate renewal terms at the end of 2037.

The leases are absolute net leases where the University assumes and agrees to pay and perform all payments, expenses, maintenance, and operational costs, in connection with the use of the premises. The revenue related to these direct financing leases are recognized over the lease term, using the effective interest method.

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 17 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Assets Limited as to Use

Assets limited as to use at June 30, 2023 consisted of the following:

	<u>2023</u>
Money market accounts	<u>\$ 8,091,536</u>
Assets limited as to use:	
Restricted by bond indenture	\$ 6,980,001
Internally restricted for debt principal and interest	<u>1,111,535</u>
Total	<u>\$ 8,091,536</u>

Property and Equipment

Property and equipment at June 30, 2023 consisted of:

	<u>2023</u>
Land	\$ 6,626,701
Land improvements	2,452,320
Buildings	113,960,491
Building improvements	74,948,263
Vehicles	138,402
Furnishings and fixtures	16,034,239
Housing Software	151,050
Construction in progress	<u>702,530</u>
	215,013,996
Less accumulated depreciation and amortization	<u>73,276,316</u>
	<u>\$ 141,737,680</u>

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 17 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Long-Term Debt

Long-term debt consisted of the following:

	<u>2023</u>
<p>Series 2017 A – Industrial Building Revenue Bonds - Tax-exempt fixed rate of 3.368%; payable in monthly installments of principal and interest; annual principal payments range from \$1,930,059 to \$6,805,639 through 2026; rate to be renegotiated in March 2027 when balance due will be \$45,435,919; collateralized by all real estate. Unamortized debt issuance costs as of June 30, 2023 were \$ 172,412.</p>	\$ 69,076,429
<p>Series 2019 B – Industrial Building Revenue Bonds – Tax-exempt fixed rate of 3.17%; 8-year lockout period payable in monthly installments of principal and interest; annual principal payments range from \$414,045 to \$5,653,476 through 2029; rate to be renegotiated in September 2029 when balance due will be \$26,027,325; collateralized by all real estate. Unamortized debt issuance costs as of June 30, 2023 were \$155,544.</p>	<u>40,982,213</u> 110,058,642
<p>Less unamortized bond issuance costs</p>	<u>327,956</u> <u>\$ 109,730,686</u>

Student Life is required to maintain certain financial ratios and a debt reserve account balance in accordance with the bond agreement. Aggregate annual maturities of long-term debt are listed below:

2024	\$ 6,981,731
2025	7,219,684
2026	7,464,914
2027	7,707,075
2028	12,162,925
Thereafter	<u>68,522,313</u>
	<u>\$ 110,058,642</u>

NOTE 17 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Related Party Transactions

Student Life and University are related parties. The financial statements include the following amounts related to the University:

	<u>2023</u>
Accounts receivable from WKU – student housing and related fees	\$ 464,657
Accounts receivable from WKU – other	713,074
Net investment in direct financing lease	1,273,027
Accounts payable – operating expenses	964,872
Interest income – direct financing lease	88,775
Hilltopper Hub lease	176,471
First Year Village lease	25,117
Operating lease income	50,986
Chilled water service fees	498,893
Management fees	84,200

The University has designated certain employees to work exclusively or partially for Student Life. Salaries, benefits and related expenses on the statements of activities represent amounts reimbursed to the University for these individuals. Student Life has no employees of its own and its board of directors serves on a voluntary, non-compensatory basis.

Accounts receivable relate to student housing fees collected by the University, which are due to Student Life, as well as amounts due from the University for work-study programs, vending contracts and chilled water plant services. The University processes all accounts receivable and payables for Student Life. Student Life reimburses the University on a monthly basis for all expenses incurred by the University on Student Life’s behalf, which is represented by the accounts payable amounts noted above.

Student Life receives rent revenue from the University for the lease of retail space at one of Student Life’s residence halls. The lease was renewed for another five-year term in March 2022 with annual lease payments ranging from \$52,006 to \$55,189. The rent was \$50,986 for the year ended June 30, 2023. The revenue from this lease is included in other revenues.

Student Life received prepaid rent from WKU in the amount of approximately \$3 million during the year ended June 30, 2020, for WKU to provide a food service operation. The lease is for the period of November 1, 2019 through October 31, 2036 and subject to five-year renewal terms at the end of October 2036. The revenue from this lease is recorded in other income in the amount of \$176,471 for the year ended June 30, 2023.

Student Life received prepaid rent from the University in the amount of approximately \$700,000 during year ended June 30, 2023, for the University to provide a food service operation. The lease is for the period of June 30, 2022, through June 30, 2037, and subject to five, five-year renewal terms at the end of June 2037. The revenue from this lease is recorded in other income in the amount of \$25,117 for the year ended June 30, 2023.

Student Life receives fees from the University relating to chilled water services. The fees were \$498,893 for the year ended June 30, 2023. These fees are included in other revenues.

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 17 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Related Party Transactions (Continued)

A schedule of future rent revenue is presented below:

2024		\$	254,634
2025			255,695
2026			256,777
2027			201,588
2028			201,588
Thereafter			<u>1,966,641</u>
		\$	<u><u>3,136,923</u></u>

The University provides certain direct and indirect support to Student Life and Student Life provides certain direct and indirect support to the University. Both organizations have no objective basis for determining the value of these activities. However, as a part of the management agreement, Student Life does provide an annual amount to the University to help offset such related costs. The management fees were \$84,200 for the year ended June 30, 2023.

Pension Plans

Student Life has no employees; however, the University has designated certain employees to work exclusively or partially for Student Life. The University participates in three multi-employer pension plans maintained by the state of Kentucky. The plans provide defined benefits to eligible University employees providing services to Student Life. Student Life reimburses the University for Student Life’s share of the actuarially determined contributions to the plans, which currently range from 8.74% to 85.03% of its covered payroll based upon the individual’s retirement category. Contributions reimbursed to the University were \$673,287 for the year ended June 30, 2023.

Commitments

As of June 30, 2023, Student Life had ongoing commitments to improve all residence halls and continue construction of one new residence hall with the corresponding estimated costs:

		Estimated <u>Cost</u>
Poland elevator updates	\$	168,000
Meredith cooling towers		68,000
Zacharias cooling towers		60,000
Internal air control quality upgrades		470,000
Keen piping upgrades		<u>130,000</u>
	\$	<u><u>896,000</u></u>

NOTE 18 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES

Nature of Operations

College Heights Foundation, Inc., (“College Heights”) is a Kentucky nonprofit corporation that is a legally separate, tax-exempt component unit of the University that manages certain investments on behalf of the University. College Heights operates on a calendar year ending December 31. College Heights has a board of directors separate from that of the University. The president of the University is also a board member of College Heights. Although the University does not control the timing or amount of receipts from College Heights, the use of a majority of the resources, or income thereon, which College Heights holds and invests is restricted by the donors to the activities of the University. Because these restricted resources held by College Heights can only be used by, or for the benefit of, the University, College Heights is considered a component unit of the University and is discretely presented in the University’s financial statements. A substantial portion of the donations received consists of endowment gifts from which the corpus is not available to be distributed.

Complete financial statements for College Heights can be obtained from the College Heights Foundation Office, Alumni House, 1906 College Heights Blvd., Bowling Green, Kentucky, 42101.

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment income, gains, and losses are reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions. Investments in certificates of deposit are stated at cost, which approximates fair value.

Investments

Investments consist of the following at December 31, 2022:

	<u>2022</u>
Mutual funds	\$ 37,454,135
Equity securities	29,764,557
Exchange traded funds	9,512,457
Alternative investments, marketable alternatives	6,726,714
Corporate bonds and other fixed income securities	4,928,628
Real estate	1,661,400
Alternative investments, private equity	1,374,375
Alternative investments, private real estate	1,190,690
Alternative investments, programmatic loans	987,006
Certificates of deposit	<u>690,804</u>
	94,290,766
Investments included above held for:	
University	(3,225,175)
Non-Foundation employee deferred compensation benefit plan	<u>(118,057)</u>
	<u>\$ 90,947,534</u>

NOTE 18 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Investments (Continued)

As indicated above, at year-end, College Heights is invested in various types of investment securities. Investments are exposed to various risks such as interest rate risk, credit risk, and market risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

Management considers the carrying value of real estate to approximate fair value at December 31, 2022. Real estate investment trust values are reported at fair value based upon an independent valuation performed at least annually.

Investment advisory fees for the year ended December 31, 2022 were \$366,952.

Related Party Transactions

Western Kentucky University provides the facilities in which College Heights offices are located and also processes College Heights' payroll. No rent or administrative expenses are charged to College Heights by the University and College Heights does not recognize revenue and expense related to these transactions, as the amounts thereof are immaterial. College Heights also owns a parking lot which is used by the University for which no rent is charged.

On August 5, 2021, the Board of Directors approved College Heights Foundation to proceed with issuing programmatic investment loans to increase the alternative investment penetration in their overall investment strategy. College Heights Foundation can issue related party loans to WKU Real Estate corporation, as needed, with a maximum of \$2,000,000. Interest rates of the loan will reflect current market. The Foundation Investment Policy Statement was modified to include programmatic investment loans as part of alternative investments. As of December 31, 2022, College Heights Foundation had issued three programmatic investment loans totaling \$1,010,000 to WKU Real Estate Corporation. The Foundation issued an additional \$118,000 programmatic investment loan in February 2023.

Employees' Retirement Plans

Through the University, College Heights participates in the Kentucky Employees' Retirement System (KERS) and the Kentucky Teachers Retirement System (KTRS), both of which are cost sharing, multiple-employer, defined benefit pension plans administered by the respective KERS and KTRS boards of trustees. College Heights is not represented on either of the boards of trustees. Both KERS and KTRS provide retirement, disability, and death benefits to College Heights' eligible employees. The service retirement benefit is a lifetime benefit. College Heights reimburses the University for College Heights' share of the contributions made on behalf of eligible College Heights employees. Both multiple employer plans pay a defined amount upon retirement based on the length of service and the final average salary of the employee, along with a retirement multiplier. Retirement eligibility is determined by the employee's age and years of service. Total contributions of \$76,910 in 2022 were expensed to salaries and benefits for ongoing participation in these plans.

NOTE 18 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Subsequent Event

Effective January 1, 2023, WKU Foundation, Inc. was merged into College Heights Foundation, Inc. WKU Foundation's assets totaling \$115,613,427 were transferred to College Heights Foundation, Inc. as of July 6, 2023. Additionally, there are assets of approximately \$4,400,000 remaining in WKU Foundation that will be transferred to College Heights Foundation on or before December 31, 2023. This transaction was considered a merger in accordance with FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958)*.

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(in thousands)
June 30, 2023

KERS – Non-Hazardous

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
University's proportion of the net pension liability	0.97%	0.97%	1.09%	1.13%	1.26%
University's proportionate share of the net pension liability	\$ 128,496	\$ 129,018	\$ 153,739	\$ 159,267	\$ 171,121
University's covered payroll	\$ 13,139	\$ 15,187	\$ 17,013	\$ 18,246	\$ 19,527
University's proportionate share of the net pension liability as a percentage of its covered payroll	977.97%	849.53%	903.66%	872.89%	876.33%
Plan fiduciary net position as a percentage of the total pension liability	18.51%	18.48%	14.01%	13.66%	12.84%

KERS – Hazardous

University's proportion of the net pension liability	0.57%	0.59%	0.61%	0.69%	0.63%
University's proportionate share of the net pension liability	\$ 2,895	\$ 2,638	\$ 3,402	\$ 3,795	\$ 3,173
University's covered payroll	\$ 1,189	\$ 1,142	\$ 1,155	\$ 1,257	\$ 1,229
University's proportionate share of the net pension liability as a percentage of its covered payroll	243.48%	230.00%	294.55%	331.23%	258.18%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	66.03%	55.18%	55.49%	56.10%

KTRS

University's proportion of the net pension liability	0.43%	0.50%	0.54%	0.56%	0.77%
University's proportionate share of the net pension liability	\$ 75,517	\$ 67,925	\$ 79,923	\$ 79,901	\$ 105,246
State's proportionate share of the net pension liability associated with the University	<u>98,136</u>	<u>71,711</u>	<u>84,053</u>	<u>86,580</u>	<u>78,302</u>
Total	<u>\$ 173,653</u>	<u>\$ 139,636</u>	<u>\$ 163,976</u>	<u>\$ 166,481</u>	<u>\$ 183,548</u>
University's covered payroll	\$ 42,825	\$ 45,018	\$ 48,533	\$ 50,972	\$ 54,430
University's proportionate share of the net pension liability as a percentage of its covered payroll	176.34%	150.88%	164.68%	156.75%	193.36%
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.30%	58.80%	59.30%

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(in thousands)
June 30, 2023

KERS – Non-Hazardous

	<u>2018</u>	<u>2017</u>	<u>2016</u>
University's proportion of the net pension liability	1.29%	1.46%	1.47%
University's proportionate share of the net pension liability	\$ 173,895	\$ 166,399	\$ 147,109
University's covered payroll	\$ 20,402	\$ 23,985	\$ 22,769
University's proportionate share of the net pension liability as a percentage of its covered payroll	852.34%	693.76%	646.09%
Plan fiduciary net position as a percentage of the total pension liability	13.30%	14.80%	18.83%

KERS – Hazardous

University's proportion of the net pension liability	0.60%	0.78%	0.90%
University's proportionate share of the net pension liability	\$ 2,992	\$ 3,039	\$ 3,098
University's covered payroll	\$ 1,174	\$ 1,343	\$ 1,310
University's proportionate share of the net pension liability as a percentage of its covered payroll	254.86%	226.28%	236.49%
Plan fiduciary net position as a percentage of the total pension liability	54.75%	57.41%	61.70%

KTRS

University's proportion of the net pension liability	0.73%	1.21%	1.23%
University's proportionate share of the net pension liability	\$ 207,035	\$ 373,414	\$ 299,522
State's proportionate share of the net pension liability associated with the University	<u>165,003</u>	<u>35,194</u>	<u>30,458</u>
Total	<u>\$ 372,038</u>	<u>\$ 408,608</u>	<u>\$ 329,980</u>
University's covered payroll	\$ 55,655	\$ 56,509	\$ 56,089
University's proportionate share of the net pension liability as a percentage of its covered payroll	372.00%	660.80%	534.01%
Plan fiduciary net position as a percentage of the total pension liability	39.83%	35.22%	42.49%

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(in thousands)
June 30, 2023

Notes to the Schedule:

Changes in assumptions – In fiscal year 2023, there were no changes to the KERS plan 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 is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
(in thousands)
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
KERS – Non-Hazardous					
Contractually required contribution	\$ 7,852	\$ 8,011	\$ 5,824	\$ 6,430	\$ 6,868
Contributions in relation to the contractually required contribution	<u>(7,852)</u>	<u>(8,011)</u>	<u>(5,824)</u>	<u>(6,430)</u>	<u>(6,868)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 14,014	\$ 13,139	\$ 15,187	\$ 17,013	\$ 18,246
Contributions as a percentage of covered payroll	56.03%	60.97%	38.35%	37.79%	37.64%
KERS – Hazardous					
Contractually required contribution	\$ 1,177	\$ 1,213	\$ 411	\$ 397	\$ 432
Contributions in relation to the contractually required contribution	<u>(1,177)</u>	<u>(1,213)</u>	<u>(411)</u>	<u>(397)</u>	<u>(432)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 1,250	\$ 1,189	\$ 1,142	\$ 1,155	\$ 1,257
Contributions as a percentage of covered payroll	94.16%	102.02%	35.99%	34.37%	34.37%
KTRS					
Contractually required contribution	\$ 5,687	\$ 5,668	\$ 5,909	\$ 6,248	\$ 6,539
Contributions in relation to the contractually required contribution	<u>(5,687)</u>	<u>(5,668)</u>	<u>(5,909)</u>	<u>(6,248)</u>	<u>(6,539)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 45,199	\$ 42,825	\$ 45,018	\$ 48,533	\$ 50,972
Contributions as a percentage of covered payroll	12.58%	13.24%	13.13%	12.87%	12.83%

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
(in thousands)
June 30, 2023

KERS – Non-Hazardous

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 8,018	\$ 8,210	\$ 7,397
Contributions in relation to the contractually required contribution	<u>(8,018)</u>	<u>(8,210)</u>	<u>(7,397)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 19,527	\$ 20,402	\$ 23,985
Contributions as a percentage of covered payroll	41.06%	40.24%	30.84%

KERS – Hazardous

Contractually required contribution	\$ 263	\$ 248	\$ 220
Contributions in relation to the contractually required contribution	<u>(263)</u>	<u>(248)</u>	<u>(220)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 1,229	\$ 1,174	\$ 1,343
Contributions as a percentage of covered payroll	21.40%	21.12%	16.38%

KTRS

Contractually required contribution	\$ 9,564	\$ 9,661	\$ 9,624
Contributions in relation to the contractually required contribution	<u>(9,564)</u>	<u>(9,661)</u>	<u>(9,624)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 54,430	\$ 55,655	\$ 56,509
Contributions as a percentage of covered payroll	17.57%	17.36%	17.03%

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
(in thousands)
June 30, 2023

Notes to the Schedule:

Changes in assumptions – In fiscal year 2023, there were no changes to the KERS plan 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%.

** This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
KERS – Non-Hazardous						
University's proportion of the net OPEB liability	1.020%	0.979%	1.085%	1.128%	1.257%	1.299%
University's proportionate share of the net OPEB liability	\$ 22,571	\$ 22,325	\$ 27,557	\$ 25,068	\$ 29,797	\$ 32,938
University's covered payroll	\$ 13,139	\$ 15,187	\$ 17,013	\$ 18,246	\$ 19,527	\$ 20,402
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	171.79%	147.00%	161.98%	137.39%	152.59%	161.44%
Plan fiduciary net position as a percentage of the total OPEB liability	38.15%	38.38%	29.47%	30.92%	27.32%	24.40%
KERS – Hazardous						
University's proportion of the net OPEB liability	0.570%	0.592%	0.607%	0.693%	0.628%	0.602%
University's proportionate share of the net OPEB liability	\$ 43	\$ (68)	\$ 259	\$ (186)	\$ (208)	\$ 36
University's covered payroll	\$ 1,189	\$ 1,142	\$ 1,155	\$ 1,257	\$ 1,229	\$ 1,174
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	3.62%	-5.95%	22.42%	-14.80%	-16.92%	3.07%
Plan fiduciary net position as a percentage of the total OPEB liability	98.72%	101.85%	92.42%	105.29%	106.83%	98.80%

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
KTRS – Medical Insurance						
University's proportion of the net OPEB liability	0.814%	0.604%	0.648%	0.691%	0.728%	0.784%
University's proportionate share of the net OPEB liability	\$ 20,220	\$ 12,968	\$ 16,343	\$ 20,219	\$ 25,269	\$ 27,960
University's covered payroll	\$ 42,825	\$ 45,018	\$ 48,533	\$ 50,972	\$ 54,430	\$ 55,655
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	47.22%	28.81%	33.67%	39.67%	46.42%	50.24%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%
 KTRS – Life Insurance						
University's proportion of the net OPEB liability	1.244%	1.322%	1.399%	1.489%	1.609%	1.677%
University's proportionate share of the net OPEB liability	\$ 387	\$ 173	\$ 485	\$ 463	\$ 454	\$ 368
University's covered payroll	\$ 42,825	\$ 45,018	\$ 48,533	\$ 50,972	\$ 54,430	\$ 55,655
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.90%	0.38%	0.99%	0.91%	0.83%	0.66%
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	89.15%	71.57%	73.40%	75.00%	79.99%

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2023

Notes to the Schedule:

Changes in assumptions – In fiscal year 2023, for KERS the Healthcare Trend Rate for Under Age 65 decreased from 6.25% to 6.20% and for Ages 65 and Older the Healthcare Trend Rate increased from 5.50% to 9.00%. The KERS Discount Rates used for Non-Hazardous and Hazardous increased from 5.26% to 5.72% and from 5.01% to 5.59%, respectively. For KTRS, the MIF Healthcare Cost Trend Rates for Ages 65 and Older and Medicare Part B Premiums increased from 5.00% to 5.125% and from 4.40% to 6.97%, respectively. The Municipal Bond Index Rate for KTRS MIF and LIF increased from 2.13% to 3.37%.

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.

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 is a ten-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
KERS – Non-Hazardous						
Contractually required contribution	\$ 2,159	\$ 2,231	\$ 1,193	\$ 1,317	\$ 1,406	\$ 1,642
Contributions in relation to the contractually required contribution	<u>(2,159)</u>	<u>(2,231)</u>	<u>(1,193)</u>	<u>(1,317)</u>	<u>(1,406)</u>	<u>(1,642)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 14,014	\$ 13,139	\$ 15,187	\$ 17,013	\$ 18,246	\$ 19,527
Contributions as a percentage of covered payroll	15.41%	16.98%	7.86%	7.74%	7.71%	8.41%
 KERS – Hazardous						
Contractually required contribution	\$ -	\$ -	\$ -	\$ 28	\$ 31	\$ 28
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28)</u>	<u>(31)</u>	<u>(28)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 1,250	\$ 1,189	\$ 1,142	\$ 1,155	\$ 1,257	\$ 1,229
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	2.42%	2.47%	2.28%

WESTERN KENTUCKY UNIVERSITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
 (in thousands)
 June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
KTRS – Medical Insurance						
Contractually required contribution	\$ 1,221	\$ 990	\$ 1,073	\$ 1,143	\$ 1,203	\$ 1,294
Contributions in relation to the contractually required contribution	<u>(1,221)</u>	<u>(990)</u>	<u>(1,073)</u>	<u>(1,143)</u>	<u>(1,203)</u>	<u>(1,294)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 45,199	\$ 42,825	\$ 45,018	\$ 48,533	\$ 50,972	\$ 54,430
Contributions as a percentage of covered payroll	2.70%	2.31%	2.38%	2.36%	2.36%	2.38%
 KTRS – Life Insurance						
Contractually required contribution	\$ 36	\$ 30	\$ 27	\$ 23	\$ 20	\$ 16
Contributions in relation to the contractually required contribution	<u>(36)</u>	<u>(30)</u>	<u>(27)</u>	<u>(23)</u>	<u>(20)</u>	<u>(16)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 45,199	\$ 42,825	\$ 45,018	\$ 48,533	\$ 50,972	\$ 54,430
Contributions as a percentage of covered payroll	0.08%	0.07%	0.06%	0.05%	0.04%	0.03%

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2023

Notes to the Schedule:

Changes in assumptions – In fiscal year 2023, for KERS the Healthcare Trend Rate for Under Age 65 decreased from 6.25% to 6.20% and for Ages 65 and Older the Healthcare Trend Rate increased from 5.50% to 9.00%. The KERS Discount Rates used for Non-Hazardous and Hazardous increased from 5.26% to 5.72% and from 5.01% to 5.59%, respectively. For KTRS, the MIF Healthcare Cost Trend Rates for Ages 65 and Older and Medicare Part B Premiums increased from 5.00% to 5.125% and from 4.40% to 6.97%, respectively. The Municipal Bond Index Rate for KTRS MIF and LIF increased from 2.13% to 3.37%.

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.

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.

* This is a ten-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

* Employer contributions do not include the expected implicit subsidy.

Supplementary Information

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
Student Financial Assistance Cluster			
U.S. Department of Education			
Direct Programs			
Federal Supplemental Educational Opportunity Grants		84.007	436,030
Federal Direct Student Loans		84.268	59,113,253
Federal Perkins Loan Program		84.038	1,289,020
Federal Work Study Program		84.033	739,962
Federal Pell Grant Program		84.063	21,372,833
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		84.379	<u>61,296</u>
Total U.S. Department of Education Direct Programs			83,012,394
Total U.S. Department of Education			<u>83,012,394</u>
Total Student Financial Assistance Cluster			
			<u>83,012,394</u>
COVID-19 Education Stabilization Fund - Higher Education Emergency Relief			
U.S. Department of Education - COVID-19			
Direct Programs			
COVID 19-HEERF Institutional Portion		84.425F	1,021,045
COVID 19-CARES SIP		84.425M	<u>1,464,868</u>
Total U.S. Department of Education - COVID-19 Direct Programs			2,485,913
Pass Through Programs			
Education Stabilization Fund	SC415 220000 1305	84.425U	197,421
COVID-19 Governors Emergency Educatin Relief Fund	SC 415 2000002008	84.425C	38,158
Education Stabilization Fund	PON2 540 220000 1106	84.425E	<u>42,684</u>
Total U.S. Department of Education - COVID19 Pass Through Programs			278,263
Total U.S. Department of Education - COVID-19			<u>2,764,176</u>
TOTAL COVID-19 Education Stabilization Fund - Higher Education Emergency Relief			
			<u>2,764,176</u>
RESEARCH AND DEVELOPMENT CLUSTER			
U.S. Department of Agriculture			
Direct Programs			
Agricultural Research Basic and Applied Research		10.001	428,297
National Institute of Food and Agriculture		10.326	<u>132,283</u>
Total U.S. Department of Agriculture Direct Programs			560,580

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
Pass Through Programs			
Cooperative Extension Service	3200004729-22-230	10.500	5,798
Total U.S. Department of Agriculture			<u>566,378</u>
U.S. Department of Commerce			
Pass Through Programs			
Synoptic Data Corp	PO17-00640/TASKS2017-0115	11.CON	15,032
Contract NOAA Small Business Innovation Research	AGREEMENT DATED 01/17/2020	11.021	32,572
Contract NOAA Sci Tech Mesonet	SUBAWD 00760	11.431	5,434
Total U.S. Department of Commerce Pass Through Programs			<u>53,038</u>
Total U.S. Department of Commerce			<u>53,038</u>
U.S. Department of Defense			
Pass Through Programs			
Research and Technology Development - Center for Open Science	MOA SIGNED 01/22/20	12.910	1,365
Total U.S. Department of Defense Pass Through Programs			<u>1,365</u>
Total U.S. Department of Defense			<u>1,365</u>
U.S. Department of the Interior			
Direct Programs			
National Cooperative Geologic Mapping		15.810	3,869
Cooperative Research and Training Programs – Resources of the National Park System		15.945	46,852
Total U.S. Department of the Interior Direct Programs			<u>50,721</u>
Pass Through Programs			
Assistance to State Water Resources Research Institutes	32000004323-22-069	15.805	4,844
Assistance to State Water Resources Research Institutes	32000004323-23-094	15.805	17,375
Cooperative Research and Training Programs – Resources of the National Park System	P21AC10702-00	15.945	30,365
Total U.S. Department of the Interior Pass Through Programs			<u>52,584</u>
Total U.S. Department of the Interior			<u>103,305</u>
U.S. Department of Transportation			
Pass Through Programs			
National Highway Traffic Safety Administration Discretionary Safety Grants and Cooperative Agreements	ATH-WKU 22-006	20.614	54,214
Interagency Hazardous Materials Public Sector Training and Planning Grants	PON2 095 2100003117	20.703	38,066
Total U.S. Department of Transportation Pass Through Programs			<u>92,280</u>
Total U.S. Department of Transportation			<u>92,280</u>
National Aeronautics and Space Administration			
Direct Programs			
Science		43.001	13,883
Total National Aeronautics and Space Administration Direct Programs			<u>13,883</u>
Pass Through Program			
Science	123447-Z6522201	43.001	11,248
Office of Stem Engagement (OSTEM)	321 0001706-22-033	43.008	710
Office of Stem Engagement (OSTEM)	3210001706-23-031	43.008	2,616
Office of Stem Engagement (OSTEM)	3210001706-23-032	43.008	7,509
Office of Stem Engagement (OSTEM)	3210001706-23-033	43.008	7,572
Office of Stem Engagement (OSTEM)	3200004560-23-206	43.008	10,289
Office of Stem Engagement (OSTEM)	32004436-22-125	43.008	170,777
Adelphi Technology, Inc.	ATL-WKU-20-001	43.CON	86,375
Total National Aeronautics and Space Administration Pass Through Programs			<u>297,096</u>
Total National Aeronautics and Space Administration			<u>310,979</u>
National Endowment for the Humanities			
Direct Programs			
Promotion of the Humanities Research		45.161	19,657
Total National Endowment for the Humanities Direct Programs			<u>19,657</u>
National Science Foundation			
Direct Programs			

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
Mathematical and Physical Sciences		47.049	131,907
Biological Sciences		47.074	67,148
Social, Behavioral and Economic Sciences		47.075	9,052
Total National Science Foundation Direct Programs			<u>208,107</u>
Pass Through Programs			
University of Kentucky Research Foundation			
Biological Sciences	3200001363-18-083	47.074	-2,157
STEM Education	3200002015-19-043	47.076	7,584
Science Center			
Education and Human Resources	NSFHS-20-1-WKU	47.076	83,915
KY NSF EPSCoR			
Integrative Activities	3200002692-20-031	47.083	45,407
Integrative Activities	3200002692-20-031	47.083	71,703
Integrative Activities	330221-04	47.083	26,692
Integrative Activities	3200002692-23-011	47.083	49,948
Integrative Activities	3200002692-23-013	47.083	13,150
Integrative Activities	3200002692-23-193	47.083	1,622
Integrative Activities	320000 2692-23-181	47.083	69,197
Integrative Activities	3200002692-23-166	47.083	10,325
Total National Science Foundation Pass Through Programs			<u>377,386</u>
Total National Science Foundation			<u>585,493</u>
Environmental Protection Agency			
Direct Programs			
P3 Award: National Student Design Competition for Sustainability		66.516	15,530
Total Environmental Protection Agency Direct Programs			<u>15,530</u>
Pass Through Programs			
Ky Energy and Environment Cabinet	PON2 129 2200001498	66.605	35,742
Total Environmental Protection Agency Pass Through Programs			<u>35,742</u>
Total Environmental Protection Agency			<u>51,272</u>
U.S. Department of Health and Human Services			
Direct Programs			
NIH-Mental Health Research Grants		93.242	13,201
Occupational Safety and Health Program		93.262	181,751
NIH-Drug Abuse and Addiction Research Programs		93.279	119,075
NIH-Biomedical Research		93.859	130,247
NIA-National Institute for Aging		93.866	21,272
Total U.S. Department of Health and Human Services Direct Programs			<u>465,546</u>
Pass Through Programs			
University of Kentucky Research Foundation	3200003624-24-080	93.262	18,460
University of Kentucky Research Foundation	3210002538-23223	93.262	12,916
University of Cincinnati	013704-00037	93.262	6,298
Occupational Safety and Health Program	2T03OH010637-04	93.262	545
Occupational Safety and Health Program	3T03OH010637-06-01	93.262	607
Cabinet for Health and Family Services			
Drug Abuse and Addiction Research Programs	1R15DA051833-01A1	93.391	353,406
University of Kentucky Research Foundation	3210002311-23-195	93.669	23,408
University of Louisville			
Biomedical Research and Research Training	ULRF-18-0975D-07	93.859	529,364
Biomedical Research and Research Training	ULRF	93.859	131,777
Biomedical Research and Research Training	ULRF 18-0680-03	93.859	565
Pennyroyal Center	EMAIL DATED 02/16/22	93.958	37,596
Total U.S. Department of Health and Human Services Pass Through Programs			<u>1,114,942</u>
Total U.S. Department of Health and Human Services			<u>1,580,488</u>
Corporation for National and Community Service			
Pass Through Programs			
Ameri Corps	LETTER DATED 10/14/21	94.006	68,508
Total Corporation for National and Community Service Pass Through Programs			<u>68,508</u>
Total Corporation for National and Community Service			<u>68,508</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u>3,432,763</u>
HEAD START CLUSTER			
U.S. Department of Health and Human Services			
Direct Programs			
Head Start		93.600	2,183,700
Total U.S. Department of Health and Human Services Direct Programs			<u>2,183,700</u>
Pass Through Programs			
Murray Head Start			

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
Foster Care Title IV-E	04CH011242/03	93.600	45,576
Foster Care Title IV-E	04CH011242	93.600	173,097
Total U.S. Department of Health and Human Services – Pass Through			<u>218,673</u>
Total U.S. Department of Health and Human Services			<u>\$ 2,402,373</u>
TOTAL HEAD START CLUSTER			<u>2,402,373</u>
TRIO CLUSTER			
U.S. Department of Education			
Pass Through Programs			
TRIO Student Support Services	PO 42A2D1237	84.042	236,082
TRIO Student Support Services	PO42A210661	84.042	416,309
TRIO Talent Search	PO44A210085	84.044	468,792
TRIO Talent Search	PO44A21008	84.044	279,314
TRIO Talent Search	PO44A210086	84.044	278,415
TRIO Talent Search	PO47V170096	84.047	82,945
TRIO Talent Search	P047A170478	84.047	120,430
TRIO Talent Search	P047A221232	84.047	318,409
TRIO Talent Search	P047V220053	84.047	225,461
TRIO Upward Bound	P066A170180	84.066	122,263
TRIO Upward Bound	P066A220211	84.066	224,574
Total U.S. Department of Education - Direct			<u>2,772,994</u>
Total U.S. Department of Education			<u>2,772,994</u>
TOTAL TRIO CLUSTER			<u>2,772,994</u>
CCDF CLUSTER			
U.S. Department of Health and Human Services			
Pass Through Programs			
Child Care and Development Block Grant	SC 736 2200 000471	93.575	1,447
Child Care and Development Block Grant	SC 736 2100001482	93.575	151,343
Child Care and Development Block Grant	SC736 220000 1506	93.575	610,372
Child Care and Development Block Grant	SC 736 220000 1469	93.575	39,675
Child Care and Development Block Grant	SC 736 2200001506	93.575	1,639,665
Child Care and Development Block Grant	AGREEMENT DATED 2/25/2021	93.575	257,463
Total U.S. Department of Health and Human Services-Pass Through			<u>2,699,965</u>
Total U.S. Department of Health and Human Services			<u>2,699,965</u>
TOTAL CCDF CLUSTER			<u>2,699,965</u>
OTHER FEDERAL			
U.S. Department of Agriculture			
Direct Programs			
Agricultural Research Basic and Applied Research		10.175	186,519
Partnership Agreements		10.699	127,003
Total U.S. Department of Agriculture Direct Programs			<u>313,522</u>
Pass Through Programs			
Rural Economic Development	AGREEMENT SIGNED 04/05/22	10.854	42,402
Total U.S. Department of Agriculture Pass Through Programs			<u>42,402</u>
Total U.S. Department of Agriculture			<u>355,924</u>
U.S. Department of Commerce			
Direct Programs			
Manufacturing Extension Partnership		11.611	524,343
Total U.S. Department of Commerce Direct Programs			<u>524,343</u>
Pass Through Programs			
Economic Development Technical Assistance	ULRF-22-0901-01	11.303	771
Total U.S. Department of Commerce Pass Through Programs			<u>771</u>
Total U.S. Department of Commerce			<u>525,114</u>

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
Pass Through Programs			
The Language Flagship Grants to Institutions of Higher Education	BOR21-WKU-24-CHN-PO1	12.550	298,454
The Language Flagship Grants to Institutions of Higher Education	0054-WKU-21-SSC-280-P08	12.550	23,768
The Language Flagship Grants to Institutions of Higher Education	BOR21-WKU-24-TT-PO2	12.550	112,924
The Language Flagship Grants to Institutions of Higher Education	BOR21-WKU-24-SSC-PO3	12.550	105,792
Total U.S. Department of Defense Pass Through Programs			540,938
Total U.S. Department of Defense			540,938
U.S. Department of the State			
Pass Through Programs			
Academic Exchange Programs - Undergraduate Programs	CBPSA20-WKU01	19.009	5,972
Total U.S. Department of the State Pass Through Programs			5,972
Total U.S. Department of the State			5,972
Library of Congress			
Pass Through Programs			
Illinois State University Teaching with Primary Sources	A08-0002-5055	42.01	111
Total Library of Congress Pass Through Programs			111
Total Library of Congress			111
U.S. Department of the Treasury			
Pass Through Programs			
Coronavirus State and Local Fiscal Recovery Funds	PON2 721 2200001478	21.027	143,877
Coronavirus State and Local Fiscal Recovery Funds	ULRF-22-0474-01	21.027	218,121
Coronavirus State and Local Fiscal Recovery Funds	EMAIL DATED 06/27/22	21.027	576,469
Coronavirus State and Local Fiscal Recovery Funds	AGREEMENT SIGNED 06/06/23	21.027	9,360
Coronavirus State and Local Fiscal Recovery Funds	SC 415 2300000388	21.027	330,387
Total U.S. Department of the Treasury Pass Through Programs			1,278,214
Total U.S. Department of the Treasury			1,278,214
National Endowment for Arts			
Pass Through Programs			
Promotion of the Arts Grants to Organizations and Individuals	1905658-55-23	45.024	6,891
Promotion of the Arts Grants to Organizations and Individuals	1887413-55-22	45.024	7,330
Total National Endowment for Arts Pass Through Programs			14,221
Total National Endowment for Arts			14,221
National Endowment for Humanities			
Pass Through Programs			
Promotion of the Humanities	2022-002	45.129	1,495
Total National Endowment for Humanities			1,495
National Institute for Museum and Library Services			
Pass Through Programs			
Promotion of the Humanities Division of Preservation and Access	IGSM-245270-OMS-20	45.301	19,206
Total National Institute for Museum and Library Services Pass Through Programs			19,206
Total Institute for Museum and Library Services			19,206
U.S. Department of Education			
Pass Through Programs			
Fund for the Improvement of PostSecondary Education	P16G220047	84.116	5,251
Title I Grants to Local Educational Agencies	PON2 540 2200004168	84.010	388,800
Title I Grants to Local Educational Agencies	PON2 540 2100002061	84.010	-3,389
Title I Grants to Local Educational Agencies	PON2 540 2200004414	84.010	148,028
Career and Technical Education -- Basic Grants to States	PON2 540 2200003654	84.048	6,824
Javits Gifted and Talented Students Education	2005153889	84.206	440,487
Special Education -- Personnel Development to Improve Services and Results for Children with Disabilities	H325K190088	84.325K	212,996
Special Education -- Personnel Development to Improve Services and Results for Children with Disabilities	PON2 540 2300001198	84.325L	30,618

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	PON2 540 220000 0791	84.325L	27,702
Total U.S. Department of Education Pass Through Programs			<u>1,257,317</u>
Total U.S. Department of Education			<u>1,257,317</u>
U.S. Department of Health and Human Services			
Pass Through Programs			
Advanced Nursing Education Workforce Grant Program	5T94HP30886-06-00	93.247	255,696
Mental and Behavioral Health Education and Training Grants	1MC1HP42121-01-00	93.732	322,472
Kentucky Population Health Institute	KPHI 303	93.070	752
Area Health Education Centers	ULRF-17-1164D-02	93.107	62,729
Area Health Education Centers	ULRF-22-0847-02	93.107	46,687
Eastern Kentucky University			
Foster Care Title IV-E	454156-23-113	93.658	7,509
University of Louisville			
PPHF Geriatric Education Centers	ULRF_19-0740A4-04	93.969	7,500
Total U.S. Department of Health and Human Services Pass Through Programs			<u>703,345</u>
Total U.S. Department of Health and Human Services			<u>703,345</u>
Executive Office of the President			
Pass Through Programs			
High Intensity Drug Trafficking Areas Program	G22 AP 0001A	95.001	1,868
High Intensity Drug Trafficking Areas Program	G23 AP 0001A	95.001	6,031
Total Executive Office of the President Pass Through Programs			<u>7,899</u>
Total Executive Office of the President			<u>7,899</u>
U.S. Department of Homeland Security			
Pass Through Programs			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	SC 095 2200002042	97.036	47,267
Hazard Mitigation Grant	PON2 095 2000001514	97.039	6,761
BRIC: Building Resilient Infrastructure and Communities	PON2 095 2100001075	97.047	40,483
Total U.S. Department of Homeland Security Pass Through Programs			<u>94,511</u>
Total U.S. Department of Homeland Security			<u>94,511</u>
TOTAL OTHER FEDERAL			<u>4,804,267</u>
TOTAL FEDERAL EXPENDITURES			<u><u>101,888,932</u></u>

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

During the year ended June 30, 2023, the System provided \$2,710,151 in expenditures to subrecipients as follows:

Program	Assistance Listing Number	Subrecipient	Fiscal 2023 Expenditures
Cabinet for Health and Family Services			
Family Child Care Network	93.575	Appalachian Early Childhood Network	48,608
Family Child Care Network	93.575	Community Coordinated Child Care In	48,106
Family Child Care Network	93.575	Rev J0192398 FY22 exp accrual	43,040
FCCN Main Oversight FY23	93.575	Appalachian Early Childhood Network	474,053
FCCN Main Oversight FY23	93.575	Child Care council of Kentucky	299,100
FCCN Main Oversight FY23	93.575	Community Coordinated Child Care In	288,646
FCCN Main Oversight FY23	93.575	Early Childhood Learning Education	374,804
National Park Service			
Trail Use Impacts - MCNP	15.945	The University of Alabama in Huntsv	1,867
United States Department of Agriculture			
Consumer-oriented WIDE Partnership	10.175	Community Farmers Market	21,569
Consumer-oriented WIDE Partnership	10.175	Foundation for Connecting Communiti	36,300
Consumer-oriented WIDE Partnership	10.175	Need More Acres Farm	29,470
Consumer-oriented WIDE Partnership	10.175	SoKY Marketplace LLC	9,482
Consumer-oriented WIDE Partnership	10.175	Southern Kentucky Produce Associati	12,122
Improving Meat Safety	10.326	West Virginia University Research C	19,019
US Dept of Health & Human Services			
Head Start FY22	93.600	Audubon Area Community Services Inc	290,270
Head Start FY22	93.600	Murray Head Start	137,712
Head Start Training FY22	93.600	Audubon Area Community Services Inc	1,217
Head Start Training FY22	93.600	Murray Head Start	2,866
Head Start FY23	93.600	Audubon Area Community Services Inc	209,754
Head Start FY23	93.600	Murray Head Start	262,169
Head Start Training FY23	93.600	Audubon Area Community Services Inc	965
Head Start Training FY23	93.600	Murray Head Start	1,677
Bingocize Online Phase II	93.391	University of Kentucky Research Fou	97,335
Total: Federal Awards Paid to Subrecipients			<u>2,710,151</u>

WESTERN KENTUCKY UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Western Kentucky University (University) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the net position, changes in net position or cash flows of the University.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

The Federal Perkins loan program is administered directly by the University, and balances and transactions relating to these programs are included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. There were no disbursements from the Federal Perkins Loan Program during the year. The balance of loans outstanding at June 30, 2023 was \$898,001.

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

Board of Regents
Western Kentucky University
Bowling Green, 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, the aggregate discretely presented component units, and the fiduciary activities of Western Kentucky University (University), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 29, 2023. Our report also includes a reference to other auditors who audited the financial statements of Western Kentucky University Foundation, Inc. and Western Kentucky University College Heights Foundation, Inc., as described in our report on the University's financial statements. The financial statements of Western Kentucky University Foundation, Inc., WKU Student Life Foundation, Inc., and Western Kentucky University College Heights Foundation, Inc. were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Western Kentucky University Foundation, Inc., WKU Student Life Foundation, Inc., and Western Kentucky University College Heights Foundation, Inc.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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, noncompliance with which could have a direct and material effect on the financial statements. 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 University'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.

FORVIS, LLP

Louisville, Kentucky
September 29, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Regents
Western Kentucky University
Bowling Green, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Western Kentucky University's (University) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (*OMB Compliance Supplement*) that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material

weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Louisville, Kentucky
September 29, 2023

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
Significant deficiency(ies) identified? Yes None reported
Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:
Significant deficiency(ies) identified? Yes None reported
Material weakness(es) identified? Yes No

5. Type of auditor’s report issued on compliance for major federal program(s):
 Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? Yes No

WESTERN KENTUCKY UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 Year Ended June 30, 2023

7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.575	Child Care and Development Fund Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379	Student Financial Assistance Cluster
84.042, 84.044, 84.047, 84.066	TRIO Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
84.425C, 84.425E, 84.425F, 84.425M; 84.425U	COVID-19 Education Stabilization Fund

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee? Yes No

Section II – Financial Statement Findings

Reference Number	Finding
No matters are reportable	

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
No matters are reportable.	

WESTERN KENTUCKY UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2023

Reference Number	Summary of Finding	Status
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No matters are reportable.