KENTUCKY STATE UNIVERSITY

(A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY)

FRANKFORT, KENTUCKY

SINGLE AUDIT

AND

FINANCIAL STATEMENTS

JUNE 30, 2022

KENTUCKY STATE UNIVERSITY

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CPAs / ADVISORS

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Regents
Kentucky State University
Frankfort, Kentucky

Secretary of Finance and
Administration Cabinet of the
Commonwealth of Kentucky

Report on the Audit of Financial Statements

Opinions

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

In our opinion, based on our audit and the report of other auditors, the 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 unit of the University as of June 30, 2022, 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 Kentucky State University Foundation, Inc., which represents the entire discretely presented component unit of the University. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Kentucky State University Foundation, Inc., is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with 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. 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the University adopted Government Accounting Standards Board Statement No. 87 – *Leases* and Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 twelve 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 18, the Schedule of the University's proportionate Share of the Net Pension Liability on pages 89, 90, 92, and 93 the Schedule of the University's Pension Contributions on pages 91 and 94, the Schedule of the University's Proportionate Share of the Net OPEB Liability on pages 95, 96, and 98, and the Schedule of the University's OPEB Contributions on pages 97 and 99 be presented to supplement the basic financial statements.. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University’s basic financial statements. The accompanying 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 Awar*; 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2024, on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Blue & Co., LLC

Lexington, Kentucky
April 15, 2024

Introduction

Management's Discussion and Analysis of Kentucky State University's (the University) financial statements provide an overview of the financial position and activities of the University for the year ended June 30, 2022, with comparative information for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. The financial statements and related notes and this discussion and analysis are the responsibility of management.

Kentucky State University is a Commonwealth of Kentucky coeducational institution for higher education. The University's mission is to build on its legacy of achievement as a historically black, liberal arts, and 1890 land-grant university, afford access to and prepare a diverse student population of traditional and non-traditional students to compete in a multifaceted, ever-changing global society by providing student-centered learning while integrating teaching, research, and service through high-quality undergraduate and select graduate programs. Kentucky State University is committed to keeping relevant its legacy of service by proactively engaging the community in partnerships on civic projects driven by the objective of positively impacting the quality of life of the citizens of the Commonwealth.

Basis of Presentation

The annual financial report and statements include the University and Kentucky State University Foundation, a component unit of the University. Kentucky State University Foundation, Inc. (the Foundation) is a not-for-profit Kentucky corporation which was established to receive, invest, and expend funds to promote and implement educational and developmental activities at Kentucky State University (the University). The Foundation is managed by a Board of Trustees independent from that of the University. The Foundation is supported primarily through contributions from alumni.

Financial Highlights

The University's financial position at June 30, 2022, reflected total assets and deferred outflows of $195.8 million and total liabilities and deferred inflows of $192.3 million. Total net position was $3.5 million.

Total assets and deferred outflows increased by $57.1 million or 41.2%, primarily due to an increase in capital assets and cash, cash equivalents, and restricted cash. Total liabilities and deferred inflows increased by $56.8 million or 41.9% primarily due to increases in the deferred inflows related to pension and other postemployment benefits and increases in long-term debt.

Unrestricted deficit, which the University reserves for spending in programs and other capital-related contingencies, increased by $5.8 million. The University classifies amounts earned on endowments as spendable or non-spendable in accordance with the endowment's donor stipulations.

Nonexpendable restricted net position represents amounts, which must be maintained in perpetuity. Expendable restricted net position includes private grants and contributions restricted for specific purposes and accumulated earnings on endowment assets. The expendable portion of net position decreased 2.9 million due to a decrease in the market value of securities.

Operating revenues were nearly $51.2 million and operating expenditures were $78.5 million, resulting in a loss from operations of $27.4 million. Net nonoperating revenues were $27.5 million, including $27.9 million in state appropriations, which, when combined with the loss from operations and capital appropriations, resulted in an overall increase in net position of $0.3 million.

During 2022, the University adopted Governmental Accounting Standards Board Statement No. 87 – *Leases* which requires certain leases to be recorded in the statement of net position.

Using the Financial Statements

The University's Financial Statements consist of three financial statements: a Statement of Net Position (Balance Sheet); a Statement of Revenues, Expenses and Changes in Net Position (Income Statement); and a Statement of Cash Flows, along with the accompanying Notes to the Financial Statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position, the difference between total assets and deferred outflows and total liabilities and deferred inflows, is an important indicator of the current financial condition, while the change in net position is an indicator of whether the overall financial position has improved or worsened during the year.

Condensed Statement of Net Position

	2022	2021
ASSETS		
Current	$ 12,740,549	$ 5,305,589
Noncurrent	169,187,013	117,282,543
Total assets	181,927,562	122,588,132
DEFERRED OUTFLOWS OF RESOURCES	13,867,561	16,141,444
Total assets and deferrals	195,795,123	138,729,576
LIABILITIES		
Current	9,177,199	19,560,907
Noncurrent	162,375,461	101,659,808
Total liabilities	171,552,660	121,220,715
DEFERRED INFLOWS OF RESOURCES	20,701,326	14,272,865
Total liabilities and deferrals	192,253,986	135,493,580
NET POSITION (DEFICIT)		
Net investment in capital assets	74,864,875	77,450,985
Restricted	19,063,354	21,945,544
Unrestricted deficit	(90,387,092)	(96,160,533)
Total net position (deficit)	$ 3,541,137	$ 3,235,996

Assets and Deferred Outflows: As of June 30, 2022, total assets and deferred outflows amounted to $195.8 million. Of this amount, investment in capital assets (net of depreciation) of $126.9 million, or 64.8% of total assets and deferred outflows of resources, represented the largest asset class. Investments amounted to $18.8 million or 9.6% of total assets and deferred outflows of resources. During the year, total assets and deferred outflows increased by $57.1 million, primarily due to increases in capital assets and increases in cash, cash equivalents, and restricted cash.

Liabilities and Deferred Inflows: As of June 30, 2022, total liabilities and deferred inflows amounted to $192.3 million. Net Pension and Other Postemployment Benefits (OPEB) liabilities amounted to $64.3 million. The University's proportion of the net pension liability and net OPEB liability of the Kentucky Employees Retirement System and the Kentucky Teachers' Retirement System was actuarily determined based on a projection of the University's long-term share of contributions to the pension and OPEB plans relative to the projected contributions of all participating universities. Long-term debt includes bonds payable for the housing and dining system, energy-related equipment and technology equipment purchased under a Master Lease Agreement, and certificates of participation as described in Note 2 for the construction of a new residence hall. During the year, total liabilities and deferred inflows increased by $56.8 million, primarily due to increases in the deferred inflows related to pension and other postemployment benefits and long-term debt.

Net Position: Net position of the University was $3.5 million at June 30, 2022 and was reported in three net position categories: net investment in capital assets of $74.9 million, restricted nonexpendable of $8.7 million, restricted expendable of $10.4 million, and an unrestricted deficit of $90.4 million.

Statement of Revenues, Expenses and Changes in Net Position

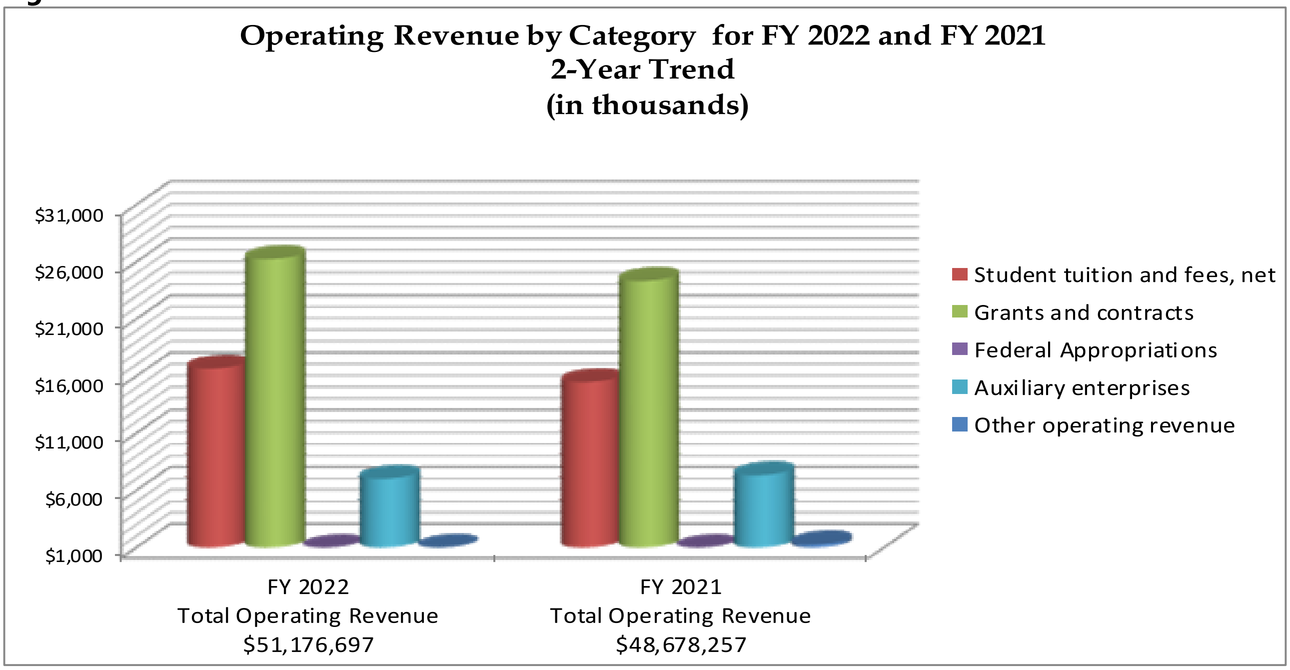
The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. All items that increase or decrease net position must appear on the Statement of Revenues, Expenses and Changes in Net Position as revenues, expenses, gains, or losses.

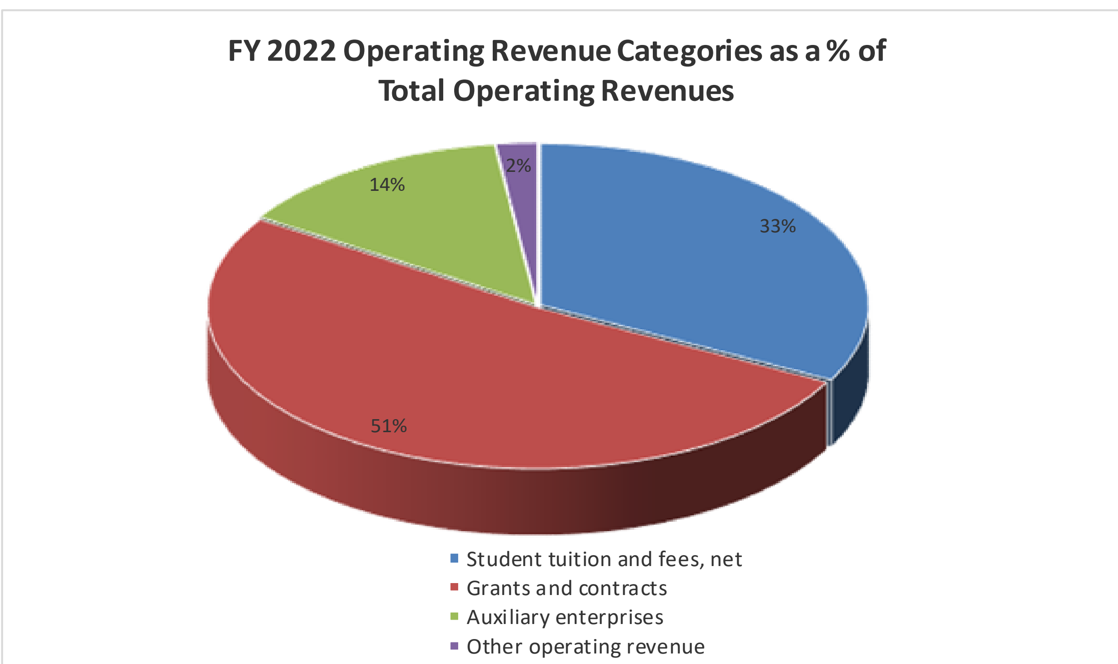
Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 requires state appropriations, gifts, investment income and endowment income to be classified as nonoperating revenues. Accordingly, the University reports an operating loss prior to the addition of nonoperating revenues. The utilization of long-lived capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Tuition revenue is reduced by gift scholarships and institutional aid and is reported net of scholarship allowances in the financial statements. A summarized comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2022 and 2021, is as follows.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2022	2021
REVENUES		
Student tuition and fees, net	$ 16,738,780	$ 15,535,191
Grants and contracts	26,311,740	24,413,710
Auxiliary enterprises	7,097,739	7,390,889
Other operating revenue	1,028,438	1,338,467
Total operating revenues	51,176,697	48,678,257
EXPENSES		
Educational and general	72,719,452	73,625,974
Auxiliary enterprises	5,808,448	6,189,422
Total operating expenses	78,527,900	79,815,396
OPERATING LOSS	(27,351,203)	(31,137,139)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	27,885,600	25,869,200
Federal grants and contracts	5,452,298	5,440,604
Investment income, net	(2,876,235)	4,754,598
Other non-operating revenue	35,275	86,869
Certificates of participation issuance costs	(1,116,658)	-0-
Interest on capital assets - related debt	(1,879,136)	(207,006)
Total non-operating revenues	27,501,144	35,944,265
Income before capital other revenues and expenses	149,941	4,807,126
Capital grants	155,200	-0-
Change in net position	305,141	4,807,126
NET POSITION		
Net position, beginning of year	3,235,996	(1,571,130)
Net position, end of year	$ 3,541,137	$ 3,235,996

Figure1


Operating Revenue by Category for FY 2022 and FY 2021
2-Year Trend
(in thousands)
$31,000
$26,000
$21,000
$16,000
$11,000
$6,000
$1,000
Student tuition and fees, net
Grants and contracts
Federal Appropriations
Auxiliary enterprises
Other operating revenue
FY 2022
Total Operating Revenue
$51,176,697
FY 2021
Total Operating Revenue
$48,678,257


FY 2022 Operating Revenue Categories as a % of
Total Operating Revenues
2%
14%
33%
51%
Student tuition and fees, net
Grants and contracts
Auxiliary enterprises
Other operating revenue

Operating Revenue

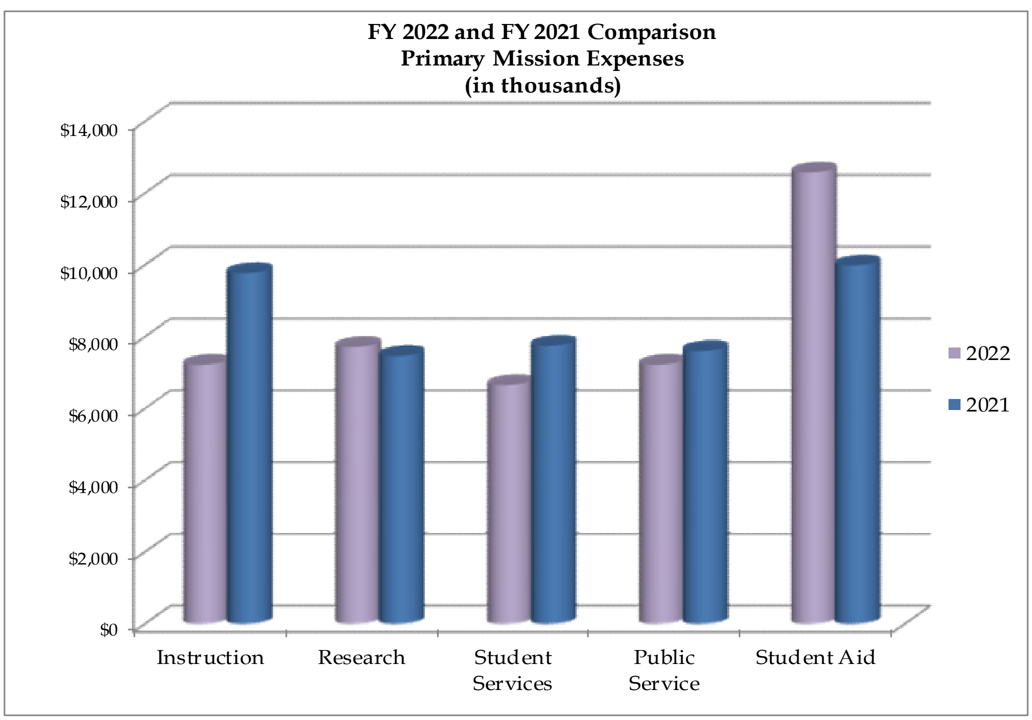
Total operating revenues were $51.2 million for the year ended June 30, 2022, as compared with $48.7 million in fiscal year 2021. The primary components of operating revenue were federal, state, and local grants and contracts of $26.3 million (51.4%), student tuition and fees (net of scholarships) of $16.7 million (33%) and auxiliary services and other revenues of $7.1 million (14%). Fiscal year 2022 net student tuition and fees revenue increased by $1.2 million compared to fiscal year 2021. Fiscal year 2022 grants and contracts revenue increased $1.9 million compared to fiscal year 2021 due to increased awards and spending. Fiscal year 2022 auxiliary services and other revenue decreased by $0.3 million compared to fiscal year 2021. Refer to *Figure 1* for the two-year trend of the operating revenues as a percent to total operating revenues and revenue by category.

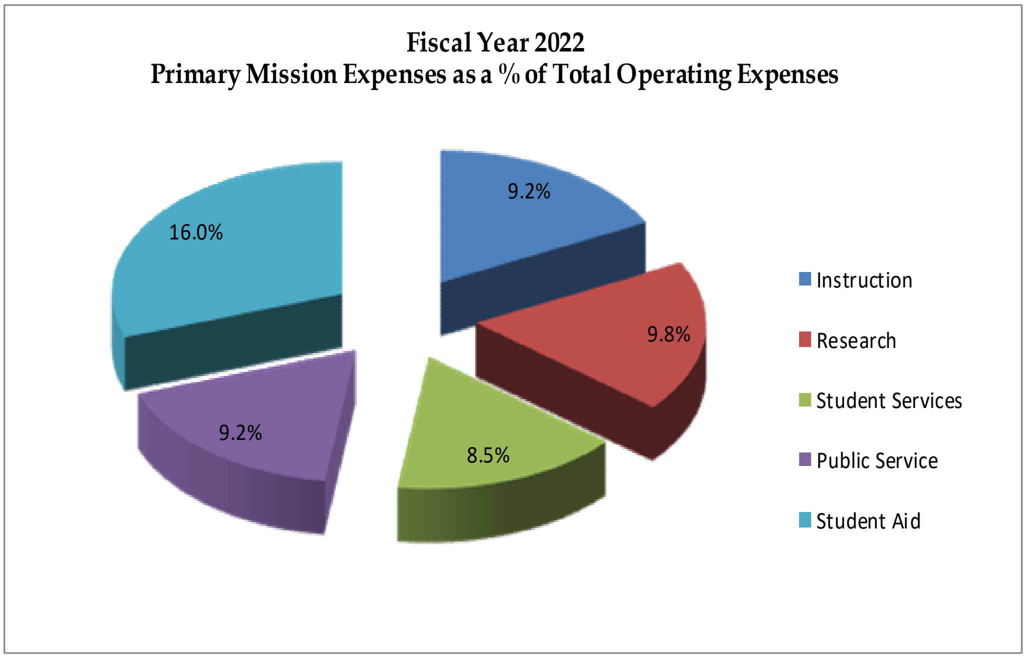
Operating Expenses

Operating expenses totaled $78.5 million, a decrease of $1.3 million from last year. Of this amount, $47.6 million (52.8%) was expended directly for the primary mission of the University – instruction (9.2%), research (9.8%), student services (8.5%), student aid (16.0%), and public service (9.2%). Instruction is the main component of Primary Mission expenses amounting to $7.2 million in fiscal year 2022 or 9.2%. Refer to *Figure 2* for the operating expenses categorized into the Primary Mission of the University.

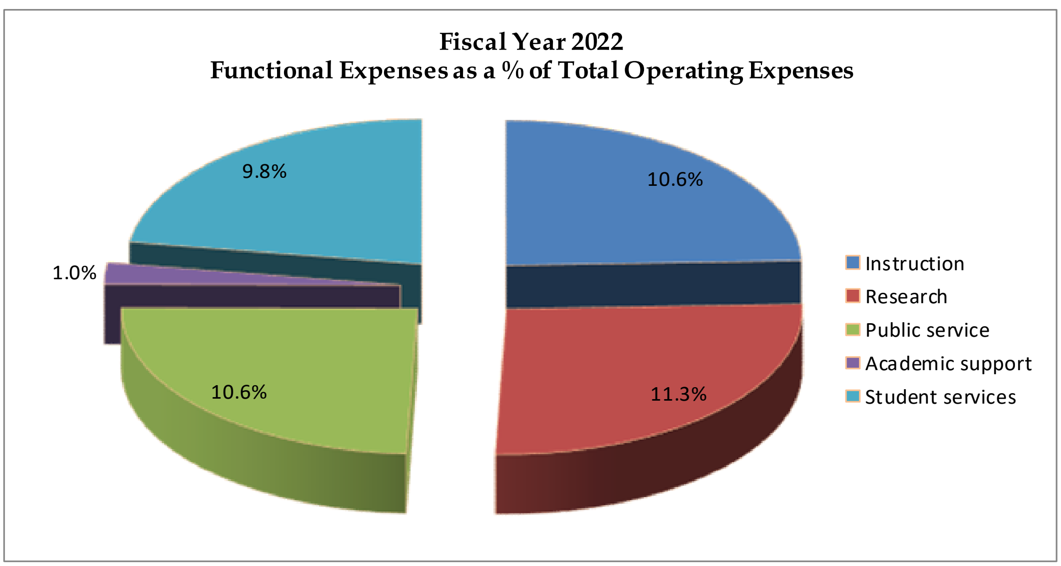
Percentages below do not include depreciation or operations/maintenance allocations.

Figure 2





In addition to the Primary Mission expenses of the University, there are expenses from depreciation and operations & maintenance that are allocated to the various functional classifications (See Note 15 – Natural and Functional Classifications of Operating Expenses). See below for the operating expenses categorized into the Functional Expenses of the University.



The University continued to invest in student aid and support services to provide students with opportunities to be successful in fiscal year 2022.

For the year ended June 30, 2022, student aid expenses totaled $12.6 million and scholarship allowances totaled $3.5 million. The University had an overall decrease in institutional support of $1.1 million and an increase in student aid of $2.6 million. This increase was due to additional federal funds supported expenditures related to COVID-19. The large expenditures in the primary areas of instruction, research, and student services, in conjunction with minimal increases to fixed cost areas, confirms the University resource allocations are clearly aligned with the University's strategic priorities to support academic and student excellence.

The net loss from operations for the year amounted to ($27.4) million. Nonoperating revenues, net of expenses, amounted to $27.5 million, resulting in an increase of net position of $0.3 million for the year. Nonoperating revenues include state appropriations of $27.9 million and nonoperating federal grants and contracts of $5.5 million.

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

Statement of Cash Flows

The Statement of Cash Flows presents information related to the University's cash inflows and outflows summarized by operating activities, noncapital financing activities, capital financing activities and investing activities. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments made by the University during the year, to allow financial statement readers to assess the University's ability to generate future net cash flows, its ability to meet obligations as they become due and its possible need for external financing.

Condensed Statement of Cash Flows

Cash (used) provided by:	2022	2021
Operating activities	$ (35,632,162)	$ (31,847,180)
Non-capital financing activities	51,337,898	33,441,957
Capital and related financing activities	14,557,215	(3,656,280)
Investing activities	(227,001)	671,159
Cash and cash equivalents, beginning year	1,755,510	3,145,854
Cash and cash equivalents, end of year	$ 31,791,460	$ 1,755,510

Cash and Investments

Major sources of cash received from operating activities are student tuition and fees of $16.2 million and grants and contracts of $27.2 million. Major uses of cash for operating activities were payments to employees for salaries and benefits of $44.0 million and to vendors and contractors of $30.7 million.

Noncapital financing activities included state appropriations from the Commonwealth of Kentucky of $27.9 million, and a $23.0 million zero in stabilization funds from the Council on Postsecondary Education (the Council) as described in Note 8.

Capital and related financing activities include purchases and payments of $14.6 million expended for construction and acquisition of capital assets and for principal and interest payments on the retirement of the University's bonds and other capital related debt.

State Appropriations

State appropriations represent approximately 35.0% of all operating and nonoperating revenues. The level of state support is a key factor influencing the University's overall financial condition. State appropriation is unrestricted revenue and is included as nonoperating revenue. State appropriations are used to support payroll and benefits for University employees.

The following details the net Commonwealth appropriations received by the University for fiscal years ending June 30, 2022 and 2021.

	2022	2021
Commonwealth appropriations	$ 27,885,600	$ 25,869,200

Grant and Contract Revenue

The following table details the University's grant and contract revenue for fiscal years ended June 30, 2022 and 2021.

	2022	2021
Federal grants and contracts, operating	$ 24,969,290	$ 22,544,984
Federal grants and contracts, non-operating	5,452,298	5,440,604
State grants and contracts	1,342,450	1,868,726
Capital grants	155,200	-0-
Total grants and contracts	$ 31,919,238	$ 29,854,314

Capital Plan

The University continues to face financial challenges to maintain and upgrade its capital assets including its infrastructure, buildings, and grounds. A combination of revenue sources fund the University's investment in capital improvements. Those include appropriations provided by the Commonwealth of Kentucky as well as $58.0 million in financing from sale of certificates of participation as described in Note 2. Construction in progress consists primarily of renovations to Hunter Hall, repairing and paving of farm roads, replacement of exterior stairs at the Bell

Gymnasium, repairs to campus roofs, and the construction of a new residence hall. The projects are projected to be completed in fiscal year 2023. The remaining estimated costs to complete the projects is $690,000 for Hunter Hall renovations, $112,000 for the Replace Exterior Stairs Bell Gymnasium project, $4.8 million for repairs to campus roofs through the Roof Repair and Replacement Pool project, and $17.0 million for the New Residence Hall project.

Capital Asset and Debt Administration

The Hunter Hall Renovation project is federally funded by a $2.3 million facilities grant from the U.S. Department of Agriculture. The Replace Exterior Stairs Bell Gymnasium project is being funded by the asset preservation pool funds as described in the Economic Factors Impacting Future Periods section within this Management Discussion and Analysis section of this report. The Roof Repair and Replacement Pool project is being funded by an appropriated $5.0 million. This funding is created through Kentucky State Property and Buildings Commission (SPBC) by the issuance of revenue bonds that will finance construction project. The debt service on the revenue bonds is subject to appropriations for lease payments by the General Assembly. The University will not be funding this project with their own capital. The New Residence Hall project is funded by the issuance of certificates of participation notes as described in Note 8.

Capital Assets

Capital assets, net of accumulated depreciation, totaled $126.9 million at June 30, 2022, an increase of $31.7 million. Capital assets as of June 30, 2022 and significant changes in capital assets during the year are as follows:

	2022	Net Additions (Reductions) FY21-22	2021
Land and land improvement	$ 6,533,787	$ -0-	$ 6,533,787
Buildings, fixed equipment and infrastructure	172,788,042	-0-	172,788,042
Equipment, vehicles and capitalized software	55,334,313	2,716,877	52,617,436
Library materials and art	10,689,760	9,848	10,679,912
Construction in progress	34,535,678	34,165,872	369,806
Accumulated depreciation	(153,030,912)	(5,171,485)	(147,859,427)
Total	$ 126,850,668	$ 31,721,112	$ 95,129,556

Long-Term Debt

At June 30, 2022, bonds and lease payable amounted to $97.6 million, as summarized below:

	2022	2021
Certificates of participation	$ 49,190,000	$ -0-
Certificates of participation - premium	8,306,728	-0-
Finance purchase	15,212,532	15,926,461
General receipts bonds	1,505,000	1,775,000
Bond discount	(18,409)	(22,893)
HB 250 stabilization funding	23,000,000	-0-
Lease liability	434,321	-0-
Total	$ 97,630,172	$ 17,678,568

The University had a revenue anticipation note outstanding at June 30, 2021, totaling $5,000,000 This note was retired in May of 2022.

Kentucky State University Foundation

Kentucky State University Foundation, Inc. (the Foundation) is a Kentucky not-for-profit corporation formed to receive, invest, and expend funds to promote and implement educational and developmental activities at the University. A Board of Trustees manage the Foundation independent from that of the University. The Foundation is supported primarily through contributions from alumni.

Key financial highlights of the Foundation are:

- The assets of the Foundation exceed its liabilities by $12.3 million and $14.6 million at June 30, 2022 and 2021, respectively.
- Net assets decreased by $2.4 million and increased by $3.8 million for the fiscal years ended June 30, 2022, and 2021, respectively.
- The Foundation recognized ($1.0) million in total revenue for the fiscal year ended June 30, 2022, compared to revenue of $5.4 million for the fiscal year ended June 30, 2021.
- Total support provided by the Foundation to the University was $0.5 million and $0.8 million for the fiscal years ended June 30, 2022, and 2021, respectively.

The four largest Endowments at the Foundation constitute 45.7% of the Endowment balance. These endowments are the Diego Stu Scholarship, College Endowment Fund, Pearl Dale Endowment Fund, and the Permanent Alumni Scholarship Fund. There are over fifty other permanently restricted endowment funds as well that represent less than 54.3% of the total Endowment Balance. The following table demonstrates these balances:

	2022	2021
Diego Stu Scholarship Fund	$ 1,000,000	$ 1,000,000
College Endowment Fund	500,000	500,000
Pearl Dale Endowment Fund	375,984	375,984
Permanent Alumni's Scholarship Fund	563,288	520,589
All Other Endowment Funds	2,898,839	2,818,287
	$ 5,338,111	$ 5,214,860

Economic Factors Impacting Future Periods

University management continues its strategic mission to uniquely position Kentucky State University as Kentucky's small public liberal arts institution of excellence for the citizens of the Commonwealth and for advancing higher education in Kentucky by inspiring innovation, growing leaders, and advancing Kentucky. Executive management continues to collaborate with the Council to address the needs of the Commonwealth and believes it is positioning the University to become a strong, financially viable and efficient institution of higher learning. Future economic factors impacting Kentucky State University include the following known facts:

- Tuition and costs of attendance – Kentucky State University continues to weigh its costs of attendance with the funding provided by the General Assembly to successfully deliver its programs and remain one of the most affordable public institutions in the Commonwealth. Funding levels and methodologies used for institutions of higher education in the Commonwealth are developed and approved by the Council.
- Enrollment growth and student retention – Kentucky State University recruits a diverse student body of traditional, nontraditional and transfer students seeking baccalaureate and advanced degrees. Enrollment stabilization is a priority of University management and specifically, an increased strategy for recruiting in-state students.
- Program expansion – the University is well positioned to meet the needs of Kentuckians through its programs and educational activities. The University offers the following programs: Bachelors in Mass Communications and Journalism, a Masters of Arts in Special Education, and a Masters in Business Administration, a Masters in Public Administration, a Masters in Computer Science, a Masters in Environmental Studies, a Masters of Science in Interdisciplinary Behavioral Studies and a Doctorate in Nursing Practice.
- Regional Stewardship – Kentucky State University continues to meet the economic and community needs of its area of geographic responsibility through collaborative initiatives with businesses, community-based organizations, schools and other educational agencies, citizens, and local and state officials.
- Land Grant – Kentucky State University continues to fulfill its mission as a land grant institution providing innovative research opportunities on its research vessel, the Kentucky River Thorobred and community-based extension through the Rosenwald Center for Families and Children.

- 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 University was appropriated $28,165,600 for fiscal year 2023. House Bill 1 Part II(I)(1), the executive branch budget bill that passed in the regular session of 2022, includes a $683.5 million asset preservation pool in General Fund-supported bond funds. The asset preservation pool provides funding for individual asset preservation, renovation, and maintenance projects at Kentucky's public postsecondary institutions in education, general, and state-owned and operated residential housing facilities. The Council will oversee the use of the funds received from the asset preservation pool. The University been allocated $8,039,000 and $8,039,000 for fiscal years ending June 30, 2023, and June 30, 2024, respectively from the asset preservation pool. The University is required to match 15% of the funding which will result in $1,206,000 and $1,206,000 for fiscal years ending June 30, 2023, and June 30, 2024, respectively.

The overall financial position of the University was stable during fiscal year 2022. Revenue streams were stressed. As the University adapts to present economic environments, new opportunities for funding will be explored to complement state support. Executive management's goal is to deliver exceptional programs and services to students and constituents while maintaining financial stability. Management believes Kentucky State University is able to sustain its financial position and solidify its standing as a regional university of excellence.

Contacting the University's Financial Management

This report is designed to provide our stakeholders with information needed to understand Kentucky State University's financial condition and results of operations for the fiscal year ended June 30, 2022. For questions about this report or for additional financial information, contact Kentucky State University, Chief Financial Officer, Vicki Dunaway, at 400 East Main Street, ASB Suite 433A, Frankfort, KY 40601.

KENTUCKY STATE UNIVERSITY

STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS		
Current assets:		
Cash and cash equivalents	$	9,549,888
Accounts receivable, net		216,925
Prepaid expenses, current		25,932
Grants receivable, net		2,947,804
Total current assets		12,740,549
Noncurrent assets:		
Restricted cash and cash equivalents		22,241,572
Investments		18,822,047
Right-of-use assets, net		402,807
Capital assets, net		126,850,668
Prepaid expenses, noncurrent		858,169
Net OPEB asset		11,750
Total noncurrent assets		169,187,013
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension		10,356,154
Deferred outflows - OPEB		3,511,407
Total deferred outflows of resources		13,867,561
Total assets and deferred outflows of resources		195,795,123
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities		3,952,472
Accrued compensated absences		697,893
Unearned revenue		2,400,324
Deposits and other current liabilities		68,801
Claims and judgements payable		200,000
Accrued interest payable		358,063
Lease liability		186,074
Long-term debt, current portion		1,313,572
Total current liabilities		9,177,199

See accompanying notes to financial statements.

Noncurrent liabilities:	
Net pension liability	54,914,289
Net OPEB liability	9,400,581
Accrued compensated absences	1,395,462
Lease liability	248,247
Long-term debt, noncurrent portion	95,882,279
Federal grants refundable	534,603
Total noncurrent liabilities	162,375,461
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	15,373,914
Deferred inflows - OPEB	5,327,412
Total deferred inflows of resources	20,701,326
Total liabilities and deferred inflows of resources	192,253,986
NET POSITION (DEFICIT)	
Net investment in capital assets	74,864,875
Restricted:	
Nonexpendable - endowment	8,696,091
Expendable	10,367,263
Unrestricted deficit	(90,387,092)
Total net position (deficit)	$ 3,541,137

See accompanying notes to financial statements.

KENTUCKY STATE UNIVERSITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS		
Current assets:		
Cash and cash equivalents	$	960,506
Total current assets		960,506
Investments at fair value		11,275,614
Property and equipment		
Equipment		140,400
Buildings and improvements		65,526
Total property and equipment		205,926
Accumulated depreciation		(195,384)
Property and equipment, net		10,542
Other assets		32,269
Total assets	$	12,278,931

LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$	-0-
Accrued liabilities		5,004
Total liabilities		5,004
Net assets		
Without donor restrictions:		
Undesignated		7,942
Board designated for endowment		1,596,904
Total without donor restrictions		1,604,846
With donor restrictions:		
Purpose restriction		5,248,970
Time-restricted for future periods		82,000
Perpetual in nature		5,338,111
Total with donor restrictions		10,669,081
Total net assets		12,273,927
Total liabilities and net assets	$	12,278,931

See accompanying notes to financial statements.

KENTUCKY STATE UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

REVENUES		
Operating revenues		
Student tuition and fees, net	$	16,738,780
Federal grants and contracts		24,969,290
State, local and other grants and contracts		1,342,450
Other operating revenue		1,028,438
Auxiliary enterprises:		
Residence halls		2,877,807
Dining		4,067,877
Bookstore		27,055
Other auxiliaries		125,000
Total operating revenues		51,176,697
EXPENSES		
Operating expenses		
Educational and general		
Instruction		7,234,972
Research		7,730,709
Public service		7,236,897
Academic support		706,072
Student services		6,666,908
Institutional support		20,822,287
Operation and maintenance of plant		4,079,925
Student aid		12,592,843
Depreciation		5,439,775
Right-of-use assets amortization		209,064
Auxiliary enterprises:		
Residence halls		359,753
Dining		2,567,510
Bookstore		502
Other auxiliaries		2,571,156
Depreciation		309,527
Total operating expenses		78,527,900
OPERATING LOSS		(27,351,203)

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2022

NONOPERATING REVENUES (EXPENSES)	
State appropriations	27,885,600
Federal grants and contracts	5,452,298
Investment income, net	(2,876,235)
Other nonoperating revenue	35,275
Certificates of participation issuance costs	(1,116,658)
Interest on capital assets - related debt	(1,879,136)
Total nonoperating revenues	27,501,144
Income before other revenues and expenses	149,941
Capital grants	155,200
Change in net position	305,141
NET POSITION	
Net position, beginning of year	3,235,996
Net position, end of year	$ 3,541,137

See accompanying notes to financial statements.

KENTUCKY STATE UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER			
Contributions	$ 14,088	$ 592,892	$ 606,980
Investment income:			
Interest and dividends	100,373	185,046	285,419
Realized and unrealized gains	(596,297)	(1,271,197)	(1,867,494)
Other, net of investment and management expense	(62,167)	-0-	(62,167)
Total investment income, net	(558,091)	(1,086,151)	(1,644,242)
Releases from restrictions	995,535	(995,535)	-0-
Total revenues, gain and other support	451,532	(1,488,794)	(1,037,262)
EXPENSES			
Program services expenses:			
Student support	162,173	-0-	162,173
University support	796,643	-0-	796,643
Total program services expenses	958,816	-0-	958,816
Management and general	378,063	-0-	378,063
Total expenses	1,336,879	-0-	1,336,879
CHANGES IN NET ASSETS	(885,347)	(1,488,794)	(2,374,141)
Net assets, beginning of year	2,492,569	12,155,499	14,648,068
Reclassifications	(2,376)	2,376	-0-
Net assets, end of year	$ 1,604,846	$ 10,669,081	$ 12,273,927

See accompanying notes to financial statements.

KENTUCKY STATE UNIVERSITY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$	16,204,975
Grants, contracts, and gifts		27,189,225
Payments to suppliers		(30,735,211)
Payments to employees		(44,003,882)
Payments to students		(12,434,450)
Collection of loans to students and employees		26,937
Auxiliary enterprises charges:		
Residence halls and dining		7,091,806
Other receipts		1,028,438
Net cash used for operating activities		(35,632,162)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations		27,885,600
Grants and contracts		5,452,298
Draws on line of credit		2,500,000
Draws on HB 250 stabilization funding		23,000,000
Retirement of line of credit		(7,500,000)
Net cash provided by non-capital financing activities		51,337,898
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grant		155,200
Purchases of capital assets		(37,310,576)
Proceeds from certificates of participation		56,599,613
Principal paid on bonds payable and capital leases		(1,369,602)
Interest paid on bonds payable and capital leases		(2,922,971)
Issuance costs		(594,449)
Net cash provided by capital and related financing activities		14,557,215
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(4,071,723)
Interest on investments		575,120
Proceeds from sales and maturities of investments		3,269,602
Net cash used by investing activities		(227,001)
Net change in cash and cash equivalents		30,035,950
Cash and cash equivalents at beginning of year		1,755,510
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	31,791,460
SHOWN IN THE FINANCIAL STATEMENTS AS:		
Cash and cash equivalents	$	9,549,888
Restricted cash and cash equivalents		22,241,572
	$	31,791,460

See accompanying notes to financial statements.

KENTUCKY STATE UNIVERSITY

STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:

Operating loss	$	(27,351,203)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		5,958,366
Bad debt expense		2,128,997
Changes in assets and liabilities:		
Accounts receivable, net		(428,925)
Grants receivable, net		(580,875)
Loans receivable, net		26,937
Accounts payable and accrued liabilities		(2,834,366)
Other noncurrent liabilities		(715,335)
Due to state investment pool		(4,168,253)
Compensated absences		711,928
Unearned revenue		1,422,338
Federal grants refundable		(68,858)
Deposits		(5,933)
Claims and judgements payable		200,000
Deferred outflows - pension		1,745,049
Deferred outflows - OPEB		528,834
Deferred inflows - pension		4,111,760
Deferred inflows - OPEB		2,316,701
Net OPEB asset		(11,750)
Net pension liability		(15,396,228)
Net OPEB liability		(3,221,346)
Net cash used for operating activities	$	(35,632,162)

NON-CASH FINANCING ACTIVITIES

Construction in progress financed by capital lease and placed into service in 2021	$	208,124

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Kentucky State University (the University) is a component unit of the Commonwealth of Kentucky (the Commonwealth) and is included in the general-purpose financial statements of the Commonwealth. The Kentucky State University Foundation, Inc. (the Foundation) is a legally separate, tax-exempt organization supporting the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation's Board of Directors is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that 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 statements.

Basis of Presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities, issued in June and November, 1999, respectively. The University reports as a Business Type Activity (BTA), as defined by GASB Statement No. 35. BTA's are those activities that are financed in whole or in part by fees charged to external parties for goods and services.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

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

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

- Restricted:
    - *Nonexpendable* – Net position subject to externally imposed stipulations that they be maintained permanently by the University. Such positions include the University's permanent endowment funds.
    - *Expendable* – Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Cash Equivalents: For the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The statement of net position classification "cash and cash equivalents" includes all readily available sources of cash such as petty cash and demand deposits.

Accounts, Grants, and Loans Receivable, Net: Accounts receivables consist of tuition and fee charges, loans to students and amounts due from federal and state governments, nongovernmental sources, in connection with reimbursements of allowable expenses made pursuant to grants and contracts. Accounts receivables are recorded net of allowance for doubtful accounts.

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

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market and consist of physical plant items. Inventories consist of physical plant, postage, and printing supplies.

Endowment Funds: Kentucky State University recognizes its fiduciary duty not only to invest the University's endowment holdings in formal compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) but also to manage those funds in continued recognition of the basic long-term nature of the University. The University interprets this to mean, in addition to the adopted spending guidelines and restrictions described below, that the assets of the University shall be actively managed, that is, investment decisions regarding the particular securities to be purchased or sold shall be the result of the conscious exercise of discretion. The University recognizes that, commensurate with its overall objective of maximizing long-term return while maintaining a high standard of portfolio quality and consistency of return, it is necessary that proper diversification of assets be maintained both among and within the classes of securities held. Within this context of active management and the necessity of adherence to proper diversification, the University relies upon appropriate professional advice.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The University recognizes that long-term objectives are most important, but it is also necessary that shorter-term benchmarks be used to assess the periodic performance of the investment program. The University anticipates annual spending of 4.8% of the market value as of June 30, 2022. The University believes that it is prudent to diversify endowment investments so as to minimize the risks of large losses and has established asset allocation ranges based upon the University's participation demographics, anticipated cash flow requirements and the expected returns of the capital markets.

Investments: Investments are valued at fair value based on quoted market prices.

Prepaids: A payment of cash for goods or services that will be received or used at a future date. As the organization consumes the good or service or as time passes, the actual expense is recognized, and the prepaid expense is reduced.

Right-to-use assets: The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Certificates of Participation, Premiums, and Issuance Costs: Certificates of Participation premiums are deferred and amortized over the life of the certificates using the effective interest method. The certificates of participation are reported net of the applicable premium. Prepaid insurance costs are deferred and expensed over the life of the certificates; issuance costs are expensed on issuance.

Capital Assets: Capital assets are stated at cost at date of acquisition or, in the case of gifts, at acquisition value at date of gift. Equipment with a unit cost of $5,000 or more and having an estimated useful life of greater than one year is capitalized. Renovations to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets. Estimated lives used for depreciation purposes are as follows:

Classification	Estimated Life
Improvements	20 years
Buildings	40 years
Transportation equipment	5-15 years
Equipment	5-20 years
Enterprise Resource Planning Software	7 years
Library holdings	10 years

Compensated Absences: The liability and expense incurred for employee vacation and sick pay are recorded as accrued compensated absences in the statement of net position and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position.

Unearned Revenue: Unearned revenue includes amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent reporting period. Unearned revenues also include amounts received from grant and contract sponsors and state deferred maintenance funds that have not yet been earned.

Pensions and Other Postemployment Benefits (OPEB): For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources, and related expense, information about the fiduciary net position of the Kentucky Employees Retirement System (KERS) and Kentucky Teachers Retirement System (KTRS) and additions to/deductions from KERS's and KTRS's fiduciary net position have been determined on the same basis as they are reported by KERS and 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.

Income Taxes: The University is an agency and instrumentality of the Commonwealth of Kentucky, pursuant to Kentucky Revised Statutes (KRS) sections 164.290 through 164.475. Accordingly, the University is generally exempt from federal income taxes as an organization described in Section 115 of the Internal Revenue Code of 1986, as amended. The Foundation has received a determination from the Internal Revenue Service granting exemption from federal income taxation pursuant to the provisions of the Internal Revenue Code section 501(c)(3).

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Scholarship Discounts and Allowances: Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans and funds provided to students awarded by third parties, is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Federal Grants and Contracts: Per GASB Statement No. 24, pass-through grants should be reported as revenues and expenses in the financial statements if that entity has any administrative or direct financial involvement in the program. An entity has administrative involvement if it determines eligible secondary recipients or projects, even if using grantor-established criteria. Therefore, Pell Grants are considered nonexchange transactions and are recorded as nonoperating revenues in the accompanying financial statements.

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit Disclosure: The accompanying financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

During the year ended June 30, 2022, the Foundation made distributions of approximately $796,643 on behalf of the University for both net assets and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Kentucky State University Foundation, Inc. at P.O. Box 4210, Frankfort, KY 40604.

Recent Accounting Pronouncements Implemented: During fiscal year 2022, the University adopted the following accounting pronouncements.

In June 2020, GASB issued Statement No. 87, *Leases*, which provided guidance regarding lease accounting. It establishes a single model for lease accounting based on the foundational principle that a lease is financing the right to use an underlying asset. It requires the University to recognize lease liabilities and the intangible right-to-use lease assets as lessee, and leases receivable and deferred inflows of resources as lessor. The provisions of the statement were effective for fiscal years beginning after December 15, 2019 (fiscal year 2021). Due to the COVID-19 pandemic, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, extending the provisions of this statement by 18 months to fiscal year 2022. On July 1, 2021, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases*, which requires all leases that have a maximum possible term greater than 12 months to be recorded in the statement of net position. Previously, leases classified as operating leases were not recorded in the statement of net position. The University did not recognize any lessor contracts for the year ending June 30, 2022. Right-of-use assets and lease liabilities of $611,871 for lessee contracts, which were reported at present value using the University's incremental borrowing rate unless otherwise noted in the contract were recognized as of July 1, 2021. No prior period adjustment was necessary to implement this standard, and there was no effect on net position as of July 1, 2021.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period became effected.* The effective date for this statement (as amended) is for periods beginning after December 15, 2020. This statement states interest incurred during the construction period to be expensed rather than capitalized as an asset. This standard is to be applied prospectively. The University has implemented this in 2022.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, Issued June 2020: The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The University has implemented this standard in fiscal year 2022 with no material impact to its financial statements.

Recent Accounting Pronouncements Not Yet Implemented: As of June 30, 2022, the GASB has issued the following statements not yet implemented by the University:

- GASB Statement No. 91, *Conduit Debt Obligations, effective for periods beginning after December 15, 2021.*

- GASB Statement No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements, effective for periods beginning after June 15, 2022.*

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements, effective for periods beginning after June 15, 2022.*

- GASB Statement No. 99, *Omnibus 2022., Issued 04/22. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, Public-Private Partnerships (PPPs), and Subscription-Based Information Technology Arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.*

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- GASB Statement No. 100, *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62, 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. effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.*

- GASB Statement No. 101, *Compensated Absences (Issued 06/22) — The 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, effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.*

The University's management has not yet determined the effect these statements will have on the University's financial statements.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Commonwealth treasurer requires that all state funds be insured by the Federal Deposit Insurance Corporation ("FDIC"), collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The University's deposits with the Commonwealth treasurer are pooled with funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Commonwealth treasurer may determine, in the state's name. The University requires that balances on deposits with financial institutions to be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, in the University's name. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. As a means of limiting its exposure to losses from custodial credit risk, the University's deposits and investments are held by the Commonwealth treasurer, collateralized by securities in the University's name, and insured by the FDIC or in the University's name. At June 30, 2022, the University had $22,241,572 held by trustee that are restricted for capital expenditures as described below in the certificates of participation section. At June 30, 2022, the University had petty cash funds totaling zero, and deposits as reflected by bank balances as follows:

Total cash insured by FDIC	$ 250,000
Cash covered by collateral held by third-party custodian	8,839,515
Maintained by Commonwealth of Kentucky, collateral held by the Commonwealth in the Commonwealth's name	219,064
Cash balance held at ARGI Investment Services	241,309
Total unrestricted cash and cash equivalents	9,549,888
Cash held by trustee for certificates of participation project	22,241,572
	$ 31,791,460

Certificates of Participation

In August 2021, the University partnered with KeyBanc Capital Markets to issue Certificates of Participation (the Certificates), Series 2021 at par value of $49,190,000 at a net original issue premium of $8,815,924. The proceeds from the certificates will be used to finance the construction of a new residence hall on the University's campus. The Huntington National Bank serves as trustee for the agreement.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The trust indenture establishes that specific accounts be maintained to properly account for the financial activities related to the build, lease, and operation of the new dormitory through the issuance of the Certificates. The accounts are described as follows:

Administrative expense fund: Designated for the purpose of paying the costs of issuance of the certificates.
Certificate payment fund: Designated for the purpose of paying principal of and interest on the certificates when due.
Capitalized interest fund: Designated for the purpose of paying interest due and payable on the certificates during the construction period.
Construction fund: Designated for the purpose of paying the costs of the development, acquisition, construction, installation, and equipping of the project.
Management, operations, maintenance, and capital reserve fund: Designated for the purpose of paying the costs of maintaining the project, including amounts due and payable under the management agreement.

The balance of these restricted cash accounts at June 30, 2022, are as follows:

	Cash and Cash Equivalents
Administrative expense fund	$ 33,840
Capital reserve fund	-0-
Certificate payment fund	136
Capitalized interest fund	3,069,898
Construction fund	16,737,301
Management, operations, maintenance and capital reserve fund	2,400,397
Total	$ 22,241,572

As of June 30, 2022, the University had the following fixed income investments with the following maturities:

Investment Type	Fair Value	<1 Year	1-5 Years	6-10 Years	11-20 Years
Exchange traded funds	$ 2,174,539	$ 2,174,539	$ -0-	$ -0-	$ -0-
Corporate bonds	4,270,927	723,456	2,350,421	1,197,050	-0-
Government bonds	1,666,688	84,306	589,036	993,346	-0-
	$ 8,112,154	$ 2,982,301	$ 2,939,457	$ 2,190,396	$ -0-

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The University has investments in Exchange-Traded Funds (ETF) totaling $12,884,432 as of June 30, 2022. Of this amount, ETF's totaling $2,174,539 has holdings primarily invested in fixed asset securities. The University has an investment management agreement with ARGI Investment Services, LLC (ARGI).

The University has the following recurring fair value measurements as of June 30, 2022:

	Total	Level 1	Level 2	Level 3
Exchange traded funds	$ 12,884,432	$ 12,884,432	$ -0-	$ -0-
Corporate bonds	4,270,927	-0-	4,270,927	-0-
Government bonds	1,666,688	-0-	1,666,688	-0-
	$ 18,822,047	$ 12,884,432	$ 5,937,615	$ -0-

All securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy to monitor counterparty credit risks.

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

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

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

NOTE 3 - ACCOUNTS, GRANTS, AND LOANS RECEIVABLE

Accounts, grants and loans receivable consist of the following as of June 30, 2022:

	Student Tuition and Fees	Student Loans	Grants and Contracts	Other	Total
Total	$ 3,496,753	$ 1,039,146	$ 2,947,804	$ 49,113	$ 7,532,816
Allowance	(3,328,941)	(1,039,146)	-0-	-0-	(4,368,087)
Net total	$ 167,812	$ -0-	$ 2,947,804	$ 49,113	$ 3,164,729

NOTE 4 - CAPITAL AND RIGHT-TO-USE ASSETS, NET

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

	Beginning Balance	Additions	Reductions/ Transfers	Adjustments	Ending Balance
Cost					
Land and improvements	$ 6,533,787	$ -0-	$ -0-	$ -0-	$ 6,533,787
Buildings	172,788,042	-0-	-0-	-0-	172,788,042
Equipment	45,973,784	2,834,801	-0-	(418,236)	48,390,349
Transportation equipment	4,618,469	221,206	-0-	-0-	4,839,675
Library holdings	10,679,912	9,848	-0-	-0-	10,689,760
Computer software	2,025,183	78,849	-0-	257	2,104,289
Construction in progress	369,806	34,165,872	-0-	-0-	34,535,678
Total	242,988,983	37,310,576	-0-	(417,979)	279,881,580
Accumulated depreciation					
Land and improvements	670,764	57,358	-0-	149	728,271
Buildings	107,970,559	2,528,643	-0-	10,765	110,509,967
Equipment	22,698,330	2,907,331	-0-	(595,999)	25,009,662
Transportation equipment	4,352,085	137,062	-0-	(8,930)	4,480,217
Library holdings	10,518,097	38,393	-0-	(98)	10,556,392
Computer software	1,649,592	80,515	-0-	16,296	1,746,403
Total	147,859,427	5,749,302	-0-	(577,817)	153,030,912
Capital assets, net	$ 95,129,556	$ 31,561,274	$ -0-	$ 159,838	$ 126,850,668

NOTE 4 - CAPITAL AND RIGHT-TO-USE ASSETS, NET (CONTINUED)

Construction in progress consists primarily of renovations to Hunter Hall, repairing and paving of farm roads, replacement of exterior stairs at the Bell Gymnasium, repairs to campus roofs, and the construction of a new residence hall. The projects are projected to be completed in fiscal year 2023. The remaining estimated costs to complete the projects is $690,000 for Hunter Hall renovations, $112,000 for the Replace Exterior Stairs Bell Gymnasium project, $4.8 million for repairs to campus roofs through the Roof Repair and Replacement Pool project, and $17.0 million for the New Residence Hall project.

The Hunter Hall Renovation project is federally funded project by a $2.3 million facilities grant from the U.S. Department of Agriculture. The Replace Exterior Stairs Bell Gymnasium project is being funded by the asset preservation pool funds. House Bill 1 Part II(I)(1), the executive branch budget bill that passed in the regular session of 2022, includes a $683.5 million asset preservation pool in General Fund-supported bond funds. The asset preservation pool provides funding for individual asset preservation, renovation, and maintenance projects at Kentucky's public postsecondary institutions in Education, General, and state-owned and operated residential housing facilities. The Council on Postsecondary Education (the Council) will oversee the use of the funds received from the asset preservation pool. The University has been allocated $8,039,000 and $8,039,000 for fiscal years ending June 30, 2023, and June 30, 2024, respectively. The University is required to match 15% of the funding which will result in $1,206,000 and $1,206,000 for fiscal years ending June 30, 2023, and June 30, 2024, respectively.

The Roof Repair and Replacement Pool project is being funded by an appropriation of $5.0 million. This funding is provided through the Kentucky State Property and Buildings Commission (SPBC) by the issuance of revenue bonds that will finance various construction projects across multiple state agencies. The debt service on the revenue bonds will be funded by appropriations for lease payments by the General Assembly. The University will not be funding this project with its own capital. The above construction projects are being overseen by the Kentucky Division of Engineering and Contract Administration (DECA).

The New Residence Hall project is funded by the issuance of certificates of participation notes as described in Note 8.

The University adopted GASB Statement No. 87 and has recorded 90 right-to-use leased assets as of July 1, 2021. The assets are right-to-use assets for leased equipment (machinery). The related lease liabilities are discussed in Note 8. The right-to-use lease assets are amortized on a straight-line basis over the terms of the related leases. Right to use asset activity for the University for the year ended June 30, 2022, was as follows:

NOTE 4 - CAPITAL AND RIGHT-TO-USE ASSETS, NET (CONTINUED)

	Beginning Balance	Additions	Reductions/ Transfers	Ending Balance
Cost				
ROU assets	$ 611,871	$ -0-	$ -0-	$ 611,871
Accumulated ammortization				
ROU assets	-0-	209,064	-0-	209,064
ROU assets, net	$ 611,871	$ (209,064)	$ -0-	$ 402,807

NOTE 5 - UNEARNED REVENUE

Unearned revenue consists of grants in the amount of $2,400,324 as of June 30, 2022.

NOTE 6 – ACCRUED COMPENSATED ABSENCES

It is the University's policy to permit employees to accumulate earned but unused annual leave, compensatory leave, and sick pay benefits. The policy of the Commonwealth of Kentucky is to only record the cost of annual and compensatory leave.

Annual and Compensatory Leave:

Annual leave is accumulated at amounts ranging from 10.00 to 16.72 hours per month, determined by length of service, with maximum accumulations ranging from 35 to 40 days. The calendar year is the period used for determining accumulated leave. Compensatory leave is granted to authorized employees.

Activity in the liability for accrued compensated absences during the year ended June 30, 2022, is summarized as follows:

	Balance July 01, 2021	Increases	Decreases	Balance June 30, 2022
Accrued compensated absences	$ 1,381,427	$ 1,536,706	$ 824,778	$ 2,093,355

As of June 30, 2022, the amount estimated to be due within one-year totals approximately $698,000.

NOTE 6 – ACCRUED COMPENSATED ABSENCES (CONTINUED)

Sick Leave:

It is the policy of the University to record the cost of sick leave when paid. Generally, sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death. There is no liability recorded for sick leave at June 30, 2022. The estimated accumulated amount of unused sick leave at June 30, 2022, totals approximately $6,360,000.

NOTE 7 – LINE OF CREDIT (REVENUE ANTICIPATION NOTE)

During the year ended June 30, 2021, the University issued revolving revenue anticipation notes for a maximum borrowing amount of $5,000,000, with interest at the Adjusted LIBOR rate maturing on June 30, 2021. As of June 30, 2021, the total liability owed on the revenue anticipation note was $5,000,000. The agreement was renewed as of July 1, 2021, and was refunded in full in May 2022 using a portion of the proceeds from the stabilization funds disclosed in Note 8.

NOTE 8 – LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Debt						
General receipts bonds	$ 1,775,000	$ -0-	$ 270,000	$ 1,505,000	$ 280,000	$ 1,225,000
Bond discount	(22,893)	-0-	(4,484)	(18,409)	(4,484)	(13,925)
Total bonds	1,752,107	-0-	265,516	1,486,591	275,516	1,211,075
Direct borrowings						
Finance purchase	15,926,460	208,124	922,052	15,212,532	470,414	14,742,118
Other long-term liabilities						
Series 2021 COP	-0-	49,190,000	-0-	49,190,000	-0-	49,190,000
Series 2021 COP-premium	-0-	8,815,924	509,196	8,306,728	567,642	7,739,086
HB 250 stabilization funding	-0-	23,000,000	-0-	23,000,000	-0-	23,000,000
Total long-term liabilities	-0-	81,005,924	509,196	80,496,728	567,642	79,929,086
Total	$ 17,678,567	$ 81,214,048	$ 1,696,764	$ 97,195,851	$ 1,313,572	$ 95,882,279

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

HB 250 Stabilization Funding:

House Bill 250 appropriated $23,000,000 in the year ended June 30, 2022, to the Council to address financial instability at the University due to cash shortfalls and a projected financial structural imbalance in connection with the management improvement plan as discussed in Note 17. A portion of the proceeds of this funding was used to retire the $5,000,000 revenue anticipation note outstanding as of June 30, 2021, as described in Note 7 as well as the University's liability to the state investment pool. The Council provided the stabilization funds to the University contingent on compliance with the management improvement plan. By November 1, 2025, the Council shall make recommendations to the Interim Joint Committee on Appropriations and Revenue for consideration by the General Assembly during the 2026 Regular Session for the terms and schedule for repayment of the funding beginning in fiscal year 2026-2027 based on ongoing monitoring of Kentucky State University's financial status. The repayment of the funding beginning in fiscal year 2027 will be determined at that time.

General Receipt Bonds:

The outstanding General Receipts Bonds Series A Bonds have interest rates from 3.625% - 3.875%. The bonds mature through 2027. The reserve requirements for these issues have been fully funded as of June 30, 2022.

All bonds are collateralized by University property and the pledge of certain revenues, tuition, and fees.

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

Year ended 30-June	Principal	Interest	Total
2023	$ 280,000	$ 58,319	$ 338,319
2024	290,000	47,469	337,469
2025	300,000	36,231	336,231
2026	310,000	24,606	334,606
2027	325,000	12,594	337,594
Total	$ 1,505,000	$ 179,219	$ 1,684,219

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

Finance Purchase:

During 2020, the University entered into a finance purchase for an energy management system. The obligation has an interest rate of 2.7095% and requires annual payments of principal and interest beginning in fiscal 2022 through 2036. The agreement grants a continuing first priority security interest in the equipment. In an event of a default, the lessor can accelerate the repayment of the lease payments. The obligation will be paid with guaranteed energy savings.

The capitalized costs of assets acquired through the financed purchases included in the above schedule was $16,693,621 with accumulated amortization of $269,940 as of June 30, 2022. These assets are pledged as collateral in an event of default.

The principal and interest repayment requirements relating to the energy management system obligation payable at June 30, 2022 are as follows:

Year ended 30-June	Principal	Interest	Total
2023	$ 470,414	$ 206,092	$ 676,506
2024	960,036	392,978	1,353,014
2025	986,224	366,790	1,353,014
2026	1,013,127	339,887	1,353,014
2027	1,040,764	312,250	1,353,014
2028-2036	10,741,967	1,435,164	12,177,131
Total	$ 15,212,532	$ 3,053,161	$ 18,265,693

Certificates of Participation

The 2021 Certificates consist of 13 serial bonds with maturity dates ranging from November 1, 2024, to November 1, 2036, yield rate ranging from 0.55% to 1.91% and 5 term certificates with maturity dates ranging from November 1, 2038, to November 1, 2056, yield rates ranging from 2.64% to 3.29%. The pricing resulted in a 2.92% true interest cost. The debt service on the 2021 Certificates will be funded by monthly lease payments by the University to the Trustee through November 2056.

The Certificates of Participation (COPs) are secured by certain real estate and the projects located on that real estate, the lease payments to KSU Campus Housing, LLC. (the Company) and a pledge of general receipts. The University has entered into a lease purchase arrangement whereby on the termination of the stated lease, title to the land and buildings will be conveyed absolutely to the University. As a result, this is not reported under GASB Statement 87, *Leases*. The University has the right to acquire the entire title to the facility on or after November 1, 2031.

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

Future debt service requirements for all certificates of participation outstanding at June 30, 2022, are as follows:

Year ending 30-June	Principal	Interest	Total
2023	$ -0-	$ 2,046,150	$ 2,046,150
2024	-0-	2,046,150	2,046,150
2025	1,030,000	2,011,817	3,041,817
2026	1,060,000	1,959,317	3,019,317
2027	1,095,000	1,905,150	3,000,150
2028 - 2032	5,975,000	8,655,333	14,630,333
2033 - 2037	6,715,000	7,294,183	14,009,183
2038 - 2042	7,355,000	5,888,867	13,243,867
2043 - 2047	8,010,000	4,348,200	12,358,200
2048 - 2052	8,665,000	2,676,333	11,341,333
2053 - 2057	9,285,000	876,000	10,161,000
Total	$ 49,190,000	$ 39,707,500	$ 88,897,500

The University has prepaid bond insurance and a premium in connection with the issuance of the certificates. The prepaid insurance costs and bond premiums will be amortized as follows:

Year ending 30-June	Prepaid Insurance	Bond Premium
2023	$ 25,932	$ 567,643
2024	25,932	577,682
2025	25,932	557,366
2026	25,932	522,026
2027	25,932	487,034
2028 - 2032	129,660	1,919,933
2033 - 2037	129,660	1,347,556
2038 - 2042	129,660	1,006,440
2043 - 2047	129,660	723,322
2048 - 2052	129,660	448,546
2053 - 2057	106,143	149,182
Total	$ 884,103	$ 8,306,730

NOTE 9 – LEASE OBLIGATIONS

Leases

The University leases various copiers and printers from Ricoh for various departments, terms of these leases expire in various years through 2026. The University adopted GASB Statement No. 87, *Leases,* and recorded lease liabilities of $611,871 as of July 1, 2021. The lease liabilities are reported at the net present value using the discount rate as stated in the contract terms.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease liability	$ 611,871	$ -0-	$ 177,550	$ 434,321	$ 186,074

Principal and interest on lease obligations for the next five fiscal years and in subsequent five-year fiscal periods as of June 30, 2022, are as follows:

Year ending 30-June	Payment	Principal	Interest
2023	$ 209,064	$ 186,074	$ 22,990
2024	209,060	198,745	10,315
2025	44,729	43,798	931
2026	5,820	5,704	116
	$ 468,673	$ 434,321	$ 34,352

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Kentucky Employees' Retirement System - Defined Benefit Plan

Plan Description – The University contributes to the Kentucky Employees Retirement System (KERS), a cost sharing - multiple employer public employee retirement system. KERS 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. KERS 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 Employee Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124 or by calling (502) 696-8800.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Nonhazardous	Tier 1 Participation prior to September 1, 2008	Tier 2 Participation September 1, 2008 Through December 31, 2013	Tier 3 Participation January 1, 2014
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.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Hazardous

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 lumpsum 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.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions - Benefit and contribution rates are established by state statute. Per KRS 61.565(3) contribution requirements of the active employees and the participating organizations are established and may be amended by the Kentucky Retirement System Board (KRS Board). For the fiscal year ended June 30, 2022, University nonhazardous and hazardous employees were required to contribute 5 percent of their annual covered salary for retirement benefits for the year ended June 30, 2022.

Nonhazardous and hazardous employees with a participation date after September 1, 2008, were required to contribute an additional 1 percent of their covered salary for retiree healthcare benefits.

Participating employers were required to contribute at an actuarially determined rate. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The 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 basis adopted by the KRS Board. Administrative costs of KERS are financed through employer contributions and investment earnings.

Pursuant to KRS 61.5991, the method of calculating the employer contribution changed from a percentage of pay to a two-part calculation effective July 1, 2021. The normal cost contributions are based on each employers' reported payroll multiplied by the normal cost percentage. House Bill 192, passed during the 2021 regular session of the legislature, set the KERS nonhazardous employer contribution rate for the year ended June 30, 2022, at 10.10% (7.90% to the pension fund and 2.20% to the insurance fund). The unfunded liability cost is an actuarially accrued liability contribution based upon the actuarial valuation for fiscal year 2019 and is prorated according to each employer's percentage of the plan's total actuarial accrued liability that is attributable to each employer's current and former employees. The University's share of the actuarially accrued liability contribution is 0.23208%, with 90% allocated to the pension fund and 10% allocated to the insurance fund. The University contributed $2,789,627 to the nonhazardous retirement plan; $376,345 for the normal cost contribution and $2,413,282 for the actuarially accrued liability contribution. Contributions of $68,421 were made by the University for the hazardous plan, for the year ended June 30, 2022, which was 100% of the required contributions for both retirement plans. $2,466,322 of the contribution was allocated to the nonhazardous KERS pension fund and $323,305 to the nonhazardous KERS insurance fund. All of the $68,421 contributed for the KERS Hazardous plan was allocated to pension benefits.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2022, the University reported a liability of $32,282,399 for its proportionate share of the nonhazardous net pension liability and $454,343 for hazardous.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled-forward for June 30, 2021. 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, 2022, the University's proportion was 0.24 percent for nonhazardous and 0.11 percent for hazardous, respectively.

For the year ended June 30, 2022, the University’s actuarially calculated reduction to pension expense was $807,368 for nonhazardous and $29,389 for hazardous. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous:		
Difference between expected and actual experience	$ 32,215	$ 167,533
Net difference between projected and actual earnings on investments	-0-	685,535
Changes of assumptions	-0-	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	197,404	6,235,377
University contributions subsequent to measurement date	2,466,322	-0-
	$ 2,695,941	$ 7,088,445
Hazardous:		
Difference between expected and actual experience	$ 19,981	$ 115
Net difference between projected and actual earnings on investments	-0-	85,281
Changes of assumptions	-0-	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	122,963	5,872
University contributions subsequent to measurement date	68,421	-0-
	$ 211,365	$ 91,268

At June 30, 2022, the University reported $2,534,743 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

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

and deferred inflows of resources at June 30, 2022, related to pensions will be recognized in pension expense as follows:

Year ended 30-June	Nonhazardous	Hazardous
2023	$ (5,616,423)	$ 83,575
2024	(895,969)	13,765
2025	(157,377)	(19,172)
2026	(189,057)	(26,492)
	$ (6,858,826)	$ 51,676

Actuarial assumptions - The total pension liability for KERS was determined by applying procedures to the actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized.
Inflation	2.30%
Payroll growth rate	0
Salary increases, varies by service, nonhazardous	3.30 to 15.30
Salary increases, varies by service, hazardous	3.55 to 20.05
Investment rate of return, nonhazardous	5.25
Investment rate of return, hazardous	6.25

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

The mortality table used for active members was a Pub-2010 General Mortality table for the nonhazardous system and the Pub-2010 Public Safety Mortality table for the hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The net pension liability as of June 30, 2021, is based on the June 30, 2020, actuarial valuation rolled-forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

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

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – There have been no actuarial assumption or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or because of a duty-related disability". The Total Pension liability as of June 30, 2021, was determined using these updated assumptions.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Hazardous:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	16.25 %	5.70 %
International Equity	16.25	6.35
Core Bonds	20.50	0.00
Specialty Credit/High Yield	15.00	2.80
Real Estate	10.00	5.40
Real Return	10.00	4.55
Private Equity	7.00	9.70
Cash Equivalents	5.00	(0.60)
Total	100 %	

Nonhazardous:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	21.75 %	5.70 %
International Equity	21.75	6.35
Core Bonds	10.00	0.00
Specialty Credit/High Yield	15.00	2.80
Real Estate	10.00	5.40
Real Return	10.00	4.55
Private Equity	10.00	9.70
Cash Equivalents	1.50	(0.60)
Total	100 %	

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

Discount rate - The discount rate used to measure the total pension liability was 5.25% (Nonhazardous) and 6.25% (Hazardous). The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position and future contributions were 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

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the single discount rate assumes that the Commonwealth of Kentucky contributes the actuarially determined contribution in all future years.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate - The University's proportionate share of the net pension liability has been calculated using a discount rate of 5.25% (Nonhazardous) and a discount rate of 6.25% (Hazardous) for the June 30, 2021 actuarial valuation. The following presents the University's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate as of June 30, 2022:

Nonhazardous:	1% Decrease (4.25 %)	Current Discount Rate (5.25 %)	1% Increase (6.25 %)
Proportionate share of the Collective Net Pension Liability	$ 37,187,885	$ 32,282,399	$ 28,248,983

Hazardous:	1% Decrease (5.25 %)	Current Discount Rate (6.25 %)	1% Increase (7.25 %)
Proportionate share of the Collective Net Pension Liability	$ 622,091	$ 454,343	$ 318,247

Kentucky Teachers' Retirement System - Defined Benefit Plan

Plan Description –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 or by calling (502) 573-3266.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

	Tier 1 Participation prior to July 1, 2008	Tier 2 Participation on or After July 1, 2008
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.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

	Tier 1 Participation prior to July 1, 2008	Tier 2 Participation on or After July 1, 2008
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.	

Contributions - Benefit and contribution rates are established by state statute. Per KRS 161.340, 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, 2022, University employees were required to contribute 8.185% of their annual covered salary for retirement benefits. The University was contractually required to contribute 15.87% (14.06% allocated to pension, 1.78% allocated to medical insurance, and 0.03% allocated to life insurance) of covered payroll for the year ended June 30, 2022. 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's total contributions to KTRS for the year ending June 30, 2022 was $1,865,254 and were equal to the required contributions for the year. 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 $2,035,556 for the year ending June 30, 2022.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2022, 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:

University's proportionate share of the net pension liability	$	22,177,547
Commonwealth of Kentucky's proportionate share of the net pension liability associated with the University		23,413,510
	$	45,591,057

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The University's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period of July 1, 2019, through June 30, 2020. At June 30, 2022, the University's proportion was 0.16 percent and the Commonwealth's proportion was 0.17 percent.

For the year ended June 30, 2022, the University was allocated a reduction of pension expense of $8,467,742 including $3,230,611 for support provided by the Commonwealth. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	$	-0-	$	5,467,578
Change in assumptions		3,793,173		1,958,152
Differences between expected and actual experience		(417,774)		200,892
Changes in proportion and differences between employer contributions and proportionate share of contributions		2,208,195		567,579
Contributions subsequent to the measurement date		1,865,254		-0-
	$	7,448,848	$	8,194,201

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

At June 30, 2022, the University reported $1,865,254 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. Net deferred outflow (inflows) of resources at June 30, 2022, related to pensions will be recognized in pension expense as follows:

2023	$	(1,656,344)
2024		498,383
2025		(64,022)
2026		(1,388,624)
	$	(2,610,607)

Actuarial assumptions - The total pension liability was determined by actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2020
Inflation	2.50%
Salary increases	3.00% - 7.50%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation
Municipal bond index rate	2.13%
Single equivalent interest rate	7.50%
Post-retirement benefit increases	1.50% annually

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups, service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used 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 actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015 adopted by the Board on November 19, 2016.

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

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the June 30, 2021 actuarial valuation, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	40.00 %	4.20 %
International Equity	16.50	5.30
Emerging Markets Equity	5.50	5.40
Fixed Income	15.00	(0.10)
Additional Categories	7.00	1.70
Real Estate	7.00	4.00
Private Equity	7.00	6.90
Cash	2.00	(0.30)
Total	100.00 %	

Additional categories include hedge funds, high-yield, non-U.S. developed bonds, and private credit strategies.

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – There were no changes in assumptions or benefit terms as of June 30, 2021, from the June 30, 2020 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.

Discount rate - The discount rate used to measure the total pension liability at June 30, 2020, 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 actuarially determined contribution rates, adjusted by 95% for all fiscal years in the future. Based on those assumptions, at the June 30, 2021 measurement date, 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, 2022, calculated using the discount rate of 7.10%, as well as what the University's net pension 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.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease (6.10%)	Current Discount (7.10%)	1% Increase (8.10%)
Proportionate share of the Collective Net Pension Liability	$ 30,023,767	$ 22,177,547	$ 15,724,951

Summary Pension Plan Information:

	KERS Hazardous/ Nonhazardous	KTRS	Total
Net pension liability	$ 32,736,742	$ 22,177,547	$ 54,914,289
Deferred outflows of resources	2,907,306	7,448,848	10,356,154
Deferred inflows of resources	7,179,713	8,194,201	15,373,914
Pension expense (income)	(836,757)	(8,467,742)	(9,304,499)

NOTE 11 – KENTUCKY STATE UNIVERSITY DEFINED CONTRIBUTION RETIREMENT PLAN

In accordance with KRS 61.520(2)(a) and Executive Order 74-762, professional staff may elect upon joining the staff of the University to participate in the Kentucky State University Defined Contribution Retirement Plan (the Plan) or elect to participate in the Kentucky Employees Retirement System (see below). The Plan is administered by Teachers Insurance and Annuity Association of America College Retirement Equities Fund (TIAA-CREF).

To provide the opportunity to continue participation in the Plan, the University has established a tax-deferred annuity plan, which requires electing participants to enter into a written salary reduction agreement with the University to participate. All eligible employees may begin participation in the plan on a voluntary basis on the first day after beginning employment at the University. Electing participants are required by the plan to contribute 6.16% of their salaries to the plan. Currently, the University is required to contribute 8.74% of the covered employees' salaries. The contribution requirement for the year ended June 30, 2022, totals approximately $1,442,000, consisting of approximately $765,000 from the University and $677,000 from employees. This represents 100% of the contributions required by the plan. Participants may also elect to make contributions on an after-tax basis. Total contributions to the plan will not exceed limits imposed by section 415 and section 403(b) of the Internal Revenue Code. These limits may be adjusted from time to time. In addition, salary reduction contributions to the plan will be further limited by Code section 402(g).

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB)

In addition to the pension plans disclosed in Note 10, the University's employees participate in either the KTRS OPEB Plan or the KERS OPEB Plan (the System) depending on the retirement plan in which they participate. Each OPEB plan is described in detail below.

Kentucky Employees Retirement System (KERS) OPEB Plan

Plan Description: The KERS OPEB Plan is a cost-sharing multiple-employer defined benefit OPEB plan, which was available to University employees hired prior to January 1, 2014. This plan provides medical insurance for eligible retirees and is administered by Kentucky Retirement Systems Board who publishes a financial report located at https://kyret.ky.gov.

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

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.

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 KERS OPEB Plan provides a monthly contribution subsidy of $10 (Nonhazardous) 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.

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 to be eligible.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Contributions: The University was required to contribute at an actuarially determined rate determined by Statute. Per KRS 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KRS 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 KRS Board.

Pursuant to KRS 61.5991, the method of calculating the employer contribution changed from a percentage of pay to a two-part calculation effective July 1, 2021. The normal cost contributions are based on each employers' reported payroll multiplied by the normal cost percentage. House Bill 192, passed during the 2021 regular session of the legislature, set the KERS nonhazardous employer contribution rate for the year ended June 30, 2022 at 10.10% (7.90% to the pension fund and 2.20% to the insurance fund). The unfunded liability cost is an actuarially accrued liability contribution based upon the actuarial valuation for fiscal year 2019 and is prorated according to each employer's percentage of the plan's total actuarial accrued liability that is attributable to each employer's current and former employees.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

The University's share of the actuarially accrued liability contribution is 0.23208%, with 90% allocated to the pension fund and 10% allocated to the insurance fund. The University contributed $2,789,627 to the nonhazardous retirement plan; $376,345 for the normal cost contribution and $2,413,282 for the actuarially accrued liability contribution. $2,466,322 of the contribution was allocated to the nonhazardous KERS pension fund and $323,305 to the nonhazardous KERS insurance fund. Contributions of $68,421 were made by the University for the hazardous plan, for the year ended June 30, 2022, all of which was allocated to pension benefits. The OPEB contributions amount does not include the implicit subsidy reported in the amount of $100,691.

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% (Nonhazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the KRS 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 nonrefundable.

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% (Nonhazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the KRS 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 nonrefundable.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Total OPEB Liability: The total other postemployment benefits ("OPEB") liability was determined by an actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2021
Inflation	2.30%
Payroll growth rate	0.00% for KERS nonhazardous and hazardous
Salary increases	3.30 to 15.30%, varies by service for nonhazardous, and 3.55% to 20.05%, varies by service for Hazardous
Investment rate of return	6.25%
Healthcare trend rates	
Pre-65	Initial trend starting at 6.25% at January 1, 2021, decreasing to an ultimate trend rate of 4.05% over 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021, decreasing to an ultimate trend rate of 4.05% over 14 years.

The mortality table used for active members is the PUB-2010 General Mortality Table (for the nonhazardous plan) and the PUB-2010 Public Safety Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2019. For disabled members, the PUB-2010 Disabled Mortality Table (set forward 4 years) projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability retirement.
Discount rate assumptions:

(a) Discount Rate: The discount rate used to measure the total Nonhazardous OPEB liability was 5.26%, which was reduced from the 5.43% discount rate used in the prior year. The discount rate used to measure the total Hazardous OPEB liability was 5.01%, which was decreased from the 5.28% discount rate used in the prior year.

(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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

contribution rate of projected compensation over the remaining 24-year closed amortization period of the unfunded actuarial accrued liability.

(c) Long-Term Rate of Return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the KRS Board has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. 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 1.92% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2021.

(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.

(f) Assumed Asset Allocations: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	21.75 %	5.70 %
International equity	21.75	6.35
Private equity	10.00	9.70
Special credit/high yield	15.00	2.80
Core bonds	10.00	0.00
Real estate	10.00	5.40
Real return	10.00	4.55
Cash	1.50	(0.60)
	100.00 %	

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

The long-term expected rate of return on pension plan assets was established by the KRS 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.

Nonhazardous

The following presents the University's allocated portion of the Nonhazardous net OPEB liability of the System, calculated using the discount rate of 5.26%, 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 (4.26%) or 1-percentage-point higher (6.26%) than the current rate for Nonhazardous:

	1% Decrease (4.26 %)	Current Discount Rate (5.26 %)	1% Increase (6.26%)
The University's net OPEB liability - nonhazardous	$ 6,993,384	$ 5,726,581	$ 4,687,974

The following presents the University's allocated portion of the Nonhazardous 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 Nonhazardous:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's net OPEB liability - nonhazardous	$ 4,730,742	$ 5,726,581	$ 6,925,938

Hazardous

The following presents The University's allocated portion of the Hazardous net OPEB liability of the System, calculated using the discount rate of 5.01%, 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 (4.01%) or 1-percentage-point higher (6.01%) than the current rate for

	1% Decrease (4.01%)	Current Discount Rate (5.01 %)	1% Increase (6.01%)
The University's net OPEB asset - hazardous	$ 83,972	$ (11,750)	$ (88,584)

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's net OPEB asset - hazardous	$ (80,654)	$ (11,750)	$ 72,398

Employer's Portion of the Collective OPEB Liability**:** The University's proportionate share of the Nonhazardous net OPEB liability, as indicated in the prior table, is $5,726,581, or approximately 0.25%. The University's proportionate share of the Hazardous net OPEB asset, as indicated in the prior table, is $11,750, or approximately 0.10%. The net OPEB liability/asset were distributed based on 2021 actual employer contributions to the plan.

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

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no changes in actuarial assumptions or benefit terms.

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 $385,015 related to the KERS Nonhazardous and $10,303 related to the KERS Hazardous for the year ending June 30, 2022.

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:

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Nonhazardous:	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 331,662	$ 793,199
Changes of assumptions	563,265	5,371
Changes in proportion and differences between employer contributions and proportionate share of contributions	690,902	1,313,693
Difference between expected and actual investment earnings on plan investments	-0-	321,601
Contributions subsequent to the measurement date	323,305	-0-
Total	$ 1,909,134	$ 2,433,864

Hazardous:	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 15,862	$ 33,586
Changes of assumptions	75,970	219
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,320	32,948
Difference between expected and actual investment earnings on plan investments	-0-	59,795
Contributions subsequent to the measurement date	-0-	-0-
Total	$ 117,152	$ 126,548

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $323,305, which excludes the implicit subsidy reported of $100,691, 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 ended 30-June	Nonhazardous	Hazardous
2023	$ (221,883)	$ 5,831
2024	(185,004)	(1,673)
2025	(339,762)	(206)
2026	(101,386)	(13,348)
	$ (848,035)	$ (9,396)

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

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

Kentucky Teachers' Retirement System OPEB Plan

Medical Insurance Plan

Plan Description - In addition to the pension benefits previously described, KRS 161.675 requires KTRS to provide postemployment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. 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.

Contributions - To fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (0.75%) 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. For the year ended June 30, 2022, the University contributed $236,142 to the KTRS medical insurance plan.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs At June 30, 2022, the University reported a liability of $3,19,000 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, 2021, 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 0.17% and the Commonwealth of Kentucky's proportionate share was 0.08%.

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 that was associated with the University were as follows:

University's proportionate share of the net OPEB liability	$	3,619,000
State's proportionate share of the net OPEB liability associated with the University		1,627,000
	$	5,246,000

For the year ended June 30, 2022, the University recognized OPEB expense of $166,000 and revenue of $32,000 for support provided by the State. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -0-	$ 386,000
change in assumptions	947,000	-0-
Differences between expected an actual experience	-0-	2,152,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	289,000	156,000
University's contributions subsequent to the measurement date	236,142	-0-
	$ 1,472,142	$ 2,694,000

Of the total amount reported as deferred outflows of resources related to OPEB, $236,142 resulting from University contributions subsequent to the measurement date and before the end of the fiscal

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. 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 ending June 30:		
2023	$	(359,000)
2024		(361,000)
2025		(338,000)
2026		(313,000)
2027		(83,000)
Thereafter		(4,000)
	$	(1,458,000)

Actuarial Assumptions- The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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%
Healthcare cost trend rates	
Under 65	7.00% for 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	5.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034
Municipal bond index rate	2.13%
Discount rate	7.10%
Single equivalent interest rate	7.10%, net of OPEB plan investment expense, including price inflation

Mortality rates were based on the Pub-2010 (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.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021. The remaining actuarial assumptions used in the June 30, 2020, valuation of the Medical Insurance Fund (MIF) were based on a review of recent plan experience done concurrently with the June 30, 2020, valuation. The health care cost trend rate assumption was updated for the June 30, 2020, valuation and was shown as an assumption change in the Total OPEB Liability (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 rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	30-Year Expected Geometric Rate of Return
Global Equity	58.00 %	5.10 %
Fixed Income	9.00	-0.10
Real Estate	6.50	4.00
Private Equity	8.50	6.90
High Yield	8.00	1.70
Other Additional Categories	9.00	2.20
Cash (LIBOR)	1.00	(0.30)
	100.00 %	

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.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

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:

	1% Decrease (6.10 %)	Current Discount Rate (7.10 %)	1% Increase (8.10%)
University's net OPEB liability (Medical Insurance)	$ 4,633,000	$ 3,619,000	$ 2,780,000

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 (Medical Insurance)	$ 2,629,000	$ 3,619,000	$ 4,851,000

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

Life Insurance Plan

Plan Description – Life Insurance Plan – KTRS administers the life insurance plan as provided by KRS 161.655 to eligible active and retired members. The KTRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan. 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.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (0.03%) of the gross annual payroll of members is contributed by the state. For the year ended June 30, 2022, the University contributed $3,979 to the KTRS life insurance plan.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs*:* At June 30, 2022, the University reported a liability of $55,000 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, 2021, 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, 2021, the University's proportion was 0.43%.

For the year ended June 30, 2022, the University recognized actuarially determined OPEB expense of $10,000 and revenue of $(2,000) for support provided by the State. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -0-	$ 50,000
Net changes in proportion and differences between employer contributions and proportionate share of contributions	6,000	-0-
Change of Assumptions	-0-	21,000
Differences between expected and actual experience	3,000	2,000
University's contributions subsequent to the measurement date	3,979	-0-
	$ 12,979	$ 73,000

Of the total amount reported as deferred outflows of resources related to OPEB, $3,979 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, 2022. 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:

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Year ending June 30:		
2023	$	(11,000)
2024		(16,000)
2025		(16,000)
2026		(15,000)
2027		(3,000)
Thereafter		(3,000)
	$	(64,000)

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%	Net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%	Including inflation
Inflation rate	3.00%	
Real wage growth	5.00%	
Wage inflation	3.50%	
Municipal bond index rate	3.50%	
Discount rate	7.10%	
Single equivalent interest rate	7.50%	Net of OPEB plan investment expense, including inflation

Mortality rates were based on the Pub-2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups, service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021. The remaining actuarial assumptions used in the June 30, 2020, valuation of the Medical Insurance Fund (MIF) was based on a review of recent plan experience done concurrently with the June 30, 2020, valuation. The health care cost trend rate assumption was updated for the June 30, 2020, valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

Asset Class*	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	40.00 %	4.40 %
International Equity	23.00	5.60
Fixed Income	18.00	-0.10
Real Estate	6.00	4.00
Private Equity	5.00	6.90
Additional Categories	6.00	2.10
Cash	2.00	-0.30
	100.00 %	

* *As the life insurance fund investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.*

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:

	1% Decrease (6.10 %)	Current Discount Rate (7.10 %)	1% Increase (8.10%)
University's net OPEB (LI) liability	$ 128,000	$ 55,000	$ (3,000)

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

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

Summary OPEB Information:

	KERS	KTRS	Total
Net OPEB liability	$ 5,726,581	$ 3,674,000	$ 9,400,581
Net OPEB asset	11,750	-0-	11,750
Deferred outflows of resources	2,026,286	1,485,121	3,511,407
Deferred inflows of resources	2,560,412	2,767,000	5,327,412
Actuarially determined OPEB expense	1,158,376	332,000	1,490,376

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The University is a party to various lawsuits and other claims in the ordinary course of business. Matters existed as of June 30, 2022, for which judgments and settlements have been reached after June 30, 2022. The amount accrued as of June 30, 2022, for these matters is $200,000. University officials are of the opinion, based upon the advice of legal counsel, that the ultimate resolution of additional matters existing as of June 30, 2022, but not accrued as of that date, will not have a material effect on the financial statements of the University.

In addition to the matters existing on June 30, 2022, discussed above, the University has participated in the mediation of various employment disputes arising after June 30, 2022. To date, these mediations have resulted in the University agreeing to settlements of these disputes in various amounts totaling approximately $265,000. The terms of these settlements will release the University from further claims regarding these matters.

The University receives financial assistance from federal and state agencies in the form of grants and awards. The expenditure of funds received from these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of the applicable fund.

NOTE 14 - RISK MANAGEMENT

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

During fiscal year 2020, the University started a self-insurance program for employee's health insurance. Under this plan, the University pays premiums based on estimated claims. The University pays approximately 62% of the expenses of the plan for permanent full-time employees and their families. Expenses incurred to cover claims paid by the University under the plan for year ended June 30, 2022 totaled $3,101,989. Administrative fees incurred for the year ended June 30, 2022 was $150,605. Stop loss premium paid for the year ended June 30, 2022, was $339,225. The liability for self-insurance is included in accrued liabilities in the accompanying statement of net position. Changes in the liability for self-insurance for June 30, 2022 are as follows:

Liability – beginning of year	$ 216,835
Accruals for current year claims and changes in estimate	3,101,989
Claims paid	(2,913,310)
Liability – end of year	$ 405,514

NOTE 15 - NATURAL AND FUNCTIONAL CLASSIFICATIONS OF OPERATING EXPENSES

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are presented by functional expense purpose. Depreciation is allocated below based on functional classification as required by Integrated Postsecondary Education Data System (IPEDS) for Fiscal Year 2022. Functional expense purpose is classified by natural classification as follows:

Functional Classification	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	ROU Amortization, ROU Lease, and O&M Depreciation	Operations and Maintenance	Total
Instruction	$ 6,614,414	$ 620,558	$ -0-	$ 609,346	$ 468,255	$ 8,312,573
Research	5,155,882	2,574,827	-0-	651,098	500,339	8,882,146
Public service	5,347,218	1,889,679	-0-	609,508	468,379	8,314,784
Academic support	373,919	332,153	-0-	59,467	45,698	811,237
Student services	5,076,694	1,590,214	-0-	561,502	431,489	7,659,899
Institutional support	7,125,116	13,697,171	-0-	1,753,699	1,347,639	23,923,625
O&M plant	1,284,421	2,795,504	-0-	343,621	(4,423,546)	-0-
Auxiliary enterprises	2,927,765	2,571,156	-0-	309,527	346,726	6,155,174
Student financial aid	168,066	(9,673)	12,434,450	1,060,598	815,021	14,468,462
Total operating expenses	$ 34,073,495	$ 26,061,589	$ 12,434,450	$ 5,958,366	$ -0-	$ 78,527,900

NOTE 16 – BUSINESS DISRUPTION

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has impacted economic activity and financial markets globally and has resulted in a decrease in various auxiliary revenues that the University is dependent upon due to closing the campus in March 2020. The continued spread of the disease represents a risk that operations could be disrupted in the near future. The extent to which COVID-19 impacts the University will depend on future developments, which are still highly uncertain and cannot be predicted.

As a result of the COVID-19 pandemic, the University received $4,727,726 of Higher Education Emergency Relief Funds allocated for institutional use from the Coronavirus Aid, Relief, and Economic Security (CARES) ACT (AL 84.425F). Of this amount, $685,758, $1,192,226 and $2,837,174 was expended and recognized as revenue during the years ended June 30, 2020, June 30, 2021, and June 30, 2022, respectively. The remaining $12,638 is expected to be expended and recognized as revenue when allowable expenses are incurred during fiscal year 2023.

As a result of the COVID-19 pandemic, the University received $3,477,387 of Higher Education Emergency Relief Funds allocated to student aid from the Coronavirus Aid, Relief, and Economic Security (CARES) ACT (AL 84.425E). Of this amount, $52,294, $633,745 and $2,718,900 was expended and recognized as revenue during the years ended June 30, 2020, June 30, 2021, and June 30, 2022, respectively. The remaining $72,448 is expected to be expended and recognized as revenue when allowable expenses are incurred during fiscal year 2023.

As a result of the COVID-19 pandemic, the University received $19,814,553 of Higher Education Emergency Relief Funds as part of the Strengthening Institution Program-Historically Black Colleges and Universities (SIP HBCU) from the Coronavirus Aid, Relief, and Economic Security (CARES) ACT (AL 84.425J). This amount, $1,089,225, $5,835,476, and $5,467,197 was expended and recognized as revenue during the years ended June 30, 2020, June 30, 2021, and June 30, 2022, respectively. The remaining $7,422,655 is expected to be expended and recognized as revenue when allowable expenses are incurred during fiscal year 2023.

The Governor's Emergency Education Relief Fund (GEER) as authorized by Section 18002 of division B of the CARES Act has been awarded to Kentucky institutions of higher education. The Council will disburse each public institution its share of the GEER funding based upon methodology established by CPE. The University was awarded GEER funding totaling $754,000, of which $324,758 and $285,463 was expended and recognized as revenue during the years ended June 30, 2021 and June 30, 2022, respectively. The remaining $143,779 of GEER funding expired as the effective date of this funding ended June 30, 2022.

NOTE 16 – BUSINESS DISRUPTION (CONTINUED)

The University was awarded Coronavirus State and Local Fiscal Recovery (CSLR) under the ARP totaling $138,700, of which $138,700 was expended as of June 30, 2022.

The University was awarded Elementary and Secondary School Emergency Relief Fund (ESSER) under the ARP totaling $200,000, of which $0 was expended as of June 30, 2022. The remaining $200,000 is expected to be expended and recognized as revenue when allowable expenses are incurred during fiscal year 2023.

A summation of the business disruption funding related to COVID-19 is as follows:

Funding Source:	Total funding as of 6/30/2022	Expended during year ended 6/30/2020	Expended during year ended 6/30/2021	Expended during year ended 6/30/2022	Unspent as of 6/30/2022	Expired as of 6/30/2022	Available for future periods as of 6/30/2022
HEERF - Institutional Portion (84.425F)	$ 4,727,796	$ 685,758	$ 1,192,226	$ 2,837,174	$ 12,638	$ -0-	$ 12,638
HEERF - Student Portion (84.425E)	3,477,387	52,294	633,745	2,718,900	72,448	-0-	72,448
HEERF - SIP HBCU (84.425J)	19,814,553	1,089,225	5,835,476	5,467,197	7,422,655	-0-	7,422,655
GEER (84.425C)	754,000	-0-	324,758	285,463	143,779	143,779	-0-
CSLR (21.027)	138,700	-0-	-0-	138,700	-0-	-0-	-0-
ESSER (84.425U)	200,000	-0-	-0-	-0-	200,000	-0-	200,000
	$ 29,112,436	$ 1,827,277	$ 7,986,205	$ 11,447,434	$ 7,851,520	$ 143,779	$ 7,707,741

NOTE 17 – MANAGEMENT IMPROVEMENT PLAN

On April 8, 2022, the Governor of the Commonwealth of Kentucky signed House Bill 250, appropriating $23,000,000 of stabilization funding in the year ended June 30, 2022, to the Council on Postsecondary Education (the Council) and requiring the Council to implement a Management Improvement Plan (the MIP) in cooperation with the University to address financial instability at the University due to cash shortfalls and a projected financial structural imbalance in the University's budget.

Based on the legislation, the plan requires:

1. A comprehensive cataloging and review of university policies and procedures to ensure efficiency and compliance with state and federal law;
2. Guidelines for salary ranges and benefits for all faculty, staff and administrators;
3. Mandatory board member training and development, including but not limited to financial oversight and effective committee structure;
4. Academic program offerings, course offerings and faculty productivity guidelines;
5. Accounting and fiscal reporting systems, collections, budget, and internal controls over expenditures and financial reporting;
6. Student success and enrollment management strategies;
7. Student academic progress and results; and
8. The development of an online curriculum with the intent of offering bachelor's and master's degrees online.

The Council shall provide an annual report to the Interim Joint Committee on Appropriations and Revenue detailing the financial status of the Kentucky State University by November 1, 2022, and by November 1 each year thereafter for as long as the MIP is in effect. The Kentucky State University loan repayment trust fund is hereby created as a trust fund in the State Treasury to be administered by the Council for the purpose of receiving repayments of stabilization funds.

Kentucky House Bill 250 described in Note 8 of this report also appropriated $5,000,000 and $10,000,000 to the Council to provide to the University for fiscal years ending June 30, 2023, and June 30, 2024, respectively. The Council will provide these funds to the University as goals and benchmarks are met by the University in accordance with the management improvement plan.

NOTE 18 – KENTUCKY STATE UNIVERSITY FOUNDATION, INC.

Description of the Organization

Kentucky State University Foundation, Inc. (the Foundation) is a Kentucky not-for-profit corporation formed to receive, invest, and expend funds to promote and implement educational and developmental activities at Kentucky State University (the University). A Board of Trustees manage the Foundation independent from that of the University. The Foundation is supported primarily through contributions from alumni.

Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Foundation in the preparation of its financial statements.

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

> Net assets without donor restrictions – net assets available for use in general operations and not subject to donor restrictions. The governing body has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
>
> Net assets with donor restrictions – net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the restriction has been fulfilled, or both. The investment return on net assets with donor restrictions may be restricted or unrestricted according to the donor's wishes.

When a donor restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions. The Foundation treats donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

NOTE 18 – KENTUCKY STATE UNIVERSITY FOUNDATION, INC. (CONTINUED)

Cash and Cash Equivalents: The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Foundation has a concentration of credit risk in that it periodically maintains bank accounts which, at times, may exceed the coverage provided by the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses on such amounts. The Foundation believes it is not exposed to any significant credit risk on cash.

Investments: Investments are stated at fair value based on closing market quotations for such securities or similar securities.

Property and Equipment: Property and equipment is recorded at cost if purchased or fair market value at date of contribution if contributed. If the donors stipulate how long the assets must be used, the contributions of property and equipment are recorded as restricted support. In the absence of such stipulations, these contributions are recorded as unrestricted support. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets.

Revenue Recognition: Contributions are generally recognized when received. However, pledges are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Amounts received that are designated for future periods or restricted by donor for specific purposes are reported as additions to net assets with donor restrictions. When a donor restriction expires, net assets without donor restrictions are reclassified to net assets without donor restrictions.

Income Taxes: The Foundation, a not-for-profit organization operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state, and local income taxes. The Foundation's management does not believe the Foundation has any unrelated business income. Accordingly, no provision for income taxes is recorded in the financial statements.

Functional Allocation of Expenses: The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Recent Accounting Pronouncements: For the year ended June 30, 2022, Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), became effective and was adopted by the Foundation. This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard replaced most existing revenue recognition guidance in GAAP and permits the use of either a full retrospective or modified retrospective transition method.

NOTE 18 – KENTUCKY STATE UNIVERSITY FOUNDATION, INC. (CONTINUED)

Liquidity and Availability

As of June 30, 2022, the following financial assets held by the Foundation could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	$	26,114
Operating investments		321,886
Endowment appropriations		323,219
Total financial assets	$	671,219

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

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

Investments

Investments as of June 30, 2022 are summarized as follows:

Equity securities	$	8,287,149
Debt securities		2,988,465
Total investments	$	11,275,614

NOTE 18 – KENTUCKY STATE UNIVERSITY FOUNDATION, INC. (CONTINUED)

Fair Value Measurements

The Foundation classifies its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Common stocks, municipal bonds, corporate bonds, U.S. government securities, and equity exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded. Some level 2 inputs are used for pricing of municipal and corporate bonds; therefore, they are all classified as level 2.

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

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

Fair value measurements as of June 30, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
	$ 4,841,011	$ -0-	$ -0-	$ 4,841,011
Mutual funds	2,355,465	-0-	-0-	2,355,465
Equity ETFs	1,090,673	-0-	-0-	1,090,673
Municipal bonds	-0-	283,778	-0-	283,778
Corporate bonds	-0-	2,704,687	-0-	2,704,687
Total assets at fair value	$ 8,287,149	$ 2,988,465	$ -0-	$ 11,275,614

NOTE 18 – KENTUCKY STATE UNIVERSITY FOUNDATION, INC. (CONTINUED)

Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 are restricted for the following purpose:

Subject to expenditure for specified purpose:		
Instruction and institutional support	$	2,217,522
Scholarships		1,307,123
Total subject to expenditure for specified purpose		3,524,645
Subject to the passage of time		82,000
Subject to endowment spending policy and appropriation:		
Investments in perpetuity (including amounts above the original gift amount of $5,214,862), which once appropriated, are expendable to support the following programs:		
Instruction and institutional support		1,396,030
Scholarships		5,666,406
Total subject to endowment spending policy and appropriation		7,062,436
Total Net Assets with Donor Restrictions	$	10,669,081

Net Assets Released from Restriction

For the year ended June 30, 2022, net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restrictions specified by donors as follows:

Endowment spending allocation	$	63,401
University support		600,622
Scholarships		40,608
Operating and other expenses		20,500
Student support		258,953
Travel and other expenses		11,451
Total release from restrictions	$	995,535

NOTE 18 – KENTUCKY STATE UNIVERSITY FOUNDATION, INC. (CONTINUED)

Endowment Composition

The Foundation's endowment consists of approximately 52 individual funds established by donors to provide annual funding for specific activities and general operations. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Trustees.

The Foundation's Board of Trustees has interpreted the Commonwealth of Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of June 30, 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts including promises to give net of discount and allowance for doubtful accounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Board-designated endowment fund	$ 1,596,904	$ -0-	$ 1,596,904
Original donor-restricted gift amount and amounts required by to be maintained in perpetuity by donor	-0-	5,338,111	5,338,111
Accumulated investment gains	-0-	1,724,325	1,724,325
Total operating expenses	$ 1,596,904	$ 7,062,436	$ 8,659,340

NOTE 18 – KENTUCKY STATE UNIVERSITY FOUNDATION, INC. (CONTINUED)

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of June 30, 2022.

Spending Policy*:* The Foundation spending policy is to distribute an amount at least equal to 3-5% of a moving sixteen quarter average of the fair value of the endowment funds. Accordingly, over the long term, the Foundation expects its spending policy to allow its endowment assets to grow at an average rate of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Changes in endowment net assets as of June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 2,472,680	$ 7,907,337	$ 10,380,017
Contributions	-0-	194,523	194,523
Interest and dividends	101,596	132,456	234,052
Realized and unrealized gains	(608,214)	(932,468)	(1,540,682)
Other, net of investment expense	-0-	(177,615)	(177,615)
Amounts appropriated for expenditure	(366,782)	(63,401)	(430,183)
Reclassifications	(2,376)	1,604	(772)
Total operating expenses	$ 1,596,904	$ 7,062,436	$ 8,659,340

Retirement Plan

The Foundation has a defined contribution profit sharing plan which covers all employees who meet certain requirements. Foundation contributions are discretionary. No contributions were made for the year ended June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

KENTUCKY STATE UNIVERSITY

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2022
(AMOUNTS IN THOUSANDS)

Nonhazardous

	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	$ 32,282	$ 45,185	$ 42,075	$ 30,999	$ 32,618	$ 29,146	$ 29,408	$ 28,555
Proportionate share of the net pension liability	0.24%	0.32%	0.30%	0.23%	0.24%	0.26%	0.29%	0.32%
Covered payroll	$ 4,015	$ 4,548	$ 4,358	$ 3,583	$ 3,888	$ 4,321	$ 5,390	$ 5,453
Proportionate share of the net pension liability as a share of its covered payroll	804.04%	993.51%	965.47%	865.17%	838.94%	674.52%	545.60%	523.66%
Plan fiduciary net position as a percentage of total pension liability	18.48%	14.01%	13.66%	12.84%	13.30%	14.80%	18.83%	22.32%

Hazardous

	2022	2021	2020	2019	2018
Proportion of the net pension liability/(asset)	$ 454	$ 340	$ 393	$ 939	$ 237
Proportionate share of the net pension liability	0.11%	0.06%	0.07%	0.19%	0.05%
Covered payroll	$ 179	$ 106	$ 114	$ 309	$ 79
Proportionate share of the net pension liability as a share of its covered payroll	253.82%	320.75%	344.74%	303.88%	300.00%
Plan fiduciary net position as a percentage of total	66.03%	55.18%	55.49%	56.10%	54.80%

See report of independent auditors.

Notes: This table represents data that is one year in arrears.

Changes in Assumptions: During the year ended June 30, 2022, House Bill 8 changed how required employer contributions were calculated, changing the methodology to a blended rate using a combination percentage of covered payroll and an actuary determined fixed amount. There have been no actuarial assumption or method changes since June 30, 2020. For fiscal year 2020, there was an increase to the salary increase assumptions for individual members and the base retiree mortality tables were replaced with a KERS-specific mortality table developed using the actual mortality experience of non-disabled retirees in KERS. Mortality tables for disabled retirees and active members were updated with Public Retirement Mortality tables. Termination rates and rates of disability incidence were increased. Retirement rates were decreased slightly for members with participation date prior to July 1, 2003. For members with participation date on or after July 1, 2003, retirement rates were set equal to 80% of the retirement rates applicable for the pre-July 1, 2003, participants for ages below 65. There were no changes for fiscal year 2019. For fiscal year 2018, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 6.75% to 5.25% (Nonhazardous) and 7.50% to 6.25% (Hazardous)
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

Changes in Benefit Terms: Senate Bill 169 passed during the 2021 legislative session and increased the liability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefits provisions. During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability (TPL) as of June 30, 2018, is determined using these updated benefit provisions.

KENTUCKY STATE UNIVERSITY

SCHEDULE OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
KENTUCKY EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2022
(AMOUNTS IN THOUSANDS)

Nonhazardous

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 2,466	$ 1,649	$ 1,867	$ 1,789	$ 1,471	$ 1,516	$ 1,312	$ 1,515	$ 1,432
Contributions in relation to the contractually required contribution	$ 2,466	$ 1,649	$ 1,867	$ 1,789	$ 1,471	$ 1,516	$ 1,312	$ 1,515	$ 1,432
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Covered payroll	$ 3,707	$ 4,015	$ 4,548	$ 4,358	$ 3,583	$ 3,888	$ 4,321	$ 5,390	$ 5,345
Contributions as a percentage of covered payroll	66.52%	41.07%	41.05%	41.05%	41.05%	38.99%	30.36%	28.11%	26.79%

Hazardous

	2022	2021	2020	2019	2018
Contractually required contribution	$ 68	65	$ 32	$ 35	$ 61
Contributions in relation to the contractually required contribution	$ 68	65	$ 32	$ 35	$ 61
Contribution deficiency (excess)	$ -0-	-0-	$ -0-	$ -0-	$ -0-
Covered payroll	$ 205	179	$ 106	$ 114	$ 309
Contributions as a percentage of covered payroll	33.17%	36.31%	30.19%	30.70%	19.74%

Note: These are 10-year schedules. 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.

See report of independent auditors.

KENTUCKY STATE UNIVERSITY

SCHEDULE OF THE UNIVERSITY'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
JUNE 30, 2022
(AMOUNTS IN THOUSANDS)

	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	$ 22,178	$ 24,786	$ 22,159	$ 22,617	$ 40,538	$ 68,926	$ 63,956	$ 64,987
State's proportionate share of collective net pension liability	23,414	26,067	24,011	16,827	32,308	6,496	6,503	7,374
Total	$ 45,592	$ 50,853	$ 46,170	$ 39,444	$ 72,846	$ 75,422	$ 70,459	$ 72,361
Proportion of the net pension liability	0.16%	0.17%	0.16%	0.16%	0.14%	0.22%	0.23%	0.30%
Covered payroll	$ 13,060	$ 12,222	$ 11,429	$ 10,894	$ 11,832	$ 11,164	$ 12,965	$ 15,636
Proportionate share of the net pension liability as a share of covered payroll	169.81%	202.80%	193.88%	207.61%	342.61%	617.40%	493.30%	415.62%
Plan fiduciary net position as a percentage of total pension liability	65.59%	58.27%	58.10%	59.30%	39.83%	35.22%	42.49%	45.59%

Note: This table represents data that is one year in arrears.

Changes in assumptions: For fiscal year 2021, the assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption changed from 3.00 percent to 2.50 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index. For fiscal year 2020, the assumed municipal bond index rate decreased from 3.89% to 3.50%. For fiscal year 2019, the KTRS plan discount increased from 4.49% to 7.50%.

SCHEDULE OF THE UNIVERSITY'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY(CONTINUED)
KENTUCKY TEACHERS' RETIREMENT SYSTEM
JUNE 30, 2022
(AMOUNTS IN THOUSANDS)

For fiscal year 2018, the KTRS plan discount rate increased from 4.20 percent to 4.49 percent. For fiscal year 2017, the KTRS plan discount rate decreased from 4.88 percent to 4.20 percent. For fiscal year 2016, there was a decrease in the assumed investment rate of return from 7.75 percent to 7.50 percent; a decrease in the assumed rate of inflation from 3.50 percent to 3.25 percent; a decrease in the assumed rate of wage inflation from 1.00 percent to 0.75 percent and a decrease in the payroll growth assumption from 4.50 percent to 4.00 percent.

SCHEDULE OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
JUNE 30, 2022
(AMOUNTS IN THOUSANDS)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 1,865	$ 2,074	$ 1,941	$ 1,815	$ 1,730	$ 1,879	$ 1,773	$ 2,059	$ 2,483
Contributions in relation to the contractually required contribution	$ 1,865	$ 2,074	$ 1,941	$ 1,815	$ 1,730	$ 1,879	$ 1,773	$ 2,059	$ 2,483
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Covered payroll	$ 11,744	$ 13,060	$ 12,222	$ 11,429	$ 10,894	$ 11,832	$ 11,164	$ 12,965	$ 15,635
Contributions as a percentage of covered payroll	15.88%	15.88%	15.88%	15.88%	15.88%	15.88%	15.88%	15.88%	15.88%

Note: These are 10-year schedules. 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.

See report of independent auditors.

KENTUCKY STATE UNIVERSITY

SCHEDULE OF THE UNIVERSITY'S
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2022
(AMOUNTS IN THOUSANDS)

Nonhazardous

	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	$ 5,727	8,099	$ 6,622	$ 5,398	$ 6,178
Proportionate share of the net OPEB liability	0.25%	0.32%	0.30%	0.23%	0.24%
Covered payroll	$ 4,016	4,548	$ 4,358	$ 3,583	$ 3,888
Proportionate share of the net OPEB liability as a share of covered payroll	142.59%	178.08%	151.95%	150.66%	158.90%
Plan fiduciary net position as a percentage of total OPEB liability	38.38%	29.00%	30.92%	27.32%	24.40%

Hazardous

	2022	2021	2020	2019	2018
Proportion of the net OPEB liability/(asset)	$ (12)	26	$ (19)	$ (62)	$ 3
Proportionate share of the net OPEB liability	0.10%	0.06%	0.07%	0.19%	0.05%
Covered payroll	$ -0-	106	$ 114	$ 309	$ 79
Proportionate share of the net OPEB liability as a share of covered payroll	0.00%	24.53%	-16.67%	-20.06%	3.80%
Plan fiduciary net position as a percentage of total OPEB liability	101.85%	92.00%	105.29%	106.83%	98.80%

Note: This table represents data that is one year in arrears.

Changes in assumptions: For Fiscal year 2022, the single discount rate was changed from 5.43% to 5.26% for nonhazardous and from 5.28% to 5.01% for hazardous plan to reflect changes in the expectations for future healthcare costs. Additionally, House Bill 8 changed how required employer contributions were calculated, changing the methodology to a blended rate using a combination of percentage of covered payroll and an actuarily determined fixed amount. For Fiscal year 2021, the discount rate was changed from 5.73% to 5.43% for nonhazardous and from 5.66% to 5.28% for hazardous. The assumed increase in future health care costs, or trend assumption, was updated to better reflect the plans' anticipated long-term healthcare cost. For fiscal year 2020, the discount rate was changed from 5.86% to 5.73% for nonhazardous and from 5.88% to 5.66% for hazardous.

In addition, the KRS Board of Trustees adopted new actuarial assumptions based on an actuarial experience study for the period ending June 30, 2018. Key assumptions include replacing the base retiree mortality tables were replaced with a KERS-specific mortality table developed using the actual mortality experience of non-disabled retirees in KERS. Mortality tables for disabled retirees and active members were updated with Public Retirement Mortality tables. Termination rates and rates of disability incidence were increased. Retirement rates were decreased slightly for members with participation date prior to July 1, 2003. For members with participation date on or after July 1, 2003, retirement rates were set equal to 80% of the retirement rates applicable for the pre-July 1, 2003, participants for ages below 65. For fiscal year 2019, the discount rate used to measure the total Nonhazardous OPEB liability was 5.86%, which was reduced from the 6.90% discount rate used in the prior year. The discount rate used to measure the total Hazardous OPEB liability was 5.88%, which was increased from the 5.87% discount rate used in the prior year. For fiscal year 2018, the assumed investment rate of return was changed from 7.50% to 6.25%. The inflation assumption was changed from 3.25% to 2.30%. The payroll growth assumption was changed from 4.00% to 0.00%.

Changes in benefit terms: However, Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of duty-related disability. During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

KENTUCKY STATE UNIVERSITY

SCHEDULE OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2022
(AMOUNTS IN THOUSANDS)

Nonhazardous

	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 323	337	$ 394	$ 375	$ 301	$ 314
Contributions in relation to the contractually required contribution	$ 323	337	$ 394	$ 375	$ 301	$ 314
Contribution deficiency (excess)	$ -0-	-0-	$ -0-	$ -0-	$ -0-	$ -0-
Covered payroll	$ 3,707	4,016	$ 4,548	$ 4,358	$ 3,583	$ 3,734
Contributions as a percentage of covered payroll	8.71%	8.39%	8.66%	8.60%	8.40%	8.41%

Hazardous

	2022	2021	2020	2019	2018
Contractually required contribution	$ -0-	$ -0-	$ 7	$ 7	$ 12
Contributions in relation to the contractually required contribution	$ -0-	$ -0-	$ 7	$ 7	$ 12
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Covered payroll	$ -0-	$ -0-	$ 106	$ 114	$ 309
Contributions as a percentage of covered payroll	0.00%	0.00%	6.60%	6.14%	3.88%

Note: These are 10-year schedules. 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.

See report of independent auditors.

KENTUCKY STATE UNIVERSITY

PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM
JUNE 30, 2022
(AMOUNTS IN THOUSANDS)

	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	$ 3,674	4,350	$ 5,053	$ 5,626	$ 5,880
State's proportionate share of the net OPEB liability	1,627	1,918	2,198	2,700	2,630
Total	$ 5,301	6,268	$ 7,251	$ 8,326	$ 8,510
Proportionate share of the net OPEB liability	0.17%	0.17%	0.30%	0.16%	0.16%
Covered payroll	$ 13,060	$ 12,222	$ 11,429	$ 10,894	11,832
Proportionate share of net OPEB liability as a share of its covered employee payroll	28.13%	35.59%	44.21%	51.64%	49.70%
Plan fiduciary net position as a percentage of total OPEB liability	51.74%	39.05%	32.58%	25.50%	21.18%

Note: This table represents data that is one year in arrears.

Changes in assumptions: for fiscal year 2022, the discount rate used to measure the present value of the net OPEB liability was to 7.10% from 8.00%. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) adjustments for each of the groups: service retirees, contingent annuitants, disabled retires, and actives. The assumed long-term investment rate of return was changed from 8.00% for the HealthTrust and 7.5% for the Life Trust to 7.10%. The price inflation assumption changed from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely. For fiscal year 2020, the healthcare cost trend rate decreased from 7.75% and 5.75% to 7.50% and 5.50% for Pre-65 and Post-65, respectively. Medicare Part B premiums increased 2.63% from 0.00%. The municipal bond rate decreased from 3.89% to 3.50%. For fiscal year 2019, healthcare cost trend rates decreased to 0.00% from 1.02% for Medicare Part B Premiums. The municipal bond index rate increased from 3.56% to 3.89%.

Change in benefit terms: There were no changes for fiscal years 2022 through 2019. For fiscal year 2018, 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.

KENTUCKY STATE UNIVERSITY

SCHEDULE OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM
JUNE 30, 2022
(AMOUNTS IN THOUSANDS)

	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 240	307	$ 298	$ 297	$ 287	$ 307
Contributions in relation to the contractually required contribution	$ 240	307	$ 298	$ 297	$ 287	$ 307
Contribution deficiency (excess)	$ -0-	-0-	$ -0-	$ -0-	$ -0-	$ -0-
Covered payroll	$ 11,744	13,060	$ 12,222	$ 11,429	$ 10,894	$ 11,832
Contributions as a percentage of covered payroll	2.04%	2.35%	2.44%	2.60%	2.63%	2.59%

Note: These are 10-year schedules. 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor Agency Name Federal Sub-agency Name/*Pass-through Grantor* Federal Assistance Listing Name/Program Name/*Clusters*	Federal AL Number	Pass-Through Contract Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Agricultural Research Service				
Agricultural Research Basic and Applied Research				
Geonomic Approaches of Nosema Disease in Honey Bees	10.001		$ -0-	$ 34,182
Total Research and Development			-0-	34,182
Animal and Plant Health Inspection Service				
Plant and Animal Disease, Pest Control, and Animal Care				
Agriculture Discovery Program Summer Outreach 2022	10.025		-0-	41,486
Agriculture Discovery Program Summer Outreach 2021	10.025		-0-	7,509
Animal Health - Shrimp	10.025		-0-	499
Total Research and Development			-0-	49,494
Agriculture Marketing Service				
Farmers Market and Local Food Promotion Program				
Helping Small- Scale Growers	10.175		-0-	1,532
			-0-	1,532
National Institute of Food and Agriculture				
Cooperative Forestry Research				
McIntire Stennis Fiscal Year 2020	10.202		-0-	44,350
Total Research and Development			-0-	44,350
Payments to 1890 Land-Grant Colleges & Tuskegee University				
Evans Allen Research Fiscal Year 2020	10.205		-0-	904,867
Evans Allen Research Fiscal Year 2021	10.205		-0-	2,100,304
Evans Allen Research Fiscal Year 2022	10.205		-0-	9,933
Total Research and Development			4,453	3,015,104
Sustainable Agriculture Research and Education (SARE)				
Passed through from the University of Georgia Research Foundation				
SARE Training Program Fiscal Year 2018	10.215	SUB00002045	-0-	248
Helping Agricultural Professionals SARE Fiscal Year 2019	10.215	SUB00002306	-0-	27,783
SARE Fiscal Year 2021	10.215	SUB00003367	-0-	13,708
Total Research and Development			-0-	41,739
Subtotal U.S. Department of Agriculture			**$ 4,453**	**$ 3,186,401**

See report of independent auditors and accompanying notes to the schedule of expenditures of federal awards.

KENTUCKY STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster	Federal AL Number	Pass-Through Contract Number	Passed Through to Subrecipients	Federal Expenditures
Subtotal U.S. Department of Agriculture (previous page)			$ 4,453	$ 3,186,401
National Institute of Food and Agriculture				
1890 Institution Capacity Building Grant				
Higher Education Development and Education	10.216		-0-	135,502
Sustainable Aquaculture	10.216		-0-	144,983
Modern Agriculture Implementation of Molecular Biology	10.216		-0-	19,911
Integrated Agriculture	10.216		-0-	117,583
Collaborative Evaluation of Saffron	10.216		-0-	18,523
Enhancing Agriculture and Education Opportunities	10.216		-0-	21,013
CACE Poultry Sciences	10.216		-0-	21,604
Ecosystems in Appalachia	10.216		-0-	91,298
Undergrad Fermentation and Distillation	10.216		-0-	21,930
Honeybee Stressor and Apiary Management	10.216		-0-	14,180
Support for Socially Disadvantaged Farms	10.216		-0-	32,762
Engaging Underrepresented Students	10.216		-0-	34,918
Strengthening Agricultural Intelligence	10.216		-0-	34,848
Expanding Aquaculture and Health Food Choices	10.216		-0-	24,386
Passed throughfrom the University of Arkansas at Pine Bluff				
Shrimp Aquaponics Program	10.216	229-23-11110714	-0-	39,481
Total Research and Development			48,219	772,922
Extension Collaborative on Immunization Teaching and Engagement				
Passed through from The 1890 Foundation				
Successful Kentucky Immunization Project: Part 1	10.229	ACT1-1890FN-KYSU-01	-0-	6,293
Successful Kentucky Immunization Project: Part 2	10.229	ACT2-1890FN-KYSU-01	-0-	11,699
			-0-	17,992
Agriculture and Food Research Initiative (AFRI)				
Enhancing Technology Productivity in Agriculture	10.310		-0-	100,398
Improving Phosphorus Recovery	10.310		-0-	66,105
Practical Optimization of Salt Production for Shrimp Production	10.310		-0-	7,832
Organic and Urban Agriculture Food Justice			-0-	29,303
Passed through from the University of Kentucky Research Foundation				
Industrial Hemp Effect Project	10.310	3200003240-20-291	-0-	3,114
Passed through from Central State University				
Sustainable Aquaculture Production of High Omega3 Containing Fish Using a Novel Feed Additive	10.310	8527-003	-0-	87,086
Total Research and Development			17,729	293,838
Beginning Farmer and Rancher Development Program				
Farming for Cash Program	10.311		-0-	118,472
			-0-	118,472
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers				
Outreach and Assistance Program SDVFR 2021	10.443		-0-	90,269
			-0-	90,269
Subtotal U.S. Department of Agriculture			**$ 70,401**	**$ 4,479,894**

See report of independent auditors and accompanying notes to the schedule of expenditures of federal awards.

KENTUCKY STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster	Federal AL Number	Pass-Through Contract Number	Passed Through to Subrecipients	Federal Expenditures
Subtotal U.S. Department of Agriculture (previous page)			$ 70,401	$ 4,479,894
Cooperative Extension Service				
Agricultural Experimental Learning Center	10.500		-0-	1,413,192
The 1890 Facilities Grants Program	10.500		-0-	14,455
Passed through from the University of Kentucky Research Foundation				
Children, Youth and Families at Risk Fiscal Year 2020	10.500	3200002871-20-111	-0-	15,688
			-0-	1,443,335
Agriculture Extension at 1890 Land-grant Institutions				
Cooperative Extension Fiscal Year 2020	10.512		-0-	1,149,569
Cooperative Extension Fiscal Year 2021	10.512		-0-	1,465,934
Cooperative Extension Fiscal Year 2022	10.512		-0-	6,452
Cooperative Extension Fiscal Year 2023	10.512		-0-	9,059
			-0-	2,631,014
Expanded Food and Nutrition Education Program (EFNEP)				
EFNEP Fiscal Year 2020	10.514		-0-	46
EFNEP Fiscal Year 2021	10.514		-0-	49,753
			-0-	49,799
Renewable Resources Extension Act				
RREA Fiscal Year 2019	10.515		-0-	4,811
RREA Fiscal Year 2020	10.515		-0-	10,424
			-0-	15,235
Centers of Excellence at 1890 Institutions (B)				
Passed through from the University of Maryland Eastern Shore				
Enhancing International Competence in Agricultural Science Education & Experiential Research	10.523	CEIED5208520KYSU	-0-	4,171
Pilot Project Jamaica Community Intelligence in Developing Disaster Recovery Strategies	10.523	KSU-03-5208370	-0-	10,000
			2,000	14,171
Scholarships for Students at 1890 Institutions (B)				
1890 Scholarships Program	10.524		-0-	657,179
			2,000	657,179
SNAP Cluster				
State Administrative Matching Grants for SNAP				
Passed through from the KY Cabinet for Health & Family Services				
SNAP Nutrition Education Obesity Year 1	10.561	SC7362000001287	-0-	66,460
SNAP Nutrition Education Obesity Year 2	10.561	SC7362200001080	-0-	419,414
Total SNAP Cluster			-0-	485,874
Soil and Water Conservation				
Conservation Technical Assistance Fiscal Year 2021	10.902		-0-	(3,517)
			-0-	(3,517)
Total U.S. Department of Agriculture			**$ 72,401**	**$ 9,772,984**

See report of independent auditors and accompanying notes to the schedule of expenditures of federal awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster	Federal AL Number	Pass-Through Contract Number	Passed Through to Subrecipients	Federal Expenditures
National Aeronautics and Space Administration (NASA)				
NASA Shared Services Center				
Office of Stem Engagement				
Passed through from the University of Kentucky Research Foundation				
Modeling of Flows over Ablative Surfaces	43.008	3210001345-20-086	$ -0-	$ 12,317
Total Research and Development			-0-	12,317
Total National Aeronautical and Space Administration			**$ -0-**	**$ 12,317**
National Science Foundation (NSF)				
Division of Human Resource Development				
STEM Program to Increase Minority Student Participation	47.076		$ -0-	$ 93,727
Next Generation STEM Professional	47.076		-0-	85,478
Division of Equity for Excellence in STEM				
Passed through from the University of Kentucky Research Foundation				
Louis Stokes STEM Pathways & Research Alliance 2019	47.076	3200002015-19-122	-0-	92,795
Louis Stokes STEM Pathways & Research Alliance 2020	47.076	320002692-20-026	-0-	108,537
Total Research and Development			-0-	380,537
Total National Science Foundation			**$ -0-**	**$ 380,537**
U.S. Department of Education				
Student Financial Assistance — Cluster				
Federal Supplemental Educational Opportunity Grants (FSEOG)				
Campus Based Federal SEOG 21-22	84.007		$ -0-	$ 261,355
			-0-	261,355
Federal Work-Study Program (FWSP)				
Campus Based FWSP 2020-2021	84.033		-0-	460
Campus Based FWSP 2021-2022	84.033		-0-	167,625
			-0-	168,085
Federal Pell Grant Program				
Grant Program 2020-2021	84.063		-0-	36,516
Grant Program 2021-2022	84.063		-0-	5,415,782
			-0-	5,452,298
Federal Perkins Loan Program	84.038		$ -0-	$ 382,419
			-0-	382,419
Federal Direct Student Loans				
Direct Loan Base Record 2020-2021	84.268		-0-	17,998
Direct Loan Base Record 2021-2022	84.268		-0-	9,490,901
			-0-	9,508,899
Teacher Edu Assistance for College & Higher Education Grants				
Teach Base Record 2021-2022	84.379		-0-	943
			-0-	943
Total Student Financial Assistance Cluster			-0-	15,773,999
Subtotal U.S. Department of Education			**$ -0-**	**$ 15,773,999**

See report of independent auditors and accompanying notes to the schedule of expenditures of federal awards.

KENTUCKY STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster	Federal AL Number	Pass-Through Contract Number	Passed Through to Subrecipients	Federal Expenditures
Subtotal U.S. Department of Education (previous page)			$ -0-	$ 15,773,999
TRIO Cluster				
TRIO Student Support Services				
Student Support Services Fiscal Year 2020	84.042A		-0-	45,141
Student Support Services Fiscal Year 2021	84.042A		-0-	213,640
			-0-	258,781
TRIO Upward Bound				
Engaged and Empowered UB Year 3	84.047A		-0-	128
Engaged and Empowered UB Year 4	84.047A		-0-	77,057
Engaged and Empowered UB Year 5	84.047A		-0-	146,766
			-0-	223,951
Total TRIO Cluster			-0-	482,732
Higher Education Institutional Aid				
Student Aid and Fiscal Responsibility Act	84.031B		-0-	5,861
HBCU Title III, Year 4	84.031B		-0-	534,289
HBCU Title III, Year 5	84.031B		-0-	860,813
HBCU Title III, Future Act Year 1	84.031E		-0-	139,211
HBCU Title III, Future Act Year 2	84.031E		-0-	364,259
			-0-	1,904,433
Strengthening Minority-Serving Institutions				
HBCU Graduate (Masters)	84.382G		-0-	436,065
			-0-	436,065
Education Stabilization Fund				
COVID-19 - HEERF Student Aid Portion	84.425E		-0-	2,718,900
COVID-19 - HEERF Institutional Aid Portion	84.425F		-0-	2,837,174
COVID-19 - HEERF HBCUs	84.425J		-0-	5,467,197
Passed through from the Council for Postsecondary Education				
COVID-19 - GEER and Economic Security Act	84.425C	SC 415 2000002003	-0-	285,463
			-0-	11,308,734
Total U.S. Department of Education			**$ -0-**	**$ 29,905,963**
U.S. Department of Health and Human Services				
Foster Care Title IV-E				
Passed through from Eastern Kentucky University				
Public Child Welfare Certification Program 2021	93.658	453927-21-103	$ -0-	$ (986)
Public Child Welfare Certification Program 2022	93.658	454068-22-103	-0-	8,892
			-0-	7,906
Family and Community Violence Prevention Program				
Mentoring Project for African-American and Hispanic Males	93.910		-0-	58,414
			-0-	58,414
Total U.S. Department of Health and Human Services			**$ -0-**	**$ 66,320**

See report of independent auditors and accompanying notes to the schedule of expenditures of federal awards.

KENTUCKY STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster	Federal AL Number	Pass-Through Contract Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Justice				
Juvenile Mentoring Program				
Passed through from the National 4-H Council				
4-H National Mentoring Program Year 12	16.726	2020-JU-FX-0031	$ -0-	$ 36,085
Total U.S. Department of Justice			**$ -0-**	**$ 36,085**
U.S. Department of the Treasury				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund				
Passed through from the Council on Postsecondary Education				
COVID Mitigation	21.027	2200001478	$ -0-	$ 138,700
Total U.S. Department of the Treasury			**$ -0-**	**$ 138,700**
Total Federal Expenditures			**$ 72,401**	**$ 40,312,906**
Total Research and Development Clusters				$ 4,644,483

Reconciliation to Statement of Revenues, Expenses and Changes in Net Position:	
Operating Revenues	$ 24,969,290
Federal grants and contracts	
Nonoperating Revenues	
Federal grants and contracts	5,452,298
Other Reconciling Items	
Federal Direct Loans	9,508,899
Federal Perkins Loans	382,419
Total Federal Expenditures	$ 40,312,906

See report of independent auditors and accompanying notes to the schedule of expenditures of federal awards.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the University under programs of the federal government for the year ended June 30, 2022. 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 financial position, changes in net assets, 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 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 as allowed under the Uniform Guidance.

NOTE 4 – PERKINS LOAN PROGRAM

The amount presented on the schedule of expenditures of federal awards for the Federal Perkins Loan Program represents loan balances outstanding at July 1, 2022, for which the government imposes continuing compliance requirements. No disbursements are allowed to be made from the Perkins Loan Program subsequent to June 30, 2019. The University has loans outstanding in the amount of $382,419 with an allowance for doubtful accounts of $382,419 under the Federal Perkins Loan Program at June 30, 2022.

NOTE 5 – FEDERAL STUDENT LOAN PROGRAM

The University participates in the Direct Loan Program (including Direct Subsidized and Direct Unsubsidized Loans for Students, Direct PLUS Loans for parents of undergraduate students, and Direct PLUS loans for graduate students).

Federal Direct Student Loans Program	
Subsidized	$ 3,264,981
Unsubsidized	3,727,322
Parent PLUS	2,516,596
	$ 9,508,899

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REPORT OF INDEPENDENT AUDITORS 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*

To the Board of Regents
Kentucky State University
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Kentucky State University (the University), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 15, 2024. Our report includes a reference to other auditors who audited the financial statements of Kentucky State University Foundation, Inc. (Foundation) as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 University'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-005 that we consider to be material weaknesses.

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 result of our test disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

University's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
April 15, 2024

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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Kentucky State University (the University) compliance with the types of compliance requirements described in the *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, 2022. 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.

Qualified Opinion on the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questions costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government*

Auditing Standards, issued by the Comptroller General of the United States; 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 the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions 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.

Matter Giving Rise to Qualified Opinion on the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the University with Assistance Listing No. 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program as described in finding number 2022-017 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles, consequently we were unable to determine whether the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program complied with those requirements applicable to that program.

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 the 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 generally accepted auditing standards, *Government Auditing Standards*, and the 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 judgement 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 the 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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2022-006 through 2022-016, 2022-018, and 2022-019. Our opinion on each major program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-017 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-006 through 2022-016, 2022-018, and 2022-019 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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.

Blue & Co., LLC

Lexington, Kentucky
April 15, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:
Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	X Yes	______ No
Significant deficiencies identified that are not considered to be material weaknesses?	______ Yes	X None Reported
Noncompliance material to financial statements noted?	______ Yes	X No

Federal Awards:
Internal control over major programs:

Material weakness(es) identified?	X Yes	______ No
Significant deficiencies identified that are not considered to be material weaknesses?	X Yes	______ None Reported

Type of auditor's report issued on compliance for major programs:

Qualified for the following program:
SNAP Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (AL 10.561)

Unmodified for the following programs:
Education Stabilization Fund (AL 84.425C, 84.425E, 84.425F, 84.425J)
Student Financial Aid Cluster (AL 84.007, 84.033, 84.038, 84.063, 84.268, 84.379)
Higher Education Institutional Aid Cluster (AL 84.031B, 84.031E)

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	______ No

Identification of major programs:

AL Number	Name of Federal Program or Cluster
	SNAP Cluster:
10.561	State Admin Matching Grants for the SNAP
	Student Financial Aid Cluster:
84.007	FSEOG Grant Program
84.033	Federal Work Study
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.379	TEACH Grants
	Education Stabilization Fund:
84.425C	Governors' Emergency Education Relief & Economic Security Act
84.425E	HEERF Student Emergency Aid
84.425F	HEERF Institutional Aid
84.425J	HEERF HBCU Aid
	Higher Education Institutional Aid
84.031B	Title III Strengthening All Black Colleges & Universities Program
84.031E	Title III HBCU Future Act Program

Dollar threshold used to distinguish between type A and type B programs: $ 1,209,387

Auditee qualified as low-risk auditee: ______ Yes ___X___ No

Section II - Findings - Financial Statement Audit

2022-001 Finding: Preparation of Financial Statements

Criteria or specific requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that supports accurate external financial reporting.

Condition and context: During fiscal year 2022, the University did not have in place the processes and controls that would assure the preparation of external year-end financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America.

Cause: Such preparation would require the in-house ability to maintain appropriate technical knowledge, including the ability to research current and changing accounting standards as well as unique industry considerations.

Effect: Recognizing the above condition, the University engaged the external independent auditors to assist with the drafting of the 2022 year-end external financial statements. Once drafted, the financial statements were submitted to management for review, revision, and approval. While this practice is common and practical, it is considered a material weakness in internal control over financial reporting since the year-end external financial statement preparation cannot be performed in-house.

Recommendation: We recommend management review, and if practical, enhance the external financial reporting procedures and controls in place to address the preparation and review of external year-end financial statements.

Views of responsible officials and planned corrective actions*: Management concurs with the above finding and, accordingly, has engaged the auditors to assist with the preparation of the 2022 year-end external financial statements. Management is currently reviewing the procedures and controls in place to address the preparation and review of external year-end financial statements and will revise and enhance as warranted.*

2022-002 Finding: Bank Reconciliations

Criteria or specific requirement: Management is responsible for establishing and maintaining effective internal controls for the safeguarding of financial assets. Effective internal controls are an important component of a system that helps mitigate risk of misappropriation.

Condition and context: During fiscal year 2022, the University did not reconcile the bank statements to the general ledger.

Cause: The University experienced a high degree of staffing turnover during fiscal year 2022, resulting in the delay or omission of necessary financial and accounting controls and procedures.

Effect: Without accurate and timely reconciliations of bank statements to the general ledger, the University is not able to promptly detect misappropriation or error in cash accounts, which substantially increases risk of loss.

Recommendation: We recommend that the University reconcile all bank statement activity to the accounting ledger on a monthly basis and that those reconciliations be reviewed and approved by an appropriate level of management in a timely manner.

Views of responsible officials and planned corrective actions: *The University concurs with the above finding. Since this is an integral part of the month-end closing process and will remain so, the accountant completes the bank reconciliation. Subsequently, it undergoes review by the Senior Accountant and receives approval from the Controller.*

2022-003 Finding: Financial Policies and Procedures Manual

Criteria or specific requirement: Management is responsible for establishing and maintaining effective policies and procedures for financial operations.

Condition and context: During the audit of fiscal year 2022 financial statements, it was noted that the Business Office Policies and Procedures Manual had not been updated since 2010. As some procedures were no longer relevant to financial operations, certain University departments were using self-created policy and procedure drafts that had not been formally approved by management.

Cause: No process was in place for the timely review and revision of the Business Office Policies and Procedures Manual.

Effect: Without necessary reviews and revisions of financial policies and procedures to guide financial operations, the University is at greater risk of inaccurate, inconsistent, and irrelevant financial reporting and, further, is unable to properly safeguard financial assets.

Recommendation: We recommend that the University implement a policy to review the Business Office Policy and Procedure Manual at least annually and make revisions as necessary to support financial operations.

Views of responsible officials and planned corrective actions**:** *The University concurs with the finding mentioned above. In an effort to enhance the accounting and reporting system, as well as internal controls, the University has crafted an updated policy and procedure manual. This manual is designed to align not only with GAAP but also with the NACUBO (FARM) manual as it pertains to our policies and procedures. The University commits to ongoing updates of this newly created annual as changes arise with standard operating procedures.*

2022-004 Finding: Administration of Corporate Credit Cards

Criteria or specific requirement: Management is responsible for establishing and maintaining effective internal controls for the proper administration of University corporate credit cards.

Condition and context: During the audit of fiscal year 2022 financial statements, it was noted that usage agreements for all cardholders were either not obtained or not maintained. It was also noted that review of credit card purchases was not adequate for proper management oversight. Although the Purchasing department required all receipts and supporting documentation for credit card purchases as part of the submission of expense reports, no supervisory review of the validity and/or necessity of purchases was performed.

Cause: No process was in place for direct supervisory review of credit card purchases, nor was there a process to follow up on cardholder user agreements that were not obtained upon issuance of a corporate credit card.

Effect: Without appropriate administration over the corporate credit card program, the University is at greater risk of misappropriation and fraud that would not be detected in a timely manner.

Recommendation: We recommend that the University implement procedures to obtain user agreements from every corporate cardholder and perform adequate reviews of credit card purchases in a timely manner.

Views of responsible officials and planned corrective actions: *Management concurs with the above finding and, accordingly, has prepared updated credit card policy and procedures for consideration by the University leadership and the University's Board of Regents in alignment with best practices for credit card* usage.

2022-005 Finding: University President's Expenditures

Criteria or specific requirement: Governance is responsible for establishing and maintaining effective oversight of the University President's activities.

Condition and context: During the audit of fiscal year 2022 financial statements, it was noted that the President's credit card purchases, and other expenditures were not reviewed at the appropriate level of authority.

Cause: No process is in place for governance-level review of the President's expenditures.

Effect: Without proper oversight of the President's expenditures and purchases, the University is at a greater risk of loss due to misappropriation or fraud.

Recommendation: We recommend that a member of the Board of Regents review the expenditures of the President on a regular basis (i.e., quarterly) to establish transparency around and maintain appropriate oversight of the activities of leadership.

Views of responsible officials and planned corrective actions*: The University concurs with the finding mentioned above. Quarterly, a detailed report outlining all expenditures related to the President's travel, entertainment, and discretionary expenses is presented to the Board of Regents. This report will be consistently provided upon the Board of Regent's request, ensuring ongoing oversight of the President's expenditures*.

Section III - Findings and Questioned Costs - Major Federal Awards Program Audit

Finding 2022-006: Student Account Credit Balance Reimbursement

Information on the Federal Program: Student Financial Aid Cluster (AL Numbers 84.268, 84.063, 84.033, 84.379, 84.038, and 84.077) – U.S. Department of Education

Criteria or specific requirement: 34 CFR 668.164(h) - If a credit balance occurred on or before the first day of class of a payment period, it must be paid directly to the student or parent within 14 days of the first day of class. If a credit balance occurred after the first day of class of a payment period, it must be paid directly to the student or parent within 14 days of the occurrence.

Condition: Out of a population of 1,623 students, we sampled 40. Out of this sample, the University failed to reimburse student account credit balances timely for 5 students.

Questioned Cost: $10,456

Cause: The University did not have a control in place to ensure credit balances were refunded timely.

Effect: The University is not in compliance with Title 34, Section CFR 668.164 with respect to the referenced students.

Recommendation: We recommend that the University establish controls to ensure that credit balances are paid directly to the student or parent within 14 days of the first day of class or within 14 days of the occurrence of a credit balance.

Views of responsible officials and planned corrective actions*: The University concurs with finding. The Bursar Office, under the office's current leadership, has improved reporting procedures which allows for timely student reimbursements.*

Finding 2022-007: Academic Probation Notifications

Information on the Federal Program: Student Financial Aid Cluster (AL Numbers 84.268, 84.063, 84.033, 84.379, 84.038, and 84.007) – U.S. Department of Education.

Criteria or specific requirement: 34 CFR 668.16(e)(9) - An institution must provide notification to the students of their results of an evaluation that impacts their eligibility for Title IV.

Condition: Out of a sample of 40 students, we identified 14 that did not meet Satisfactory Academic Progress (SAP). Out of the 14, the University failed to timely notify 1 of the students of academic probation status.

Questioned Cost: $-0-

Cause: The controls in place to ensure academic probation notifications are sent to students in a timely manner appeared to fail for the student identified above.

Effect: The University is not in compliance with Title 34 Section 668.16 with respect to the students referenced.

Recommendation: We recommend the University review the controls in place to ensure that academic probationary notifications are sent out promptly and enhance the controls if warranted.

Views of responsible officials and planned corrective actions*: The University's Office of Financial Aid is currently integrating a new SAP Policy for fiscal year 2025 and will be implementing the required controls in their general ledger accounting system that will ensure SAP is monitored for each student in a timely and accurate manner.*

Finding 2022-008: Exit Counseling Notification for Withdrawn Students

Information on the Federal Program: Federal Direct Student Loan Program (AL Number 84.268) – U.S. Department of Education

Criteria or specific requirement: 34 CFR 685.304(b)(3) - If a student borrower withdraws from school, exit counseling must be provided either electronically, by mailing, or by email to the student borrower within 30 days.

Condition: Out of a population of 26 withdrawn students, we sampled 5. Out of this sample, the University was unable to provide evidence of exit counseling notifications being sent to 4 students.

Questioned Cost: $-0-

Cause: The University did not have a control in place to ensure exit counseling notifications were sent to withdrawn students timely.

Effect: The University is not in compliance with Title 34, Section 685.304 with respect to the referenced withdrawn students.

Recommendation: We recommend that the University establish controls to ensure that exit counseling notifications are sent timely once a student has been identified as a withdrawal.

Views of responsible officials and planned corrective actions*: The University concurs with the finding. The University is currently utilizing the Banner Optimization to develop a message alert within the Student Portal (Wired) when a withdrawal date is entered. This will be fully functional in fiscal year 2025.*

Finding 2022-009: Incomplete Summary Level Report of Title IV Funds Not Returned

Information on the Federal Program: Federal Direct Student Loan Program (AL Number 84.268) – U.S. Department of Education

Criteria or specific requirement: CARES Act Section 3508(2) - The Secretary shall require each institution using a waiver relating to the withdrawal of recipients to report the number of such recipients, the amount of grant or loan assistance associated with each such recipient, and the total amount of grant or loan assistance for which each institution has not returned assistance under title IV to the Secretary.

Condition: Out of a population of 26 withdrawn students, we sampled 5. Out of this sample, 1 student was not included in the Summary Level Report of Title IV Funds not returned.

Questioned Cost: $-0-

Cause: There was not a procedure in place to verify that all students who withdrew from the University after attending less than 60% of the enrollment period were included in the Summary Level Report.

Effect: The number of recipients and total amount of assistance included in the Summary Level Report was understated.

Recommendation: We recommend the University develop a procedure for verifying that all withdrawn students are included in the Summary Level Report to ensure accurate reporting to the Department.

Views of responsible officials and planned corrective actions*: The University concurs with the finding. The University is currently utilizing the Banner Optimization to refine that all withdrawn students are included in the Summary Level Report. This will be fully functional in fiscal year 2025.*

Finding 2022-010: NSLDS Notification of Withdrawn Status

Information on the Federal Program: Federal Direct Student Loan Program (AL Number 84.268) – U.S. Department of Education

Criteria or specific requirement: 34 CFR 685.309 - Unless the school expects to submit its next enrollment report within 60 days, the school must notify the lender or the guaranty agency within 30 days if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis. The school is responsible for timely reporting whether they report directly or via a third-party servicer.

Condition: Out of a population of 26 withdrawn students, we sampled 5. Out of this sample, the University failed to correctly notify NSLDS of 1 student's status change.

Questioned Cost: $-0-

Cause: The University relied on their third-party servicer for reporting and did not have a control in place to ensure that timely reporting of all status changes to NSLDS was occurring.

Effect: Without notification, the NSLDS is not timely updated of change in status for students who have withdrawn or graduated. Timely notification allows the NSLDS to determine when a student enters repayment status.

Recommendation: We recommend that the University establish controls to review the reporting function of their third-party servicer to ensure student enrollment status in the NSLDS is updated in a timely manner in compliance with federal requirements.

Views of responsible officials and planned corrective actions*: The University concurs with finding. All students were reported to the National Student Clearinghouse (NSC) as to what their status was for those terms. The updates were not updated in the NSLDS side. According to the audit staff, this is a common finding amongst institutions due to this being a fairly new process/requirement. This process will be corrected going forward.*

Finding 2022-011: Exit Counseling Notification for Graduated Students

Information on the Federal Program: Federal Direct Student Loan Program (AL Number 84.268) – U.S. Department of Education

Criteria or specific requirement: 34 CFR 685.304(b)(1) - A school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school.

Condition: Out of a population of 118 graduated students, we sampled 16. Out of this sample, the University was unable to provide evidence of exit counseling notifications being sent to 15 students.

Questioned Cost: $-0-

Cause: The University did not have a control in place to ensure exit counseling notifications were sent to graduating students timely.

Effect: The University is not in compliance with Title 34, Section 685.304 with respect to the referenced graduated students.

Recommendation: We recommend that the University establish controls to ensure that exit counseling notifications are sent prior to the date of graduation.

Views of responsible officials and planned corrective actions*: The University concurs with the finding. The University is currently utilizing the Banner Optimization to develop a message alert within the Student Portal (Wired) when a Graduation Fee is charged. This will be fully functional in fiscal year 2025.*

Finding 2022-012: NSLDS Notification of Graduated Status

Information on the Federal Program: Federal Direct Student Loan Program (AL Number 84.268) – U.S. Department of Education

Criteria or specific requirement: 34 CFR 685.309 - Unless the school expects to submit its next enrollment report within 60 days, the school must notify the lender or the guaranty agency within 30 days if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis. The school is responsible for timely reporting whether they report directly or via a third-party servicer.

Condition: Out of a population of 118 graduated students, we sampled 16. Out of this sample, the University failed to correctly notify NSLDS of 8 students' status changes.

Questioned Cost: $-0-

Cause: The University relied on their third-party servicer for reporting and did not have a control in place to ensure that timely reporting of all status changes to NSLDS was occurring.

Effect: Without notification, the NSLDS is not timely updated of change in status for students who have withdrawn or graduated. Timely notification allows the NSLDS to determine when a student enters repayment status.

Recommendation: We recommend that the University establish controls to review the reporting function of their third-party servicer to ensure student enrollment status in the NSLDS is updated in a timely manner in compliance with federal requirements.

Views of responsible officials and planned corrective actions*: The University concurs with finding. All students were reported to the National Student Clearinghouse (NSC) as to what their status was for those terms. The updates were not updated in the NSLDS side. According to the audit staff, this is a common finding amongst institutions due to this being a fairly new process/requirement. This process will be corrected going forward.*

Finding 2022-013: Right to Cancel Notifications

Information on the Federal Program: Federal Direct Student Loan Program (AL Number 84.268) – U.S. Department of Education

Criteria or specific requirement: 34 CFR 668.165(a)(2)(ii) - If an institution credits a student ledger account with Direct Loan, or Federal Perkins Loan funds, the institution must notify the student or parent of their right to cancel all or a portion of that loan, or loan disbursement.

Condition: Out of a population of 66 graduate students, we sampled 6. Out of this sample, the University failed to provide evidence that right to cancel notifications were sent for all 6 students.

Questioned Cost: $-0-

Cause: The University did not have a control in place to ensure right to cancel notifications were sent to graduate students timely.

Effect: The University is not in compliance with Title 34, Section 668.165 with respect to graduate students.

Recommendation: We recommend that the University establish controls to ensure that right to cancel notifications are sent when student ledger accounts are credited.

***Views of responsible officials and planned corrective actions**: The University concurs with the finding. The University is currently utilizing the Banner Optimization to develop a message alert within the Student Portal (Wired) when a loan disbursement is made. This will be fully functional in fiscal year 2025.*

Finding 2022-014: Improper Reporting of HEERF Funds

Information on the Federal Program: HEERF Student, Institutional, and HBCU Portion (AL Numbers 84.425E, 84.425F and 84.425J) – U.S. Department of Education

Criteria or specific requirement: Federal Register Vol. 85, No. 169 and Vol. 86, No. 91 state that reporting information must appear in a format and location that is easily accessible to the public. This information must be updated no later than 10 days after the end of each calendar quarter. Additionally, HEERF FAQ guidance published by the Department of Education states an Institution can discharge the complete balance of student debt and reimburse themselves through their HEERF grants by reporting the discharge as lost revenue from academic sources in quarterly and annual reporting.

Condition: The report for the quarter ended March 31, 2022, was revised in 2023, and the University removed the original version from their website. All quarterly reports, excluding the Institutional report for the quarter ended December 31, 2023, used cumulative totals of grant receipts instead of quarterly totals.

Questioned Cost: $-0-

Cause: The University did not have the proper internal controls in place to ensure that all reporting requirements were being adhered to.

Effect: The University is not in compliance with the reporting requirements for HEERF funds specified by the Department of Education.

Recommendation: We recommend the University review all previously submitted reporting documentation and update per the current guidance posted by the Department of Education. The University should also implement and maintain an effective system of internal controls over the administration of HEERF funds to ensure funds are reported accurately and timely, in accordance with grant requirements.

Views of responsible officials and planned corrective actions*: The University concurs with the finding. Additional procedures have been implemented to ensure the timely completion of all federal HEERF reports. In addition, the HEERF public reporting requirements have been met and the University was deemed in compliance by the Department of Education as of September 2023.*

Finding 2022-015: Lost Revenue

Information on the Federal Program: HEERF Institutional Portion (AL Number 84.425F) – U.S. Department of Education

Criteria or specific requirement: 2 CFR Section 200.334 - Financial records, supporting documents, statistical records, and all other non-federal entity records pertinent to a federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the federal awarding agency or pass-through entity in the case of a subrecipient.

Higher Education Emergency Relief Fund Lost Revenue Frequently Asked Questions - An institution must adequately document its estimate of lost revenue, including its rationale, calculations, methodology, underlying data, and budgets or projections used to determine the amount of lost revenue.

Condition: At the time the lost revenue estimation was made, the University did not contemporaneously document its rationale, calculations, or methodology. Based on a review of parking revenue data subsequently compiled from the previous four years, it was determined that the amount reported as lost revenue in 2022 was reasonable; however, the contemporaneous record retention criteria was not satisfied.

Questioned Cost: $-0-

Cause: The University did not retain contemporaneously prepared documentation supporting its estimate of lost revenue including its rationale, calculations, and methodology.

Effect: Contemporaneously prepared documentation and justification of the lost revenue estimation was not available to be audited. Historical parking revenue data from the previous four years was subsequently compiled and provided to support the amount reported as lost revenue in 2022 was reasonable.

Recommendation: We recommend the University review the internal controls over the administration of federal funds to ensure future documentation is created and retained in accordance with specific grant requirements with an emphasis on the specific requirements of grants new to the University.

Views of responsible officials and planned corrective actions: *The University concurs with the finding and has taken proactive measures to ensure compliance. Specifically, the University has established a digital folder dedicated to maintaining all records pertaining to HEERF funding and lost revenue* calculations.

Finding 2022-016: Unidentifiable Federal Funds

Information on the Federal Program: Coronavirus State and Local Fiscal Recovery Funds (AL Number 21.027) – U.S. Department of the Treasury

Criteria: 2 CFR 200.302 (b) (1) -The financial management system of each non-federal entity must provide for the identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received. federal program and federal award identification must include, as applicable, the Assistance Listings title and number, federal award identification number and year, name of the federal agency, and name of the pass-through entity, if any.

Condition: Federal funds totaling $138,700 were not identified within the accounts of the University's financial management system. These funds were posted in a payment holding account and were not identifiable as federal funds.

Questioned Cost: $-0-

Cause: The internal controls in place to ensure the identification of all federal payments received and expended failed to identify the above funds as federal funds.

Effect: Without further investigation into the holding account, these funds would not have been identifiable within the University's financial management system and would have been excluded from the Schedule of Expenditures of federal Awards.

Recommendation: We recommend the University review the controls in place to identify federal funds and enhance if warranted.

Views of responsible officials and planned corrective actions: *The University concurs with the finding. As a result of this finding, the University created a new fund code within their general ledger chart of accounts for the purpose of classifying these funds as federal funds. The University performed the appropriate reclassifying journal entries within their general ledger utilizing the newly created fund code to recognize the $138,700 as federal revenue and expenditures.*

Finding 2022-017: SNAP-Ed Unallowable Expenditures

Information on the Federal Program: SNAP Cluster (AL Number 10.561) – U.S. Department of Agriculture

Criteria: 2 CFR Section 200.475(b) - Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-federal entity in its regular operations as the result of the non-federal entity's written travel policy. In addition, if these costs are charged directly to the federal award then documentation must justify that:

(1) Participation of the individual is necessary to the Federal award; and
(2) The costs are reasonable and consistent with non-Federal entity's established travel policy.

OMB Compliance Supplement 2023 - SNAP-Ed funds must be used for the administrative costs of planning, implementing, operating, and evaluating a SNAP-Ed program in accordance with the state’s approved SNAP-Ed Plan.

Guidance from the State of Kentucky regarding allowable costs restrictions on travel and conferences is included in award number SC7362000001287 and SC362200001080.

Condition: The University expended $38,596 of SNAP-Ed funds for 27 employees to travel to the annual Association of Administrators System-Wide Conference. We were only able to substantiate allowable expense for 3 of these employees to costs related to the SNAP-Ed program. We were unable to substantiate the travel cost for the other 24 employees as costs related to the SNAP-Ed program through prior written approval from the pass-through entity.

Questioned Cost: $35,296

Cause: The University expended federal funds on travel that could not be substantiated, through prior written approval from the pass-through entity, as allowable expenditures related to the SNAP-Ed program.

Effect: The University is not in compliance with the allowable activities outlined by the pass-through entity or provisions as outline in 2 CFR Section 200.475(b) of the Code of Federal Regulations.

Recommendation: We recommend the University ensure staff working with federal funds are provided adequate training to understand the allowable requirements of federal programs. Furthermore, the University should maintain records on approvals from the federal agencies or pass-through agencies on all travel expenses and approvals in a centralized manner for maintains records for the required amount of time.

Views of responsible officials and planned corrective actions: *The University concurs with the finding. The SNAP-Ed office experienced significant staff turnover during fiscal year 2022, and records could not be located. The University has established workflows and policies to ensure compliance and documentation currently and in the future.*

Finding 2022-018: SNAP-Ed Record Retention

Information on the Federal Program: SNAP Cluster (AL Number 10.561) – U.S. Department of Agriculture

Criteria: 2 CFR Section 200.334 - Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.

State of Kentucky guidance per award number SC7362000001287 and SC362200001080 – the University must submit monthly and quarterly reports to the DCBS Division of Family Support, Director's office.

Condition: Monthly and quarterly reports required to be submitted by the University to the State were not adequately retained during the required three-year period beginning July 1, 2021.

Questioned Cost: $-0-

Cause: The University did not have the proper internal controls in place to ensure that all required reporting documents were retained during the specified three-year period.

Effect: Monthly and quarterly reporting for all periods were not available to be audited.

Recommendation: We recommend the University review the internal controls over the administration of federal funds to ensure documentation is created and retained in accordance with federal and pass-through requirements.

Views of responsible officials and planned corrective actions: *The University concurs with the finding. The SNAP-Ed office experienced significant staff turnover during fiscal year 2022, and records could not be located. The University has established workflows and policies to ensure compliance and documentation currently and in the future.*

Finding 2022-019: Single Audit Submission Deadline

Criteria or specific requirement: 2 CFR Section 200.512(a) requires the data collection form and Single Audit reporting package be submitted the earlier of 30 days after the reports are received from the auditors or nine months after the end of the audit period.

Condition: The reporting package for the year ended June 30, 2022, was not submitted by the March 31, 2023, reporting deadline.

Questioned Cost: $-0-

Cause: The audit report on the financial statements for the year ended June 30, 2021, was issued subsequent to the March 31, 2023, deadline.

Effect: The Organization is not in compliance with the provisions of 2 CFR Section 200.512(a) for the year ended June 30, 2021.

Recommendation: Not applicable.

Views of responsible officials and planned corrective actions*: The University concurs with the finding. The audit report on the financial statements for the year ended June 30, 2022, was issued on April 15, 2024. The Data Collection form and reporting package will be submitted within 5 business days thereafter.*

2021-001 Finding: Preparation of Financial Statements

Condition and context: During fiscal year 2021, the University did not have in place the processes and controls that would assure the preparation of external year-end financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend management review, and if practical, enhance the external financial reporting procedures and controls in place to address the preparation and review of external year-end financial statements.

Status: Unresolved. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-001.

2021-002 Finding: Bank Reconciliations

Condition and context: During fiscal year 2021, the University did not reconcile the bank statements to the general ledger.

Recommendation: We recommend that the University reconcile all bank statement activity to the accounting ledger on a monthly basis and that those reconciliations be reviewed and approved by an appropriate level of management in a timely manner.

Status: Unresolved. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-002.

2021-003 Finding: Financial Policies and Procedures Manual

Condition and context: During the audit of fiscal year 2021 financial statements, it was noted that the Business Office Policies and Procedures Manual had not been updated since 2010. As some procedures were no longer relevant to financial operations, certain University departments were using self-created policy and procedure drafts that had not been formally approved by management.

Recommendation: We recommend that the University implement a policy to review the Business Office Policy and Procedure Manual at least annually and make revisions as necessary to support financial operations.

Status: Unresolved. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-003.

2021-004 Finding: Administration of Corporate Credit Cards

Condition and context: During the audit of fiscal year 2021 financial statements, it was noted that usage agreements for all cardholders were either not obtained or not maintained. It was also noted that review of credit card purchases was not adequate for proper management oversight. Although the Purchasing department required all receipts and supporting documentation for credit card purchases as part of the submission of expense reports, no supervisory review of the validity and/or necessity of purchases was performed.

Recommendation: We recommend that the University implement procedures to obtain user agreements from every corporate cardholder and perform adequate reviews of credit card purchases in a timely manner.

Status: Unresolved. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-004.

2021-005 Finding: University President's Expenditures

Condition and context: During the audit of fiscal year 2021 financial statements, it was noted that the President's credit card purchases, and other expenditures were not reviewed at the appropriate level of authority.

Recommendation: We recommend that a member of the Board of Regents review the expenditures of the President on a regular basis (i.e., quarterly) to establish transparency around and maintain appropriate oversight of the activities of leadership.

Status: Unresolved. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-005.

Finding 2021-006: Return of HEERF Funds

Condition and context: The University transferred $633,744.80 of HEERF Student Aid funds to the Kentucky State University Foundation for the purpose of holding and releasing funds to students. $146,242.20 of checks distributed to students did not clear, and these funds were held in an interest-bearing account. As of September 15, 2023, accrued interest totaled $49,145.32. The University did not refund the portion of the HEERF award that could not be disbursed back to the Department of Education. The University also did not remit the accrued interest.

Recommendation: We recommend the University complete the refund procedures for the funds unable to be disbursed and the accrued interest. Additionally, the University should establish a plan for the orderly distribution of the remaining balance of HEERF funds.

Status: Resolved. The refund for $146,242.20 and the refund for $49,145.32 were both completed on September 15, 2023.

Finding 2021-007: Improper Reporting of HEERF Funds

Condition and context: The University does not have the Student Funding Report for the quarter ending June 30, 2021, posted to their website. The Institutional and HBCU portion report for the quarter ended September 30, 2020, was created more than 10 days after the end of the quarter. The Institutional and HBCU portion report for the quarter ended March 31, 2021, was revised in 2022, and the University removed the original version from their website; therefore, it cannot be determined if the reporting deadline requirement was met. The University reported discharge of student debt as emergency financial aid grants to students instead of lost revenue from academic sources on the Institutional and HBCU portion report for the quarter ended March 31, 2021.

Recommendation: We recommend the University review all previously submitted reporting documentation and update per the current guidance posted by the Department of Education. The University should also implement and maintain an effective system of internal controls over the administration of HEERF funds to ensure funds are reported accurately and timely, in accordance with grant requirements.

Status: Resolved. Reports have been amended by the Grant Accounting office and are posted for public access on the University’s website.

Finding 2021-008: Lost Revenue

Condition and context: Lost revenue for Fall 2021 was calculated by applying the year over year percent increase in dining revenue to the Fall 2020 dormitory revenue and subtracting that amount from the actual Fall 2021 dormitory revenue. This resulted in a lost revenue overstatement of $688,691.

Recommendation: We recommend the University improve its administration of federal grant funds. The University should allocate sufficient staff and resources to ensure grant funds are spent in accordance with federal statutes, regulations, and the terms and conditions of the various federal awards. Specifically, the University should implement and maintain an effective system of internal controls over the administration of federal funds to ensure funds are spent appropriately and in accordance with the specific grant requirements. This includes establishing a chain of command that has the skills and knowledge to administer the funds and to ensure internal controls are not circumvented or overridden.

Status: In process. The University is currently in communication with the U.S. Department of Education and are still evaluating what steps need to be taken.

Finding 2021-009: Unallowable Expenditures

Condition and context: Out of a population of 62 expenditures made from GEER funds totaling $324,757.83, we sampled 4 expenditures totaling $17,268.97. Out of this sample, $5,245 were spent on activities other than those outlined in the CRRSA Act and Grant Agreement.

Recommendation: We recommend the University must ensure staff working in federal grant expenditures are provided adequate training to understand the specific requirements of each grant and federal spending in general, including the factors affecting allowability of costs, that costs are necessary and reasonable for the performance of the award, and that sufficient documentation is maintained.

Status: Resolved. Standard Operating Procedures have been established and new policies have been drafted. The University currently has a consultant on campus charged with finalizing these policies. These policies will be presented for final approving over the next couple of months.

Finding 2021-010: Credit Card Approvals

Condition and context: Out of a population of 1,377 expenses, including 18 credit card payments, made from Title III Part B funds totaling $1,774,314, we sampled 42 expenditures, including 2 credit card payments, totaling $353,291.64. Out of this sample, the University failed to correctly provide approval for both of the credit card expenditures. The University pays all corporate credit card bills without consideration of the published approval policy. Therefore, it can be determined that the entire population of credit card expenditures were not in compliance with the above criteria.

Recommendation: We recommend the University develop a procedure for ensuring all expenditures made via corporate credit card receive appropriate approval.

Status: Resolved. The Accounting Office now manage this card. A written policy has been created to ensure the proper use of this card.

Finding 2021-011: NSLDS Notification of Withdrawn Status

Condition and context: Out of a population of 34 withdrawn students, we sampled 7. Out of this sample, the University failed to correctly notify NSLDS of 4 students' status changes.

Recommendation: We recommend that the University establish controls to review the reporting function of their third-party servicer to ensure student enrollment status in the NSLDS is updated in a timely manner in compliance with federal requirements.

Status: Unresolved. All 4 students have subsequently been reported to NSLDS with the correct status and status effective date. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-010.

Finding 2021-012: NSLDS Notification of Graduated Status

Condition and context: Out of a population of 127 graduated students, we sampled 17. Out of this sample, the University failed to correctly notify NSLDS of 9 students' status changes.

Recommendation: We recommend that the University establish controls to review the reporting function of their third-party servicer to ensure student enrollment status in the NSLDS is updated in a timely manner in compliance with federal requirements.

Status: Unresolved. All 9 students have subsequently been reported to NSLDS with the correct status and status effective date. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-012.

Finding 2021-013: Student Account Credit Balance Reimbursement

Condition and context: Out of a population of 1,425 students, we sampled 40. Out of this sample, the University failed to reimburse student account credit balances timely for 5 students.

Recommendation: We recommend that the University establish controls to ensure that credit balances are paid directly to the student or parent within 14 days of the first day of class or within 14 days of the occurrence of a credit balance.

Status: Unresolved. All 5 students received reimbursements before the end of the semester in which their credit balance was created. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-006.

Finding 2021-014: **Right to Cancel Notifications**

Condition and context: Out of a population of 79 graduate students, we sampled 8. Out of this sample, the University failed to provide evidence that right to cancel notifications were sent for all 8 students.

Recommendation: We recommend that the University establish controls to ensure that right to cancel notifications are sent when student ledger accounts are credited.

Status: Unresolved. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-013.

Finding 2021-015: **Incomplete Summary Level Report of Title IV Funds Not Returned**

Condition and context: Out of a population of 34 withdrawn students, we sampled 7. Out of this sample, 1 student was not included in the Summary Level Report of Title IV Funds not returned.

Recommendation: We recommend the University develop a procedure for verifying that all withdrawn students are included in the Summary Level Report to ensure accurate reporting to the Department.

Status: Unresolved. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-009.

Finding 2021-016: Exit Counseling Notification for Withdrawn Students

Condition and context: Out of a population of 34 withdrawn students, we sampled 7. Out of this sample, the University failed to correctly notify 2 students of exit counseling.

Recommendation: We recommend that the University establish controls to ensure that exit counseling notifications are sent timely once a student has been identified as a withdrawal.

Status: Unresolved. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-008.

Finding 2021-017: Exit Counseling Notification for Graduated Students

Condition and context: Out of a population of 127 graduated students, we sampled 17. Out of this sample, the University failed to correctly notify 6 students of exit counseling.

Recommendation: We recommend that the University establish controls to ensure that exit counseling notifications are sent prior to the date of graduation.

Status: Unresolved. Due to the timing of issuance of the audit report for the year ended June 30, 2021, the University was unable to address this finding during the fiscal year ended June 30, 2022. See finding 2022-011.

Finding 2021-018: **Single Audit Submission Deadline**

Condition and context: The reporting package for the year ended June 30, 2021, was not submitted by the September 30, 2022, extended reporting deadline.

Recommendation: Not applicable.

Status: Resolved. The Data Collection form and reporting package were submitted on November 6, 2023