

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

**REPORT ON AUDIT OF INSTITUTION
OF HIGHER EDUCATION
IN ACCORDANCE WITH UNIFORM GUIDANCE**
June 30, 2022

WESTERN KENTUCKY UNIVERSITY
Bowling Green, Kentucky

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Independent Auditor's Report

Board of Regents
Western Kentucky University
Bowling Green, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units and the fiduciary activities 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 Western Kentucky University Foundation, Inc. and College Heights Foundation, Inc., which represent 59%, 80% and 61%, respectively, of the total assets, net position, and revenues of the aggregate discretely presented component units, as of and for the year ended June 30, 2022. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Western Kentucky University Foundation, Inc. and College Heights Foundation, Inc., are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of WKU Student Life Foundation, Inc., Western Kentucky University Foundation, Inc. and College Heights Foundation, Inc., component units included in financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit plan information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

FORVIS,LLP

Louisville, Kentucky
October 27, 2022

Overview

Management's Discussion and Analysis (MD&A) of Western Kentucky University's ("WKU" or the "University") financial statements is intended to provide an overview of the financial position, changes in financial position, and cash flows of the University as of and for the fiscal year ended June 30, 2022, with comparative information as of and for the year ended June 30, 2021. MD&A, in addition to the financial statements and the footnote disclosures, is the responsibility of University management. Management suggests this discussion be read in conjunction with the audited financial statements and notes appearing in this report.

About Western Kentucky University

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

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

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

Reporting Entity

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

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

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

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

An independent audit, performed by FORVIS LLP, provides an opinion on the basic financial statements taken as a whole. FORVIS LLP has expressed an unmodified opinion on the financial statements stating that such statements present fairly, in all material respects, the financial position of the University as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended. Included in these financial statements are the financial statements of the Western Kentucky University Research Foundation, which is a blended component unit of the University's financial statements. Also included are the financial statements of the Western Kentucky University Foundation, College Heights Foundation, and the Student Life Foundation, which are each discretely presented within the financial statements of the University. FORVIS LLP received and relied upon audit reports prepared and work performed by other auditors as a basis of their opinion on the University's financial statements.

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

Fiscal Year 2022 Highlights

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

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

	<u>Fall 2021</u>	<u>Fall 2020</u>
<u>Enrollment Base (Headcount)</u>		
Undergraduate applications	7,255	8,578
Undergraduate enrollment (including returning students)	14,729	15,286
First-time freshmen	2,832	3,120
Total graduate enrollment	2,021	2,231
Total enrollment	16,750	17,517

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

The following data, with a comparison between the 2021/2022 and 2020/2021 school years, is provided to help assess the financial viability of the University:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<u>Supporting Foundations</u>		
Endowments	\$218.0 million	\$239.6 million
Total cash receipts	\$22.2 million	\$19.8 million
 <u>State Appropriations</u>		
General non-operating revenue	\$ 78,345,400	\$ 71,658,700
Capital appropriation	<u>-</u>	<u>-</u>
Total	<u>\$ 78,345,400</u>	<u>\$ 71,658,700</u>

The University adopted GASB Statement No. 87, *Leases* during the fiscal year ended June 30, 2022. The adoption of this statement resulted in recording leased assets of \$33.9 million and lease liabilities of \$29.5 million as of July 1, 2021. The impact of this statement is not reflected in the fiscal year June 30, 2021 amounts included in this management's discussion and analysis.

Statement of Net Position

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

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

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WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of June 30, 2022 and 2021, is as follows:

Condensed Statement of Net Position (in Thousands)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current and non-current other assets	\$ 155,214	\$ 173,458
Capital and lease assets, net	<u>450,213</u>	<u>440,722</u>
Total assets	<u>605,427</u>	<u>614,180</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	2,198	2,719
Deferred pension and OPEB outflows	<u>37,032</u>	<u>34,596</u>
Total deferred outflows of resources	<u>39,230</u>	<u>37,315</u>
 Total assets and deferred outflows of resources	 <u>\$ 644,657</u>	 <u>\$ 651,495</u>
LIABILITIES		
Long-term obligations (current and non-current)	\$ 134,481	\$ 132,194
Net pension liability	199,582	237,063
Net OPEB liability	35,398	44,644
Other liabilities	21,259	36,538
Unearned revenue	<u>47,253</u>	<u>49,564</u>
Total liabilities	<u>437,973</u>	<u>500,003</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension and OPEB inflows	82,070	88,959
Deferred lease inflows	1,300	-
NET POSITION		
Net investment in capital assets	313,823	310,283
Restricted		
Non-expendable	19,854	17,668
Expendable	847	30,733
Unrestricted	<u>(211,210)</u>	<u>(296,151)</u>
Total net position	<u>123,314</u>	<u>62,533</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 644,657</u>	 <u>\$ 651,495</u>

Liabilities include pledges payable to the city of Bowling Green ("City") in the amount of \$10,359,186 for the Diddle Arena Improvements Project. Bonds payable for educational buildings total \$93,536,546 with final payments on the bonds scheduled for fiscal year 2036.

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Statement of Revenues, Expenses, and Changes in Net Position

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

The most significant source of non-operating revenue for fiscal year 2022 is state appropriations. State appropriations are non-operating because these funds are non-exchange revenues provided by the General Assembly to the University without the General Assembly directly receiving commensurate value (goods and services) for those revenues. Other important non-operating revenue sources include non-exchange grants and contracts and investment income.

Accordingly, the University reports net operating losses of \$(107,058,817) and \$(91,131,509) for fiscal years 2022 and 2021, respectively.

A summary of the University's activities for the years ended June 30, 2022 and 2021 is as follows:

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

	<u>2022</u>	<u>2021</u>
Operating revenues		
Net tuition and fees	\$ 96,148	\$ 102,999
Grants and contracts	26	170
Sales and services of educational departments	20,176	14,281
Auxiliary enterprises	15,146	14,694
Other	<u>14,847</u>	<u>13,236</u>
Total operating revenues	<u>146,343</u>	<u>145,380</u>
Operating expenses	<u>253,401</u>	<u>236,512</u>
Operating loss	<u>(107,058)</u>	<u>(91,132)</u>
Non-operating revenues (expenses)		
State appropriations	78,346	71,659
Grants and contracts	94,347	89,887
Investment income, net	2,050	1,898
Interest on capital asset-related debt	(4,578)	(5,207)
Other	<u>(2,325)</u>	<u>(289)</u>
Net non-operating revenues	<u>167,840</u>	<u>157,948</u>
Gain (loss) before capital contributions	60,782	66,816
State capital appropriation	<u>-</u>	<u>-</u>
Increase in net position	60,782	66,816
Net position, beginning of year	<u>62,532</u>	<u>(4,284)</u>
Net position, end of year	<u>\$ 123,314</u>	<u>\$ 62,532</u>

(Continued)

Operating Revenues

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

As noted in the aforementioned enrollment data the University's total headcount enrollment decreased by approximately 4.4% between fall 2020 (17,517 students) and fall 2021 (16,750 students). As of fall 2021, approximately 76.0% of students enrolled at the University were Kentucky residents. An additional 11.4% of the student population came from Tennessee with many coming to the University through a state reciprocity agreement (*i.e.*, enrolled at in-state rates) or in the Tuition Incentive Program.

Tuition and fees revenue is recorded in the financial statements net of scholarship allowances, gift scholarships, and institutional aid. A scholarship allowance is the difference between the stated charges for goods and services provided by the institution and the amount that is billed to students and third parties making payments on behalf of students. College Access Program and KEES Program have been included in the scholarship allowance after these sources have been used to satisfy a student's fees and charges. Any excess aid disbursed to the student is recognized as a student financial aid expense. Net tuition and fees, as of June 30, 2022 and 2021, were approximately 54.6% and 57.7%, respectively of the gross tuition and fees with approximately \$79.8 million and \$75.4 million, respectively, being recorded as scholarship allowance.

The distribution of FY 2022 operating revenue, by source, is summarized as follows:



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

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WESTERN KENTUCKY UNIVERSITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2022

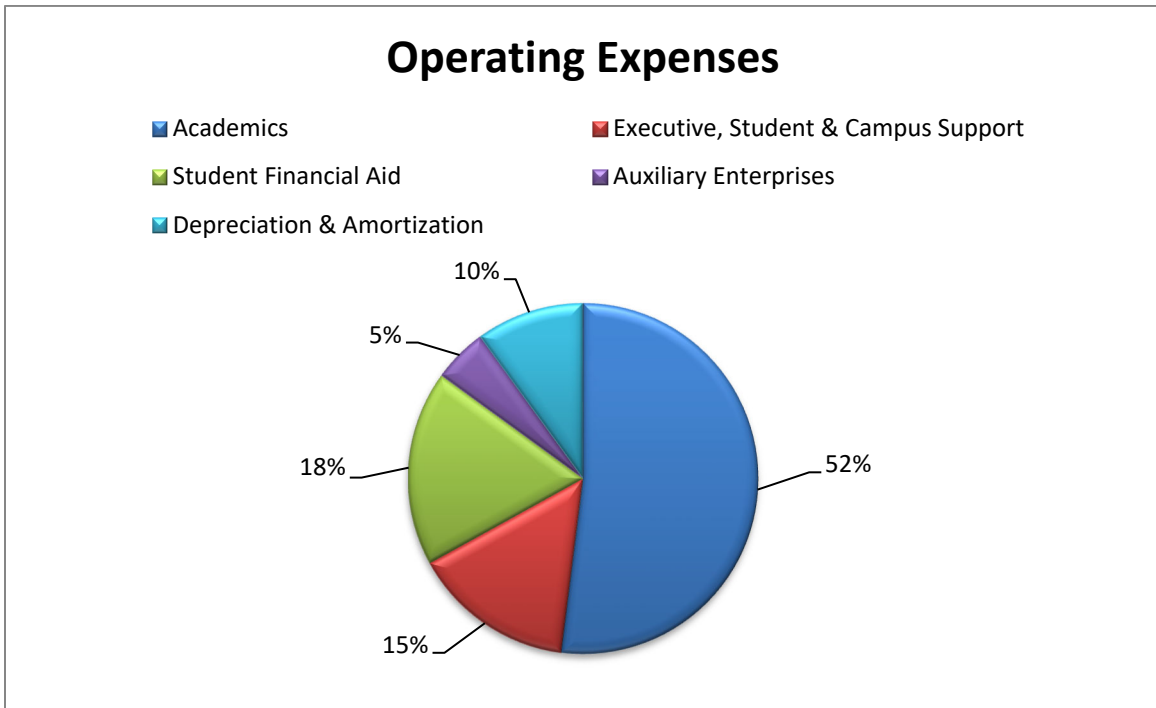
The grant and contract awards received each year are frequently multiyear awards for which only the current year activity related to the award will be recorded (*i.e.*, any cash received in excess of expenses incurred will be recorded as unearned revenue). Additionally, awards related to future periods are not recorded in the University's financial statements. The following chart provides a two-year comparison of total grants and contracts awarded (not received/recorded) during fiscal years 2022 and 2021.

Grants and Contracts Awards (Excluding Financial Aid)

	<u>2022</u>	<u>2021</u>
Federal	\$ 18,962,167	\$ 46,398,819
State	1,672,776	1,161,125
Other	<u>3,360,606</u>	<u>3,262,448</u>
 Total	 <u>\$ 23,995,549</u>	 <u>\$ 50,822,392</u>

Operating Expenses

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



(Continued)

Non-operating Revenues and Expenses

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

The University's investments consist primarily of collateralized mortgage obligations and its equity in Commonwealth of Kentucky pooled investment funds. Investment income for the years ended June 30, 2022 and 2021 is comprised of the following:

	<u>2022</u>	<u>2021</u>
Investment income	\$ 2,050,094	\$ 1,897,905

State appropriations were \$78,345,400 and \$71,658,700 for 2022 and 2021, respectively.

Change in Net Position

For the years ended June 30, 2022 and 2021, the University's net position increased by \$60,781,103 and \$66,816,929, respectively. The year-end net position for June 30, 2022 and 2021 were \$123,313,947 and \$62,532,844, respectively.

Statement of Cash Flows

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

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

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

The major sources of cash received for operating activities are tuition and fees of \$101,720,495 and \$98,256,635 and sales and services of educational departments of \$20,176,276 and \$14,280,808 and auxiliary enterprises of \$15,145,407 and \$14,693,803 at June 30, 2022 and 2021, respectively. Major uses of cash for operating activities were payments to employees for salaries and benefits of \$180,458,512 and \$164,807,271 and to suppliers and contractors of \$119,552,730 and \$73,781,392 at June 30, 2022 and 2021, respectively. A majority of the non-capital financing activities is state appropriations and grants and contracts. Principal and interest paid on capital debt and leases are recognized as capital and related financing activities. Investing activities recognize the cash flows from proceeds from sales and maturities of investments and interest receipts.

The Statement of Cash Flows are summarized as follows:

Condensed Statement of Cash Flows (in thousands)

	<u>2022</u>	<u>2021</u>
Cash Provided By (Used In)		
Operating activities	\$(145,458)	\$(104,297)
Non-capital financing activities	172,328	160,595
Capital and related financing activities	(36,973)	(38,686)
Investing activities	<u>(435)</u>	<u>2,945</u>
Net increase (decrease) in cash and cash equivalents	(10,538)	20,557
Cash and cash equivalents, beginning of year	<u>124,255</u>	<u>103,698</u>
Cash and cash equivalents, end of year	<u>\$ 113,717</u>	<u>\$ 124,255</u>

Capital Assets

As of June 30, 2022 and 2021, the University had \$417.5 million and \$440.7 million invested in capital assets, net of accumulated depreciation of \$466.5 million and \$455.9 million, respectively. Capital assets at June 30, 2022 and 2021 are summarized below:

	<u>2022</u>	<u>2021</u>
Land	\$ 14,185,528	\$ 14,962,881
Buildings and improvements	633,605,604	631,032,217
Infrastructure	72,111,843	71,221,616
Furniture, fixtures, and equipment	90,927,623	82,749,675
Library materials	67,432,992	65,620,291
Construction in progress	<u>5,734,346</u>	<u>31,077,231</u>
Total capital assets	883,997,936	896,663,911
Less accumulated depreciation	<u>(466,533,217)</u>	<u>(455,942,185)</u>
Capital assets, net	<u>\$ 417,464,719</u>	<u>\$ 440,721,726</u>

The major construction project in progress, as of June 30, 2022, consisted of the Diddle Arena roof replacement.

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Lease Assets

As of June 30, 2022 and 2021, the University had \$34.9 million and \$0 invested in lease assets, net of accumulated amortization of \$2.1 million and \$0, respectively. Lease assets at June 30, 2022 and 2021 are summarized below:

	<u>2022</u>	<u>2021</u>
Real estate	34,249,615	-
Equipment	553,648	-
Vehicles	<u>63,242</u>	<u>-</u>
Total lease assets	34,866,505	-
Less accumulated depreciation	<u>(2,118,369)</u>	<u>-</u>
Lease assets, net	<u>\$ 32,748,136</u>	<u>\$ -</u>

Pension and Other Postemployment Benefits ("OPEB")

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

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

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

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Under KERS, a separate plan exists for Nonhazardous and Hazardous duty employees. For the fiscal year ended June 30, 2022, participating employers in the KERS Nonhazardous plan contributed 10.10% (7.90% allocated to pension and 2.20% allocated to OPEB), as set by Kentucky Public Pensions Authority ("KPPA"), of each Nonhazardous employee's creditable compensation, which was a decrease from the 49.47% (41.06% allocated to pension and 8.41% allocated to OPEB) contributions for the year ended June 30, 2021. For the fiscal year ended June 30, 2022, participating employers in the KERS Hazardous plan contributed 33.43% (33.43% allocated to pension and 0.00% allocated to OPEB) as set by KPPA, of each Hazardous employee's creditable compensation, which was a decrease from the 36.00% (36.00% allocated to pension and 0.00% allocated to OPEB) contributions for the year ended June 30, 2021. Total employer contributions to KERS were \$11,454,974 (\$9,224,126 related to pension and \$2,230,848 related to OPEB) and \$7,428,138 (\$6,235,212 related to pension and \$1,192,925 related to OPEB) for the years ended June 30, 2022 and 2021, respectively.

All full-time University faculty members and certain other staff occupying a position requiring certification or graduation from a four-year college or university as a condition of employment are covered by KTRS. For the fiscal year ended June 30, 2022, the University was contractually required to contribute 15.865% (14.020% allocated to pension, 1.775% allocated to medical insurance and 0.07% allocated to life insurance) of covered payroll. For the fiscal year ended June 30, 2021, the University was contractually required to contribute 15.865% (14.030% allocated to pension, 1.775% allocated to medical insurance and 0.06% allocated to life insurance). Total employer contributions to KTRS were \$6,687,887 (\$5,668,084 related to pension and \$1,019,803 related to OPEB) and \$7,008,747 (\$5,909,067 related to pension and \$1,099,680 related to OPEB) for the years ended June 30, 2022 and 2021, respectively.

The university's net pension and OPEB liability was \$234,979,309 and \$281,707,270 as of June 30, 2022 and 2021, respectively. Total pension and OPEB expense was \$(56,053,741) and \$(67,117,532) for the years ended June 30, 2022 and 2021, respectively. Total deferred outflows related to pension and OPEB were \$37,032,158 and \$34,596,148, and total deferred inflows were \$82,069,462 and \$88,959,233 for the years ended June 30, 2022 and 2021, respectively.

Long-Term Obligations

As of June 30, 2022 and 2021, the University had \$134.5 million and \$132.2 million, respectively, in long-term obligations consisting of pledges payable to the city of Bowling Green, bonds payable (Consolidated Educational Buildings Revenue Bonds and General Receipts Bonds), leases, and other long-term obligations. The long-term obligations, including the current portion, are summarized as follows:

	<u>2022</u>	<u>2021</u>
Pledges to the City	\$ 10,359,186	\$ 12,895,233
General receipts bonds	93,536,546	104,500,265
Leases	29,952,161	13,238,042
Other long-term obligations	<u>633,565</u>	<u>1,560,241</u>
Total	<u>\$ 134,481,458</u>	<u>\$ 132,193,781</u>

Economic Factors Impacting Future Periods

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

- WKU's fall 2021 total enrollment of 16,750 continued a national trend of fewer students. Enrollment of international undergraduate and graduate students decreased by 26.4 percent from fall 2020. First-time freshmen enrollment decreased by 288 students. WKU's emphasis on the academic quality of the incoming class has resulted in an average ACT score of 22.3 and a High School GPA of 3.48. Retention rates decreased to 72.8 percent for fall 2021 from 76.8 percent for fall 2020. Continued emphasis on student retention will help stabilize a recurring revenue base.
 - The Council on Postsecondary Education (CPE) has the statutory responsibility to approve tuition rates. Significant emphasis continues to be placed on setting tuition rates with modest increases that will not impede economic access to postsecondary education. CPE enacted a tuition and fee-setting schedule enabling universities to raise tuition up to 3 percent through fiscal year 2022-23, with a one-year maximum of 2 percent. CPE approved a tuition increase of 1.2 percent at WKU for fiscal year 2023.
 - 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 base state appropriation and KERS retirement subsidy remained unchanged at a total of \$71,211,500. However, WKU's Postsecondary Education Performance Pool allocation increased to \$7,775,000 for 2022-2023, compared to \$1,398,800 for 2021-2022. Additionally, approximately \$68,000,000 were provided in state capital funds for asset preservation along with \$74,000,000 to construct a new College of Business facility.
 - The fiscal year 2023 budget marks WKU's full transition to the Resource Allocation, Management and Planning (RAMP) budget model. Rather than a historical, incremental budgeting process, RAMP is an all-funds approach that uses the principles of responsibility-centered management (RCM) and is a financial management philosophy that supports decentralized decision-making to allow us to incentivize and reward performance. Administered by the provost, this budget model also creates a subvention fund to support internal investments for academic colleges based on strategic priorities. Key budget model principles include:
 - Create incentives to advance campus goals
 - Improve transparency
 - Simplicity
 - Revenue ownership and accountability for academic units
 - In June 2018, the WKU Strategic Plan *Climbing to Greater Heights 2018-2028* was approved by the Board of Regents. WKU completed the fourth year of the plan in June 2022 over which time WKU has increased retention and graduation rates; enhanced our intellectual capital; advanced our atmosphere and actions on Diversity, Equity, and Inclusion; furthered fundraising; and improved our physical campus marked this academic year by the opening of the First-Year Village and the Commons at Helm Library. In 2022-2023, we will reach the midpoint of the Strategic Plan when we will not only look back at the accomplishments but also evaluate the climb for the next five years. Our Students, Our Hill, and Our Community and Beyond will continue to be WKU's triune components for Climbing to Greater Heights.
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- WKU continues to navigate the COVID-19 global pandemic, which began in March 2020. Until such time the pandemic ends, the University will continue to follow the guidance and enact the public health guidelines issued by the Governor, the Centers for Disease Control, and local health agencies. Funds received through the Higher Education Emergency Relief Fund (HEERF) have been very beneficial to the University and have been utilized to assist in negating negative financial impact to the University. The overall impact of the COVID-19 global pandemic remains to be seen and still has potential to negatively impact financial resources of the University.

Requests for Information

This financial report is designed to provide a general overview of Western Kentucky University's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the University Controller/Treasurer, Western Kentucky University, Wetherby Administration Building G-21, 1906 College Heights Blvd., #11002, Bowling Green, Kentucky 42101.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2022

	<u>2022</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 113,716,947
Accounts receivable, net of allowance of \$2,464,213 for 2022	9,828,236
Federal and state grants receivable	7,589,836
Inventories	117,612
Loans to students	62,244
Prepaid expenses and other	<u>1,661,117</u>
Total current assets	<u>132,975,992</u>
Noncurrent assets	
Loans to students, net of allowance of \$548,366 each year	416,559
Assets held in trust	20,514,014
Lease receivable	1,307,221
Capital assets – non-depreciable	19,919,874
Capital and assets – depreciable	864,078,062
Accumulated depreciation	(466,533,217)
Lease assets – amortizable	34,866,505
Accumulated amortization	<u>(2,118,369)</u>
Total noncurrent assets	<u>472,450,649</u>
Total assets	<u>605,426,641</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	2,197,997
Deferred outflows – KTRS Pension	16,469,326
Deferred outflows – KERS Non-Hazardous Pension	8,139,524
Deferred outflows – KERS Hazardous Pension	1,329,371
Deferred outflows – KERS OPEB	6,674,134
Deferred outflows – KTRS OPEB	<u>4,419,803</u>
Total deferred outflows of resources	<u>39,230,155</u>
Total assets and deferred outflows of resources	<u>\$ 644,656,796</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2022

	<u>2022</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 7,440,224
Self-insured health liability	1,352,580
Self-insured workers' compensation liability	134,899
Accrued payroll and withholdings	5,689,184
Accrued compensated absences	4,446,910
Accrued interest	990,461
Unearned revenue	47,253,168
Long-term obligations - current	15,521,152
Deposits held in custody for others	<u>1,205,080</u>
Total current liabilities	<u>84,033,658</u>
Non-current liabilities	
Long-term obligations	118,960,306
Net pension liability – KTRS	67,925,329
Net pension liability – KERS Non-Hazardous	129,018,133
Net pension liability – KERS Hazardous	2,638,182
Net OPEB liability – KERS	22,256,665
Net OPEB liability – KTRS	<u>13,141,000</u>
Total non-current liabilities	<u>353,939,615</u>
Total liabilities	<u>437,973,273</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows – KTRS Pension	42,887,393
Deferred inflows – KERS Non-Hazardous Pension	15,916,030
Deferred inflows – KERS Hazardous Pension	580,901
Deferred inflows – KERS OPEB	9,484,138
Deferred inflows – KTRS OPEB	13,201,000
Deferred inflows – Leases	<u>1,300,114</u>
Total deferred inflows	<u>83,369,576</u>
NET POSITION	
Net investment in capital assets	313,822,411
Restricted	
Non-expendable - endowments	19,854,237
Expendable	
Loans	847,130
Unrestricted	<u>(211,209,831)</u>
Total net position	<u>123,313,947</u>
Total liabilities, deferred inflows and net position	<u>\$ 644,656,796</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

	<u>2021</u>
ASSETS	
Cash and cash equivalents	\$ 12,544,855
Investments	96,415,594
Pledges receivable, net	3,554,755
Prepaid expenses and other assets	94,045
Property, net	1,511,608
Assets held for others	<u>24,148,307</u>
Total assets	<u>\$ 138,269,164</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 411,093
Deferred gift liabilities	964,251
Liability for assets held for others	<u>24,148,307</u>
Total liabilities	<u>25,523,651</u>
Net Assets	
Without donor restrictions	7,267,451
With donor restrictions	<u>105,478,062</u>
Total net assets	<u>112,745,513</u>
Total liabilities and net assets	<u>\$ 138,269,164</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WKU STUDENT LIFE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022

	<u>2022</u>
ASSETS	
Cash and cash equivalents	\$ 20,582,693
Accounts receivable - Western Kentucky University	807,853
Accounts receivable - students - net of allowance of \$265,163 for 2022	769,197
Net investment in direct financing lease - related party	1,931,784
Prepaid expenses	305,143
Assets limited as to use	8,125,852
Assets held by others - student deposits - cash	98,875
Property and equipment, net	<u>145,870,348</u>
Total assets	<u>\$ 178,491,745</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 2,838,114
Accrued expenses	475,559
Student deposits	98,875
Prepaid rent from students	25,290
Asset retirement obligation	794,269
Deferred revenue – Hilltopper Hub	2,529,412
Long-term debt, net of unamortized debt issue costs	<u>116,465,149</u>
Total liabilities	123,226,668
Net Assets	
Without donor restrictions	<u>55,265,077</u>
Total liabilities and net assets	<u>\$ 178,491,745</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
COLLEGE HEIGHTS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

	<u>2021</u>
ASSETS	
Cash and cash equivalents	\$ 6,300,431
Interest and dividends receivable	60,502
Investments	102,411,395
Beneficial interest in third-party trusts	7,593,009
Assets held for others	3,816,658
Fixed assets, net of depreciation	<u>894,025</u>
Total assets	<u>\$ 121,076,020</u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Refundable advances and gift annuity liabilities	\$ 3,323,260
Liability for assets held for others	<u>3,816,658</u>
Total liabilities	7,139,918
Net assets	
Without donor restrictions	3,254,157
With donor restrictions	<u>110,681,945</u>
Total net assets	<u>113,936,102</u>
Total liabilities and net assets	<u>\$ 121,076,020</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended June 30, 2022

	<u>2022</u>
REVENUES	
Operating revenues	
Tuition and fees, net of discounts and allowances of \$79,789,425	\$ 96,147,604
Federal grants and contracts	5,658
Local and private grants and contracts	20,353
Sales and services of educational activities	20,176,276
Auxiliary enterprise revenues, net of discounts and allowances of \$2,045,883	15,145,407
Other operating revenues	14,847,210
Total operating revenues	146,342,508
EXPENSES	
Operating expenses	
Education and general	
Instruction	86,831,296
Research	5,687,684
Public service	15,683,286
Libraries	3,593,766
Academic support	20,978,318
Student services	31,228,624
Institutional support	34,789,159
Operation and maintenance of plant	26,888,348
Student financial aid	45,149,229
Pension and OPEB expense	(56,053,741)
Depreciation and amortization	26,263,689
Auxiliary enterprises	12,361,667
Total operating expenses	253,401,325
Operating loss	(107,058,817)
Non-operating revenues (expenses)	
State appropriations	76,946,600
State appropriations – Performance Funding	1,398,800
Federal grants and contracts	69,610,862
State grants and contracts	22,627,323
Local and private grants and contracts	2,108,863
Net investment income	2,050,094
Interest on capital asset-related debt	(4,577,966)
(Loss) gain on disposal of capital assets	(2,583,432)
Other non-operating revenues (expenses)	258,776
Net non-operating revenues	167,839,920
Increase in net position	60,781,103
Net position, beginning of year	62,532,844
Net position, end of year	\$ 123,313,947

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses), and other support:			
Contributions	\$ 186,580	\$ 5,406,853	\$ 5,593,433
Non-charitable contributions	111,409	1,167,781	1,279,190
Investment income	38,544	1,591,159	1,629,703
Net unrealized and realized gain on investments	347,864	13,318,870	13,666,734
Net actuarial loss from deferred gift liabilities	-	(118,826)	(118,826)
Rental and royalty income	<u>186</u>	<u>57,658</u>	<u>57,844</u>
	684,583	21,423,495	22,108,078
 Net assets released from restriction	 <u>8,982,133</u>	 <u>(8,982,133)</u>	 <u>-</u>
 Total revenues, gains (losses), and other support	 <u>9,666,716</u>	 <u>12,441,362</u>	 <u>22,108,078</u>
Expenses:			
Expenses on behalf of WKU programs			
Public service	786,720	-	786,720
Construction	601,150	-	601,150
Other	<u>4,411,760</u>	<u>-</u>	<u>4,411,760</u>
Total program expenses	5,799,630	-	5,799,630
 Management and general	 1,469,357	 -	 1,469,357
Fundraising	<u>65,259</u>	<u>-</u>	<u>65,259</u>
 Total expenses	 <u>7,334,246</u>	 <u>-</u>	 <u>7,334,246</u>
Nonoperating revenue:			
Gain on forgiveness of PPP loan	<u>87,700</u>	<u>-</u>	<u>87,700</u>
Change in net assets	2,420,170	12,441,362	14,861,532
Net asset, beginning of year	<u>4,847,281</u>	<u>93,036,700</u>	<u>97,883,981</u>
Net assets, end of year	<u>\$ 7,267,451</u>	<u>\$105,478,062</u>	<u>\$112,745,513</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WKU STUDENT LIFE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2022

	<u>2022</u>
OPERATING REVENUES	
Student housing revenue	\$ 27,968,585
Contributions – WKU COVID funding	1,095,912
Interest income – direct financing lease	95,479
Hilltopper Hub prepaid lease revenue	176,471
Other	<u>1,127,231</u>
Total operating revenues	<u>30,463,678</u>
OPERATING EXPENSES	
Salaries, benefits, and related expenses	5,875,566
Utilities	2,653,648
Repairs, maintenance, and supplies	1,962,966
Management fees	84,200
Professional fees	278,511
Insurance	765,518
Depreciation and amortization	6,165,617
Bad debt expense	52,041
Other	<u>1,804,117</u>
Total operating expenses	<u>19,642,184</u>
Change in net assets from operations	<u>10,821,494</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	136,522
Interest expense, fees, and bond issuance costs	(3,927,217)
Change in fair value of derivative instruments - forward sale agreement	<u>(129,227)</u>
Total non-operating expenses	<u>(3,919,922)</u>
Change in net assets without donor restrictions	6,901,572
Net assets without donor restrictions, beginning of year	<u>48,363,505</u>
Net assets without donor restrictions, end of year	<u>\$ 55,265,077</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
COLLEGE HEIGHTS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 1,345,768	\$ 8,733,588	\$ 10,079,356
Net investment income	396,263	14,207,071	14,603,334
Change in value of split-interest agreements	-	1,054,673	1,054,673
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>6,701,097</u>	<u>(6,701,097)</u>	<u>-</u>
Total revenues, gains, and other support	<u>8,443,128</u>	<u>17,294,235</u>	<u>25,737,363</u>
EXPENSES			
Program services	6,586,016	-	6,586,016
Supporting services			
Management and general	761,228	-	761,228
Fundraising	<u>18,247</u>	<u>-</u>	<u>18,247</u>
Total supporting services	<u>779,475</u>	<u>-</u>	<u>779,475</u>
Total expenses	<u>7,365,491</u>	<u>-</u>	<u>7,365,491</u>
CHANGE IN NET ASSETS	1,077,637	17,294,235	18,371,872
NET ASSETS, BEGINNING OF YEAR	<u>2,176,520</u>	<u>93,387,710</u>	<u>95,564,230</u>
NET ASSETS, END OF YEAR	<u>\$ 3,254,157</u>	<u>\$110,681,945</u>	<u>\$113,936,102</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2021

	WKU Program Services						Total Expenses
	Public Service	Construction	Other	Total WKU Program Services	Management and General	Fundraising	
Salaries/wages, payroll taxes, and benefits	\$ 105,567	\$ -	\$ 1,635,512	\$ 1,741,079	\$ 559,497	\$ 37,157	\$ 2,337,733
Scholarships and honorariums	22,540	-	658,235	680,775	-	-	680,775
Professional fees and other services	419,669	-	290,146	709,815	664,730	15,523	1,390,068
Travel, meals, and entertainment	28,532	-	414,121	442,653	436	9,956	453,045
Printing, supplies, and other office expenses	79,742	-	172,411	252,153	38,616	607	291,376
Other miscellaneous expenses	1,537	-	122,463	124,000	3,603	82	127,685
Gifts and donations	38,758	-	648,337	687,095	-	1,934	689,029
Capital expenditures	79,983	601,150	287,070	968,203	-	-	968,203
Dues/subscriptions and registrations	-	-	176,808	176,808	-	-	176,808
Equipment rentals and maintenance	10,392	-	6,657	17,049	-	-	17,049
Bad debt expense	-	-	-	-	202,475	-	202,475
Total expenses	<u>\$ 786,720</u>	<u>\$ 601,150</u>	<u>\$ 4,411,760</u>	<u>\$ 5,799,630</u>	<u>\$ 1,469,357</u>	<u>\$ 65,259</u>	<u>\$ 7,334,246</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
COLLEGE HEIGHTS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2021

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Scholarships	\$ 6,073,903	\$ -	\$ -	\$ 6,073,903
Salaries and benefits	-	595,793	-	595,793
Other expenses	512,113	-	-	512,113
Professional fees	-	36,472	-	36,472
Renovation expenses	-	28,911	-	28,911
Fundraising	-	-	18,247	18,247
Postage	-	13,721	-	13,721
Travel and transportation	-	8,865	-	8,865
Real estate expenses	-	7,355	-	7,355
Software	-	5,984	-	5,984
Memberships	-	5,450	-	5,450
Office supplies	-	4,652	-	4,652
Equipment and furnishings	-	4,500	-	4,500
Bank fees	-	4,474	-	4,474
Gifts	-	2,360	-	2,360
Telephone	-	1,284	-	1,284
Sponsorships	-	302	-	302
Staff development	-	277	-	277
Total expenses before depreciation	6,586,016	720,400	18,247	7,324,663
Depreciation	-	40,828	-	40,828
Total expense	\$ 6,586,016	\$ 761,228	\$ 18,247	\$ 7,365,491

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF CASH FLOWS
Year ended June 30, 2022

	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 101,720,495
Grants and contracts	3,300,931
Payments to employees	(175,337,544)
Payments to suppliers	(112,291,614)
Loans issued to students, net of collection	446,480
Collection of loans to students	223,185
Sales and services of educational departments	20,176,276
Other operating revenues	13,539,989
Auxiliary enterprise revenues	15,145,407
Auxiliary enterprise payments	
Payments to employees	(5,120,968)
Payments to suppliers	(7,261,116)
Net cash used in operating activities	<u>(145,458,479)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	76,946,600
State appropriations – Performance Funding	1,398,800
Grants and contracts receipts	94,347,048
Student organization agency receipts (disbursements) - net	156,852
Other nonoperating revenues (expenses)	(520,989)
Net cash provided by non-capital financing activities	<u>172,328,311</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	152,361
Purchases of capital assets	(18,152,760)
Principal paid on capital debt and leases	(14,286,143)
Interest paid on capital debt and leases	(4,686,386)
Net cash used in capital and related financing activities	<u>(36,972,928)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
WKU Research Foundation assets held in trust	(286,306)
Loss on sale of investments	(2,198,872)
Investment income	2,050,094
Net cash used in investing activities	<u>(435,084)</u>
Net change in cash and cash equivalents	(10,538,180)
Cash and cash equivalents, beginning of year	<u>124,255,127</u>
Cash and cash equivalents, end of year	<u>\$ 113,716,947</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF CASH FLOWS
Year ended June 30, 2022

	<u>2022</u>
Reconciliation of net operating loss to net cash used in operating activities	
Operating loss	\$ (107,058,817)
Depreciation and amortization expense	26,263,689
Changes in operating assets and liabilities	
Accounts receivable, net	5,385,287
Federal and state grants receivable	3,141,489
Lease receivable	(1,307,221)
Assets held in trust	589
Inventories	(20,417)
Loans to students, net	669,665
Prepaid expenses and other	(375,709)
Accounts payable and other current liabilities	(1,264,755)
Health insurance liability	196,942
Accrued payroll and payroll withholdings	(15,630,374)
Accrued compensated absences	1,084,890
Deferred outflows – pension and OPEB liability	(1,915,020)
Deferred inflows – pension and OPEB liability	(5,589,657)
Net pension liability	(37,481,651)
Net OPEB liability	(9,246,310)
Unearned revenue	<u>(2,311,099)</u>
 Net cash used in operating activities	 <u>\$ (145,458,479)</u>
 Supplemental cash flows information	
Non-cash activities:	
Lease obligation incurred for lease assets	\$ 938,772
Construction in process included in accounts payable	\$ 601,318
Donation of capital assets from related parties	\$ 392,073

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022

	<u>Custodial Funds</u>
	<u>2022</u>
Assets	
Cash and equivalents	\$ <u>801,220</u>
Total assets	\$ <u><u>801,220</u></u>
Net Position	
Restricted for:	
Organizations and other governments	\$ <u>801,220</u>
Total net position	\$ <u><u>801,220</u></u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2022

	<u>Custodial Funds</u>
	<u>2022</u>
Additions	
Sales and services	\$ 24,032
Other miscellaneous revenues	<u>2,049,675</u>
Total additions	<u><u>2,073,707</u></u>
Deductions	
Compensation	415,415
Benefits	106,416
General and administrative expenses	<u>1,169,713</u>
Total deductions	<u><u>1,691,544</u></u>
Net increase in fiduciary net position	382,163
Net position, beginning of year	<u>419,057</u>
Net position, end of year	<u><u>\$ 801,220</u></u>

See accompanying notes to financial statements.

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

Nature of Operations: Western Kentucky University (the “University”) is a state supported institution of higher education located in Bowling Green, Kentucky, and accredited by the Southern Association of Colleges and Schools Commission on Colleges. The University awards graduate and undergraduate degrees and serves a student population of approximately 16,750 in 2022. The University is operated under the jurisdiction of a Board of Regents and is a component unit of the Commonwealth of Kentucky. Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Family Education Loan, Federal Direct Loan and Federal Perkins Loan Programs. The University extends unsecured credit to students.

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

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

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

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

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

The financial information included for each foundation noted above is derived from the respective foundation’s annual audited financial statements. WKU Foundation, Inc. and College Heights Foundation, Inc. operate on a calendar year. Thus, the information included for each of these foundations is as of and for the year ended December 31, 2021. The Student Life Foundation, Inc. operates on a fiscal year beginning July 1, and extending through June 30; likewise, the information contained herein is as of and for the year ended June 30, 2022.

(Continued)

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

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

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

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

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

Cash and Cash Equivalents: The University considers all highly liquid investments with an original maturity of three months or less that are immediately available to the University to be cash equivalents. Funds held by the Commonwealth of Kentucky are also considered cash equivalents.

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

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

Investments and Investment Income: The University accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

(Continued)

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

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

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

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

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

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

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

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

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

Capital and Lease Asset Impairment: The University evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital and lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the year ended June 30, 2022.

(Continued)

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

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

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

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

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

Unearned Revenue: Tuition and fee revenues collected during the fiscal year, which relate to the period after June 30, 2022, have been recorded as unearned revenues. Unearned revenues arise when resources are received by the University before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the University has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned and unexpended state capital appropriations.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Employees' Retirement System and Kentucky Teachers' Retirement System (referred to collectively as "the Plans") and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are generally reported at fair value.

(Continued)

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

Other Postemployment Benefits (OPEB): For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Employees' Retirement System and Kentucky Teachers' Retirement System (referred to collectively as "the Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

This agreement meets the requirements of a service concession arrangement as defined by GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. As a result, at June 30, 2022, the University reports a capital asset for the portion of the facility utilized by Barnes & Noble as part of the overall building capital asset. No other significant transactions have been reported as a result of this agreement.

As part of this agreement, the University conveys to Barnes & Noble the right and obligation to provide bookstore services in the facility owned by the University, however, the University continues to maintain ownership of the facility at all times, including at the conclusion of the 10-year agreement.

Recent Accounting Pronouncements Adopted/Implemented:

GASB Statement No. 87, Leases: The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of this standard did not have a material effect on the University's net position or change in net position.

(Continued)

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

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*: The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The University has implemented the provisions of this accounting standard, however, the University did not have any interest incurred for construction projects in fiscal year ending June 30, 2022.

GASB Statement No. 92, *Omnibus 2020*: The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The University has implemented the provisions of this accounting standard with no material impact to its financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020: The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR will be discontinued by June 2023 and governments are either changing the reference rate or adding or changing fallback provisions related to the reference rate. The University has implemented the provisions of this accounting standard; however, the University did not have any outstanding debt calculated using LIBOR for fiscal year ending June 30, 2022.

GASB 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 the provisions of this accounting standard; however, the University did not have qualifying 457 plans for fiscal year ending June 30, 2022.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, Issued October 2021: The objectives of this Statement are to establish the term *annual comprehensive financial report* and its acronym *ACFR* to replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The adoption of this standard did not have a material effect on the University's net position or changes in net position.

(Continued)

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

Recent Accounting Pronouncements: 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*, issued May 2019: The provisions of this Statement were initially effective for reporting periods beginning after December 15, 2020; however, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective date by 12 months upon its issuance in May 2020. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The University's management has not yet determined the effect this statement will have on the University's financial statements. The University will implement the requirements of this guide for its fiscal year ending June 30, 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020: The provisions of this Statement are effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The University's management has not yet determined the effect this statement will have on the University's financial statements. The University will implement the requirements of this guide for its fiscal year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020: The provisions of this Statement are effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The University's management has not yet determined the effect this statement will have on the University's financial statements. The University will implement the requirements of this guide for its fiscal year ending June 30, 2023.

(Continued)

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

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

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

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

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - ASSETS HELD IN TRUST

Assets held in trust as of June 30, 2022 consisted of:

	<u>2022</u>
Cash equivalents	\$ 614,527
Common equity, common fixed income and mutual funds	<u>19,899,487</u>
Fair value of assets held in trust	<u>\$ 20,514,014</u>

Assets held in trust include funds held with the City of Bowling Green, Kentucky (the "City") and the Regional University Excellence Trust Fund. Funding received through the Regional University Excellence Trust Fund is further described in Note 11. These funds are held in a pool in which the University owns a portion of the pool.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash

The carrying amount of cash and cash equivalents was \$113,716,947 at June 30, 2022, while the bank balance was \$116,228,962 at June 30, 2022. Fiduciary cash and cash equivalents consist of deposits in local banks of \$801,220. All account balances at banks were either insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000 or collateralized with securities of the U.S. Government or with letters of credit issued by the Federal Home Loan Bank held in the University's name by financial institutions acting as the University's agent.

Investments

The investments that the University may purchase are limited by Commonwealth of Kentucky law to the following: (1) U.S. Treasury Obligations; (2) U.S. Government Agency securities including collateralized mortgage obligations; (3) certificates of deposit or time deposits of banks and savings and loan associations that are insured by a Federal corporation; and (4) fully collateralized repurchase agreements.

Fair Value Measures: The University categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The University has the following recurring fair value measurements as of June 30, 2022:

- Assets held in trust of \$20,514,014, which is valued at net asset value (NAV). There are no unfunded commitments and funds can be redeemed on a daily basis. The investment strategy is a long-term growth strategy and the underlying funds in the trust include cash, common stock, mutual funds, and fixed income securities.

Interest Rate Risk: The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, bond resolutions govern the investment of bond reserves.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The University's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The University's investment policy allows investments in U.S. Agency securities if such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services.

The University did not have any investment in debt securities as of June 30, 2022. Therefore, the University is not considered to have 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's investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for University investment. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization. The University is fully collateralized as of June 30, 2022.

Of the University's cash balance as of June 30, 2022, \$500,000 is secured by FDIC insurance, and \$115,713,229 is collateralized by the pledging institution. Additionally, as of June 30, 2022, \$15,733 is held within various accounts with the Commonwealth of Kentucky.

Concentration of Credit Risk: The Commonwealth of Kentucky places no limit on the amount the University may invest in any one issuer. More than 90% percent of the University's investments are U.S. Treasury Obligations.

Investment income for the year ended June 30, 2022 consisted of:

	<u>2022</u>
Interest income, including interest earned on cash equivalents	\$ (135,657)
Net change in fair value of investments and assets held in trust	<u>2,185,751</u>
	<u>\$ 2,050,094</u>

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>2022</u>
Tuition, fees, sales and services	\$ 11,360,695
Miscellaneous, other	<u>931,754</u>
	12,292,449
Less allowance for doubtful accounts	<u>(2,464,213)</u>
Accounts receivable, net	<u>\$ 9,828,236</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - CAPITAL ASSETS AND LEASE ASSETS

Changes in capital assets for the year ended June 30, 2022 are summarized as follows:

	Balance July 1, 2021	Additions	Disposals	Transfers	Balance June 30, 2022
Non-depreciable capital assets:					
Land	\$ 14,314,302	\$ 301,776	\$ (430,550)	\$ -	\$ 14,185,528
Construction in progress	<u>31,077,231</u>	<u>15,727,387</u>	<u>(2,435,855)</u>	<u>(38,634,417)</u>	<u>5,734,346</u>
	<u>45,391,533</u>	<u>16,029,163</u>	<u>(2,866,405)</u>	<u>(38,634,417)</u>	<u>19,919,874</u>
Depreciable capital assets:					
Buildings and improvements	612,344,124	-	(15,917,271)	37,178,751	633,605,604
Infrastructure	71,221,616	-	(178,240)	1,068,467	72,111,843
Furniture, fixtures, and equipment	82,749,675	2,646,005	5,144,744	387,199	90,927,623
Library materials	<u>65,620,291</u>	<u>2,198,172</u>	<u>(385,471)</u>	<u>-</u>	<u>67,432,992</u>
	<u>831,935,706</u>	<u>4,844,177</u>	<u>(11,336,238)</u>	<u>38,634,417</u>	<u>864,078,062</u>
Less accumulated depreciation:					
Buildings and improvements	293,544,231	15,744,164	(8,493,672)	-	300,794,723
Infrastructure	39,382,160	2,906,049	-	-	42,288,209
Furniture, fixtures, and equipment	66,918,371	2,772,022	(468,445)	-	69,221,948
Library materials	<u>51,890,723</u>	<u>2,723,085</u>	<u>(385,471)</u>	<u>-</u>	<u>54,228,337</u>
	<u>451,735,485</u>	<u>24,145,320</u>	<u>(9,347,588)</u>	<u>-</u>	<u>466,533,217</u>
Net capital assets	<u>\$ 425,591,754</u>	<u>\$ (3,271,980)</u>	<u>\$ (4,855,055)</u>	<u>\$ -</u>	<u>\$ 417,464,719</u>

Changes in lease assets for the year ended June 30, 2022 are summarized as follows:

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Amortizable lease assets:				
Real estate	33,412,415	837,200	-	34,249,615
Equipment	515,318	38,330	-	553,648
Vehicles	<u>-</u>	<u>63,242</u>	<u>-</u>	<u>63,242</u>
	<u>33,927,733</u>	<u>938,772</u>	<u>-</u>	<u>34,866,505</u>
Less accumulated amortization:				
Real estate	-	1,874,136	-	1,874,136
Equipment	-	235,557	-	235,557
Vehicles	<u>-</u>	<u>8,676</u>	<u>-</u>	<u>8,676</u>
	<u>-</u>	<u>2,118,369</u>	<u>-</u>	<u>2,118,369</u>
Net lease assets	<u>\$ 33,927,733</u>	<u>\$ (1,179,597)</u>	<u>\$ -</u>	<u>\$ 32,748,136</u>

A summary of construction in progress at June 30, 2022 is as follows:

	<u>2022</u>
Diddle Arena roof replacement	\$ 874,876
Other projects under \$1,000,000	<u>4,859,470</u>
	<u>\$ 5,734,346</u>

Contractual commitments in connection with all projects totaled \$7,394,752 at June 30, 2022.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - UNEARNED REVENUE

Unearned revenue consisted of the following items as of June 30, 2022:

	<u>2022</u>
Aramark capital contract	\$ 36,086,618
Summer school tuition and fees	4,593,155
Grants and contracts	4,193,666
Advance sale of football tickets	773,170
Vehicle parking permits	402,990
University master plan	193,320
Miscellaneous	<u>1,010,249</u>
 Total unearned revenue	 <u>\$ 47,253,168</u>

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2022:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Current Portion</u>
Lease obligations	\$ 29,463,820	\$ 938,772	\$ (450,431)	\$ 29,952,161	\$ 1,181,993
General receipts bonds payable, net of discounts	104,500,265	-	(10,963,719)	93,536,546	11,322,672
Other long-term debt	1,560,241	-	(926,676)	633,565	590,440
Pledges payable, net of discount premiums	<u>12,895,233</u>	<u>-</u>	<u>(2,536,047)</u>	<u>10,359,186</u>	<u>2,426,047</u>
 Total bonds, pledges and leases	 <u>\$ 148,419,559</u>	 <u>\$ 938,772</u>	 <u>\$ (14,876,873)</u>	 <u>\$ 134,481,458</u>	 <u>\$ 15,521,152</u>

General Receipts Bonds Payable

Bonds payable as of June 30, 2022 are composed of General Receipts Bonds, Series 2011A, 2012A, 2012B, 2013A, 2015A, 2016A, 2016B and 2016C. The bonds mature in varying amounts through September 1, 2036, with interest payable at annual rates ranging from 2.00% to 5.00%. Buildings and revenues from student registration fees are pledged as collateral against the Consolidated Educational Buildings Revenue Bond payable, whereas general receipts of the University are pledged as collateral against the General Receipts Bonds payable.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

The total bonds payable as of June 30, 2022 were as follows:

	<u>2022</u>
General Receipts Refunding Bonds, Series 2011A, dated November 15, 2011, with interest rates from 2.00% to 3.00%. Final payment date is May 1, 2023.	\$ 686,432
General Receipts Bonds, Series 2012A, dated June 6, 2012, with interest rates from 2.00% to 5.00%. Final principal payment date is May 1, 2032.	20,776,451
General Receipts Refunding Bonds, Series 2012B, dated June 6, 2012, with interest rates from 2.00% to 3.00%. Final principal payment date is May 1, 2023.	666,519
General Receipts Bonds, Series 2013A, dated October 29, 2013, with interest rates from 2.00% to 4.75%. Final principal payment date is September 1, 2033.	24,508,915
General Receipts Refunding Bonds, Series 2015A, dated October 13, 2015, with interest rates from 2.00% to 3.00%. Final principal payment date is September 1, 2026.	3,283,382
General Receipts Refunding Bonds, Series 2016A, dated March 17, 2016, with interest rates from 2.00% to 5.00%. Final principal payment date is September 1, 2026.	14,073,743
General Receipts Bonds, Series 2016B, dated October 25, 2016, with interest rates from 2.00% to 4.00%. Final principal payment date is September 1, 2036.	7,788,951
General Receipts Refunding Bonds, Series 2016C, dated October 25, 2016, with interest rates from 3.00% to 4.00%. Final principal payment date is September 1, 2028.	<u>21,752,153</u>
Total bonds payable	<u>\$ 93,536,546</u>

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

The debt service requirements for the bonds payable as of June 30, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 10,555,000	\$ 3,355,091	\$ 13,910,091
2024	9,570,000	2,968,616	12,538,616
2025	9,950,000	2,595,410	12,545,410
2026	10,345,000	2,203,079	12,548,079
2027	10,750,000	1,787,529	12,537,529
2028-2032	30,300,000	4,699,822	34,999,822
2033-2037	<u>7,775,000</u>	<u>514,550</u>	<u>8,289,550</u>
	89,245,000	18,124,097	107,369,097
Add: unamortized premiums, net of discounts	<u>4,291,546</u>	<u>-</u>	<u>4,291,546</u>
	<u>\$ 93,536,546</u>	<u>\$ 18,124,097</u>	<u>\$ 111,660,643</u>

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

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

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

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

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

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

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

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

Lease Obligations

The University leases certain real estate, equipment and vehicles, the terms of which expire in various years through 2042. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the year ended June 30, 2022, the University recognized \$289,344 of rental expense for variable payments not previously included in the measurement of the lease liability.

The following is a schedule by year of future minimum payments under the leases as of June 30, 2022:

Year ending June 30:	Total to Be Paid	Principal	Interest
2023	\$ 2,143,084	\$ 1,181,994	\$ 961,090
2024	1,711,176	765,509	945,667
2025	2,026,855	1,103,467	923,388
2026	1,971,744	1,080,872	890,872
2027	2,044,557	1,188,092	856,465
2028-2032	10,699,541	7,026,477	3,673,064
2033-2037	13,769,132	11,517,614	2,251,518
2038-2042	<u>6,588,500</u>	<u>6,088,136</u>	<u>500,364</u>
	<u>\$ 40,954,589</u>	<u>\$ 29,952,161</u>	<u>\$ 11,002,428</u>

(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Other Long-Term Debt

During fiscal year-ended June 30, 2005, the University acquired certain property from the Western Kentucky University Real Estate Corporation ("WKU Real Estate Corporation"). In connection with this property acquisition, the University agreed to make future payments to the WKU Real Estate Corporation. These payments represent the principal and interest payments of the present value of a life trust held by the WKU Real Estate Corporation, to which this property once belonged. The present value of the liability was determined using the IRS actuarial tables for an ordinary life annuity assuming an implied interest rate of 5.00%. The future payments consist of monthly installments of \$2,000 for the life of the annuitant.

On December 11, 2009, the University entered into a Master financing agreement with First & Farmer's National Bank. The original financing agreement was refinanced with PNC on November 18, 2010 and again with U.S. Bancorp on December 14, 2012 to take advantage of very competitive interest rates. Under the provisions of this agreement, Johnson Controls performed certain energy-saving capital upgrades to several campus buildings. The annual percentage rate for this financing is 1.716%. Principal and interest payments of \$77,394 are due monthly, beginning on January 14, 2013. The final principal payment is due on February 14, 2023.

On July 27, 2012, the Board of Regents authorized the University to acquire 340 E. 14th Street (now Alumni Avenue). In connection with this property acquisition, the University agreed to make future payments to the WKU Real Estate Corporation. These payments represent the principal and interest payments of the present value of a Charitable Remainder Annuity Trust held by the WKU Real Estate Corporation, to which this property once belonged. The future payments consist of monthly installments of \$15,575 through June 30, 2026.

Debt service requirements on the other long-term debt at June 30, 2022, were as follows:

	Total to be <u>Paid</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:			
2023	\$ 596,547	\$ 590,440	\$ 6,107
2024	15,575	13,664	1,911
2025	15,575	14,363	1,212
2026	<u>15,575</u>	<u>15,098</u>	<u>477</u>
	<u>\$ 643,272</u>	<u>\$ 633,565</u>	<u>\$ 9,707</u>

Pledges Payable

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

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

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

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

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

The following is a schedule, by year, of future minimum pledge payments under the signed Memorandum of Agreement reimbursing the City for renovation costs:

	<u>Total to be Paid</u>	<u>Principal Series 2010</u>	<u>Interest Series 2010</u>
Year ending June 30:			
2023	\$ 2,807,330	\$ 2,415,000	\$ 392,330
2024	2,822,975	2,520,000	302,975
2025	2,833,475	2,625,000	208,475
2026	<u>2,861,756</u>	<u>2,755,000</u>	<u>106,756</u>
	11,325,536	10,315,000	1,010,536
Add unaccrued premiums	<u>44,186</u>	<u>44,186</u>	<u>-</u>
	<u>\$ 11,369,722</u>	<u>\$ 10,359,186</u>	<u>\$ 1,010,536</u>

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

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

Optional Retirement Plan

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

For the year ended June 30, 2022, contribution rates for plan members and the University expressed as a percentage of covered payrolls were 6.16% and 8.74%, respectively. Of the University's 8.74% contribution, 0.00% is paid to Kentucky Teachers' Retirement System for unfunded liabilities.

Covered payroll totaled \$51,773,698 for the year ended June 30, 2022. The University's contributions to the Optional Retirement Program for the year ended June 30, 2022 were \$4,525,024. Employees' contributions to the Optional Retirement Program for the years ended June 30, 2022 were \$3,189,259.

Kentucky Employees Retirement System

Plan Description: The University contributes to the Kentucky Employees' Retirement System (KERS), a cost-sharing, multiple-employer defined benefit pension and OPEB plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees ("KRS Board") of KRS administers the KERS, County Employees Retirement System and State Police Retirement System. The administrative entity, traditionally known as KRS, is now the Kentucky Public Pensions Authority (KPPA) and will be governed by an 8 member board of trustees. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

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

Basis of Accounting: For purposes of measuring the net pension and OPEB liabilities, deferred outflow of resources and deferred inflow of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of KERS and additions to/deductions from KERS's fiduciary net position have been determined on the same basis as they are reported by KERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Non-Hazardous

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

Hazardous

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

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

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

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

Benefit Eligibility: Recipient of a retirement allowance

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

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

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

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

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

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

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

Contributions: The University was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the 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.

For the fiscal year ended June 30, 2022, participating employers in the Nonhazardous plan contributed 10.10% (7.90% allocated to pension and 2.20% allocated to OPEB) as set by KRS, of each Nonhazardous employee's creditable compensation. For the fiscal year ended June 30, 2022, participating employers in the Hazardous plan contributed 33.43% (33.43% allocated to pension and 0.00% allocated to OPEB) as set by KRS, of each Hazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investments earnings.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

The University has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2022. Total contributions by the Plan were \$11,454,974 (\$9,224,126 related to pension and \$2,230,848 related to OPEB) for the year ended June 30, 2022. The OPEB contribution amount does not include the implicit subsidy of \$408,534 for the fiscal year ended June 30, 2022.

Members whose participation began before 9/1/2008:

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

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

Nonhazardous contributions equal to 6% and Hazardous contributions equal 9% of all creditable compensation, with 5% (Non-hazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the 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 non-refundable.

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

Nonhazardous contributions equal to 6% and Hazardous contributions equal 9% of all creditable compensation, with 5% (Non-hazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the 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 non-refundable.

Pension Information

Total Pension Liability: The total pension liability ("TPL") was measured as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2021:

Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay
Price inflation	2.30 percent
Salary increases	3.30 to 15.30 percent (Non-hazardous) and 3.55 to 20.05 (Hazardous), varies by service
Amortization period	30 years, closed
Investment rate of return	5.25 percent (Non-hazardous) and 6.25 percent (Hazardous)

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

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

Discount rate assumptions:

- (a) Discount Rate: The discount rate used to measure the total pension liability was 5.25% (Non-hazardous) and 6.25% (Hazardous).
- (b) Projected Cash Flows: The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.
- (c) Long-Term Rate of Return: The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) Municipal Bond Rate: The discount rate determination does not use a municipal bond rate.
- (e) Periods of Projected Benefit Payments: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.
- (f) Assumed Asset Allocation: The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

2021 Non-hazardous

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

2021 Hazardous

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

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

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

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

<u>2021</u>	1% Decrease (<u>4.25%</u>)	Current Discount Rate (<u>5.25%</u>)	1% Increase (<u>6.25%</u>)
The University's net pension liability - Non-hazardous	\$ 148,623,141	\$ 129,018,133	\$ 112,898,395

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

<u>2021</u>	1% Decrease (<u>5.25%</u>)	Current Discount Rate (<u>6.25%</u>)	1% Increase (<u>7.25%</u>)
The University's net pension liability – Hazardous	\$ 3,612,222	\$ 2,638,182	\$ 1,847,926

Employer's Portion of the Collective Net Pension Liability: The University's proportionate share of the Non-hazardous net pension liability at June 30, 2022 is \$129,018,133, or approximately 0.969%. The University's proportionate share of the Hazardous net pension liability at June 30, 2022 is \$2,638,182, or approximately 0.592%. The net pension liabilities were distributed based on the employers' covered payroll provided for the measurement period ending June 30, 2021 and actual employer contributions to the plan for the measurement period ending June 30, 2020.

Measurement Date: June 30, 2020 is the actuarial valuation date and June 30, 2021 is the measurement date upon which the total pension liability is based.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Changes in Assumptions and Benefit Terms: There have been no assumption changes since June 30, 2020. 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 a duty-related disability. The total pension liability as of June 30, 2021 is determined using these updated benefit provisions.

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

Further, House Bill 1 passed during the 2019 special legislative session and allowed certain agencies in the non-hazardous plan to elect to cease participating in the KERS Non-Hazardous Plan as of June 30, 2020 under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session and delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their current employees. As such, there is no material impact on the total pension liability due to this legislation. There were no other material plan provision changes.

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

Pension Expense: The University was allocated pension expense of \$(10,609,525) related to the KERS Non-Hazardous and \$143,727 related to the KERS Hazardous for the year ended 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 pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled as deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

<u>2021 Non-hazardous</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 128,750	\$ 669,554
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	12,506,704
Net differences between expected and actual investment earning on plan investments	<u>-</u>	<u>2,739,772</u>
	128,750	15,916,030
Contributions subsequent to the measurement date	<u>8,010,774</u>	<u>-</u>
Total	<u>\$ 8,139,524</u>	<u>\$ 15,916,030</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$8,010,774 will be recognized as a reduction of net pension liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2023	\$ (12,378,636)
2024	(2,024,099)
2025	(628,966)
2026	<u>(755,579)</u>
	<u>\$ (15,787,280)</u>

<u>2021 Hazardous</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 116,019	\$ 669
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	85,039
Net differences between expected and actual investment earning on plan investments	<u>-</u>	<u>495,193</u>
	116,019	580,901
Contributions subsequent to the measurement date	<u>1,213,352</u>	<u>-</u>
Total	<u>\$ 1,329,371</u>	<u>\$ 580,901</u>

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Employees Retirement System (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$1,213,352 will be recognized as a reduction of net pension liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:		
2023	\$	(110,208)
2024		(89,516)
2025		(111,323)
2026		<u>(153,835)</u>
	\$	<u>(464,882)</u>

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

OPEB Information

Total OPEB Liability: The total OPEB liability was measured as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2021:

Actuarial valuation date	June 30, 2020
Price inflation	2.30 percent
Payroll growth rate	0.00 percent
Salary increases	3.30 to 15.30 percent (Non-hazardous) and 3.55 to 20.05 percent (Hazardous), varies by service
Investment rate of return	6.25 percent
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.25 percent at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 13 years.
Post-65	Initial trend starting at 5.50 percent at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 14 years.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

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

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total Non-hazardous OPEB liability was 5.26%. The discount rate used to measure the total Hazardous OPEB liability was 5.01%. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.
- (c) **Long-Term Rate of Return:** The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 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.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Employees Retirement System (Continued)

(f) Assumed Asset Allocations: The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>2021 Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity		
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies		
Real Estate	10.00%	5.40%
Opportunistic/Absolute Return	0.00%	N/A
Real Return	<u>10.00%</u>	4.55%
Total	<u>100.00%</u>	

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.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Non-hazardous

The following presents the University's allocated portion of the Non-hazardous net OPEB liability of the System, calculated using the discount rate of 5.26 percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate for Non-hazardous:

<u>2021</u>	1% Decrease (<u>4.26%</u>)	Current Discount Rate (<u>5.26%</u>)	1% Increase (<u>6.26%</u>)
The University's Net OPEB liability – Non-hazardous	\$ 27,263,482	\$ 22,324,891	\$ 18,275,914

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

<u>2021</u>	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Non-hazardous	\$ 18,442,644	\$ 22,324,891	\$ 27,000,546

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% percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.01 percent) or 1-percentage-point higher (6.01 percent) than the current rate for Hazardous:

<u>2021</u>	1% Decrease (<u>4.01%</u>)	Current Discount Rate (<u>5.01%</u>)	1% Increase (<u>6.01%</u>)
The University's Net OPEB liability – Hazardous	\$ 487,587	\$ (68,226)	\$ (514,367)

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Employees Retirement System (Continued)

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

<u>2021</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
The University's Net OPEB liability – Hazardous	\$ (468,322)	\$ (68,226)	\$ 420,384

Employer's Portion of the Collective OPEB Liability: The University's proportionate share of the Non-hazardous net OPEB liability at June 30, 2022 is \$22,324,891, or approximately 0.979%. The University's proportionate share of the Hazardous net OPEB (asset) liability at June 30, 2022 is \$(68,226), or approximately 0.592%. The net OPEB liabilities were distributed based on the 2021 actual employer contributions to the plan.

Measurement Date: June 30, 2020 the actuarial valuation date and June 30, 2021 is the measurement date upon which the total OPEB liability is based.

Changes in Assumptions and Benefit Terms: For the fiscal year ended June 30, 2022, the assumed increase in future health care costs was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plans' anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in healthcare costs. For the year ended June 30, 2022, the Healthcare Trend Rate for Under Age 65 decreased from 6.40% to 6.25% and for Ages 65 and Older the Healthcare Trend Rate increased from 2.90% to 5.50%, and the Discount Rates used for Non-Hazardous and Hazardous decreased from 5.43% to 5.26% and from 5.28% to 5.01%, respectively.

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 a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

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

Further, House Bill 1 passed during the 2019 special legislative session and allowed certain agencies to elect to cease participating in the KERS Non-Hazardous Plan as of June 30, 2020 under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session and delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their current employees. As such, there is no material impact on the total OPEB liability due to this legislation. There were no other material plan provision changes.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

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

OPEB Expense: The University was allocated OPEB expense of \$(108,966) related to the KERS Non-Hazardous and \$82,568 related to the KERS Hazardous for the years 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:

2021 Non-hazardous

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,292,975	\$ 3,092,260
Change of assumptions	2,195,869	20,938
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	4,543,159
Net differences between expected and actual investment earning on plan investments	-	1,253,748
	3,488,844	8,910,105
Contributions subsequent to the measurement date	2,623,388	-
Total	\$ 6,112,232	\$ 8,910,105

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$2,623,388 will be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2023	\$ (2,464,030)
2024	(1,777,702)
2025	(784,281)
2026	(395,248)
	\$ (5,421,261)

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

2021 Hazardous

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 92,101	\$ 195,017
Change of assumptions	441,122	1,270
Changes in proportion and differences between employer contributions and proportionate shares of contributions	12,685	30,545
Net differences between expected and actual investment earning on plan investments	<u>-</u>	<u>347,201</u>
	545,908	574,033
Contributions subsequent to the measurement date	<u>15,994</u>	<u>-</u>
Total	<u>\$ 561,902</u>	<u>\$ 574,033</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$15,994 will be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2023	\$ 56,602
2024	13,423
2025	(16,724)
2026	<u>(81,426)</u>
	<u>\$ (28,125)</u>

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

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System

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

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

Basis of Accounting: For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, pension and OPEB expense, information about the fiduciary net position of the Kentucky Teachers' Retirement System of the State of Kentucky (KTRS) and additions to/deductions from KTRS's fiduciary net position have been determined on the same basis as they are reported by KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pension Plan Information

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

(Continued)

WESTERN KENTUCKY UNIVERSITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System

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

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

Contributions: Benefit and contribution rates are established by state statute. Per Kentucky Revised Statutes 161.540, 161.550 and 161.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KTRS Board. For the fiscal year ended June 30, 2022, University employees were required to contribute 8.185% of their annual covered salary for retirement benefits. The University was contractually required to contribute 15.865% (14.020% allocated to pension, 1.775% allocated to medical insurance and 0.070% allocated to life insurance) of covered payroll for plan members hired on or after July 1, 2008 and 9.775% (7.705% allocated to pension, 2.000% allocated to medical insurance and 0.070% allocated to life insurance) of covered payroll for plan members hired on or after January 1, 2022 for the fiscal 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 has met 100% of the contribution funding requirement for the fiscal years ended June 30, 2022. Total contributions by the Plan were \$6,687,887 (\$5,668,084 related to pension and \$1,019,803 related to OPEB) for the year ended June 30, 2022. 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 \$6,234,494 for the year ending June 30, 2022.

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:

	<u>2022</u>
University's proportionate share of the net pension liability	\$ 67,925,329
Commonwealth of Kentucky's proportionate share of the net pension liability associated with the University	<u>71,710,828</u>
	<u>\$ 139,636,157</u>

The net pension liability was measured as of June 30, 2022. 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 0.499% and the Commonwealth of Kentucky's proportion associated with the University was 0.527%.

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

For the year ended June 30, 2022, the University recognized pension expense of \$(43,885,033) and revenue of \$(12,313,696). At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (1,279,557)	\$ 615,292
Change in assumptions	11,617,718	5,997,424
Net difference between projected and actual earnings on investments	-	16,746,083
Changes in proportionate share of contributions	<u>463,081</u>	<u>19,528,594</u>
	10,801,242	42,887,393
Contributions subsequent to the measurement date	<u>5,668,084</u>	<u>-</u>
	<u>\$ 16,469,326</u>	<u>\$ 42,887,393</u>

At June 30, 2022, the University reported \$5,668,084 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the following fiscal year. Deferred outflows and deferred inflows of resources at June 30, 2021, related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (20,034,216)
2024	(5,623,264)
2025	(2,048,791)
2026	<u>(4,379,880)</u>
	<u>\$ (32,086,151)</u>

Actuarial assumptions: The total pension liability ("TPL") was determined by actuarial valuations as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

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

The rates of mortality for the period after service retirement are according to the Pub2010 Mortality Table, projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees, and active members.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020 adopted by the Board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 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.

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

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

<u>2021 Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
Developed International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	-0.1%
High Yield Bonds	2.0%	1.7%
Other Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	<u>2.0%</u>	-0.3%
Total	<u>100.0%</u>	

Changes in Assumptions and Benefit Terms Since Prior Measurement Date The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent.

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

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

Discount rate: The discount rate used to measure the total pension liability at June 30, 2021 was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will contribute the Actuarially Determined Contribution (ADC) in accordance with the LIF's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate: The following table presents the net pension liability of the University as of June 30, 2022, calculated using the discount rate of 7.10%, as well as what the University's net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

<u>2022</u>	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Proportionate share of the Collective Net Pension Liability (<i>in thousands</i>)	\$ 91,956,710	\$ 67,925,329	\$ 48,162,335

Medical Insurance Plan

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

Benefits Provided: To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. KTRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Contributions: In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from state appropriation, and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At June 30, 2022, the University reported a liability of \$12,968,000 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 0.604%.

The amount recognized by the University as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability at June 30, 2022 that was associated with the University were as follows:

	<u>2022</u>
University's proportionate share of the net OPEB liability	\$ 12,968,000
State's proportionate share of the net OPEB liability associated with the University	<u>5,832,000</u>
Total	<u>\$ 18,800,000</u>

For the year ended June 30, 2022, the University recognized OPEB expense of \$(591,000) and revenue of \$956,000 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:

<u>2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 7,712,000
Changes of assumptions	3,392,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,383,000
Changes in proportion and differences between University contributions and proportionate share of contributions	<u>-</u>	<u>3,824,000</u>
	3,392,000	12,919,000
University contributions subsequent to the measurement date	<u>990,262</u>	-
Total	<u>\$ 4,382,262</u>	<u>\$ 12,919,000</u>

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$990,262 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

Year ended June 30:	
2023	\$(2,356,000)
2024	(2,363,000)
2025	(2,135,000)
2026	(1,867,000)
2027	(667,000)
Thereafter	(139,000)
	<u><u>\$ (9,527,000)</u></u>

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

June 30, 2021:

Actuarial valuation date	June 30, 2020
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates:	
Under 65	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031
Ages 65 and Older	5.00% for FYE 2022* decreasing to an ultimate rate of 4.50% by FYE 2024
Medicare Part B Premiums	4.40% for FYE 2021 with an ultimate rate of 4.50% by 2034
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

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

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The health care cost trend assumption was updated for the June 30, 2020 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

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

<u>2021 Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional category: high yield	8.0%	1.7%
Other Additional Categories	9.0%	2.2%
Cash (LIBOR)	1.0%	-0.3%
Total	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

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

<u>2021</u>	1% Decrease (<u>6.10%</u>)	Current Discount Rate (<u>7.10%</u>)	1% Increase (<u>8.10%</u>)
University's net OPEB liability (MI)	\$ 16,603,000	\$ 12,968,000	\$ 9,964,000

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:

<u>2021</u>	<u>1% Decrease</u>	Current Trend Rate	<u>1% Increase</u>
University's net OPEB liability (MI)	\$ 9,422,000	\$ 12,968,000	\$ 17,383,000

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

Changes of benefit terms: There were no changes in benefit terms for the year ended June 30, 2022.

Life Insurance Plan

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

Benefits Provided: KTRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. KTRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At June 30, 2022, the University reported a liability of \$173,000 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 1.322%.

The amount recognized by the University as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability at June 30, 2022 that was associated with the University were as follows:

	<u>2022</u>
University's proportionate share of the net OPEB liability	\$ 173,000
State's proportionate share of the net OPEB liability associated with the University	_____ -
Total	<u>\$ 173,000</u>

For the year ended June 30, 2022, the University recognized OPEB expense of \$25,000 and revenue of \$12,000 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 8,000	\$ 5,000
Changes of assumptions	-	65,000
Net difference between projected and actual earnings on OPEB plan investments	-	158,000
Changes in proportion and differences between University contributions and proportionate share of contributions	_____ -	_____ 54,000
	8,000	282,000
Contributions subsequent to the measurement date	_____ 29,541	_____ -
Total	<u>\$ 37,541</u>	<u>\$ 282,000</u>

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$29,541 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:

Year ended June 30:	
2023	\$ (50,000)
2024	(64,000)
2025	(64,000)
2026	(65,000)
2027	(18,000)
Thereafter	(13,000)
	\$ (274,000)

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

June 30, 2021:

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	26 years
Asset valuation method	Five-year smoothed value
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The health care cost trend assumption was updated for the June 30, 2020 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

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

<u>2021 Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Other Additional Categories	6.0%	2.1%
Cash (LIBOR)	<u>2.0%</u>	-0.3%
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

NOTE 8 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
 (Continued)

Kentucky Teachers' Retirement System (Continued)

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

<u>2020</u>	1% Decrease (<u>6.10%</u>)	Current Discount Rate (<u>7.10%</u>)	1% Increase (<u>8.10%</u>)
University's net OPEB liability (LI)	\$ 399,000	\$ 173,000	\$ (11,000)

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

Changes of benefit terms: There were no changes in benefit terms for the year ending June 30, 2022.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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

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

NOTE 10 - RISK MANAGEMENT

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

Prior to 2006, the University had joined together with other Kentucky governmental entities to form a public entity risk pool currently operating as a common risk management and insurance program for its members. The University paid an annual premium to the pool for its workers' compensation insurance coverage. The pool's governing agreement specified that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts. In 2006, the University began self-insuring workers' compensation claims. Risk Management Services Corporation administers the university's workers' compensation claims. During 2022, there were no significant reductions in insurance coverage from the previous years.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 - RISK MANAGEMENT (Continued)

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

Changes in the balance of the self-insured health liability as of June 30, 2022, 2021, and 2020, are summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,214,587	\$ 1,131,863	\$ 1,012,412
Claims and changes in estimates	15,612,713	14,701,575	14,184,900
Claims payments	<u>(15,474,720)</u>	<u>(14,618,851)</u>	<u>(14,065,449)</u>
Balance, end of year	<u>\$ 1,352,580</u>	<u>\$ 1,214,587</u>	<u>\$ 1,131,863</u>

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

Changes in the balance of the self-insured workers' compensation liability as of June 30, 2022, 2021, and 2020 are summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 75,951	\$ 165,595	\$ 212,311
Claims and changes in estimates	142,787	101,484	116,473
Claims payments	<u>(83,839)</u>	<u>(191,128)</u>	<u>(163,189)</u>
Balance, end of year	<u>\$ 134,899</u>	<u>\$ 75,951</u>	<u>\$ 165,595</u>

NOTE 11 - REGIONAL UNIVERSITY EXCELLENCE TRUST FUND (RUETF)

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

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

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 - REGIONAL UNIVERSITY EXCELLENCE TRUST FUND (RUETF) (Continued)

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

Following is a summary of the funding for the RUETF as of June 30, 2022:

	CPE Funding <u>Received</u>	<u>External Matched Pledges</u>	
		<u>Received</u>	<u>Pledged</u>
Balance, July 1, 2021	\$ 14,211,209	\$ 16,388,173	\$ 5,000
New Pledges	-	-	-
Current year collections	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>
Balance, June 30, 2022	<u>\$ 14,211,209</u>	<u>\$ 16,393,173</u>	<u>\$ -</u>

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

NOTE 12 - NATURAL AND FUNCTIONAL CLASSIFICATIONS OF OPERATING EXPENSES

The University's operating expenses by functional classification on June 30, 2022, were as follows:

<u>Functional Classification</u>	<u>Compensation and Benefits</u>	<u>Supplies Contractual Services and Other</u>	<u>Utilities</u>	<u>Non Capitalized Property</u>	<u>Scholarships</u>	<u>Depreciation & Amortization</u>	<u>Total</u>
Instruction	\$ 79,866,578	\$ 6,065,791	\$ 2,203	\$ 896,724	\$ -	\$ -	\$ 86,831,296
Research	3,519,997	2,026,814	1,852	139,022	-	-	5,687,685
Public service	9,155,269	6,437,549	38,874	51,593	-	-	15,683,285
Libraries	3,137,619	425,422	1,289	29,436	-	-	3,593,766
Academic support	15,756,716	4,775,804	789	445,009	-	-	20,978,318
Student services	18,259,212	12,604,641	3,744	361,026	-	-	31,228,623
Institutional support	24,747,836	9,095,881	2,246	943,196	-	-	34,789,159
Operation and maintenance of plant	8,118,979	11,727,387	5,998,439	1,043,543	-	-	26,888,348
Student financial aid	50,958	1,035,804	-	1,809	44,060,659	-	45,149,230
Pension and OPEB	(56,053,741)	-	-	-	-	-	(56,053,741)
Depreciation	-	-	-	-	-	24,145,320	24,145,320
Amortization	-	-	-	-	-	2,118,369	2,118,369
Auxiliary enterprise	<u>5,120,968</u>	<u>4,735,058</u>	<u>2,271,147</u>	<u>234,494</u>	<u>-</u>	<u>-</u>	<u>12,361,667</u>
Total operating expenses	<u>\$ 111,680,391</u>	<u>\$ 58,930,151</u>	<u>\$ 8,320,583</u>	<u>\$ 4,145,852</u>	<u>\$ 44,060,659</u>	<u>\$ 26,263,689</u>	<u>\$ 253,401,325</u>

(Continued)

NOTE 13 - WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

Investments

As of December 31, 2021, investments consist of the following:

	<u>2021</u>
Mutual funds	55,976,034
Exchange traded funds	10,623,404
Corporate bonds	5,015,584
Equity securities	34,873,312
Real estate and other alternative investments	<u>14,075,567</u>
	120,563,901
Less: investments included above which are held for WKU	18,192,934
Less: investments included above which are held for LifeWorks	2,041,885
Less: investments included above which are held for Alumni Association	624,636
Less: investments included above which are held for HAF	<u>3,288,852</u>
	<u>\$ 96,415,594</u>

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 - WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Assets Held for Others

Assets held for others represent resources in the possession of, but not under the control of the Foundation. As of December 31, 2021, assets held for others consist of the following:

	<u>2021</u>
WKU – Regional University Excellence Trust Fund	\$ 18,147,685
Tincher Family Fund – HAF	100,046
Hilltopper Athletic Foundation	3,188,806
Alumni Association Lifetime	624,636
LifeWorks	2,041,885
Green River	<u>45,249</u>
	<u>\$ 24,148,307</u>

Accordingly, the accompanying statements of financial position as of December 31, 2021 reflect a liability for assets held for others in the amount of \$24,148,307.

Net Assets With Donor Restrictions

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

	<u>2021</u>
Subject to expenditure for specified purpose:	
Academic support/WKU programs	\$ 12,204,343
Athletics	2,345,737
Public service	1,560,130
Professorships	995,470
Scholarship funds	123,867
Promises to give, the proceeds from which have been restricted by donors for:	
Academic support/WKU programs	2,424,644
Athletics	463,669
Public services	<u>46,181</u>
Total subject to expenditure for specified purpose	20,164,041
Subject to passage of time:	
Assets held under split-interest agreements	495,119
Endowments:	
Subject to Foundation endowment spending policy and appropriation:	
Investments held in perpetuity, the income from which is expendable to support the Foundation (reported as investment income)	<u>84,818,902</u>
Total net assets with donor restriction	<u>\$ 105,478,062</u>

NOTE 13 - WESTERN KENTUCKY UNIVERSITY FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Net Assets With Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2021:

	<u>2021</u>
Distributions (proceeds are not restricted by donors):	
Assets held under split-interest agreements	\$ 11,840
Restricted-purpose spending-rate distributions and appropriations:	
Academic support/WKU programs	5,051,461
Athletics	1,804,132
Public service	853,144
Professorships	1,021,812
Scholarship funds	<u>239,744</u>
Total	<u>\$ 8,982,133</u>

Pension Plans

Through WKU, the Foundation participates in the Kentucky Employees' Retirement System (KERS) and the Kentucky Teachers' Retirement System (KTRS), both of which are cost-sharing, multiple-employer, defined benefit pension plans administered by the respective KERS and KTRS Boards of Trustees. Both KERS and KTRS provide retirement, disability, and death benefits to the Foundation's eligible employees. The Foundation reimburses WKU for the Foundation's share of the contributions made on behalf of eligible employees. As of December 31, 2021, contributions under KERS and KTRS made on behalf of eligible employees represent 49.47% and 15.87% of annual covered payroll, respectively. Employer contributions made under KERS and KTRS on behalf of Foundation employees total approximately \$57,000 and \$71,000 for the year ended December 31, 2021.

Related Party Transactions

Accounts payable as of December 31, 2021 include approximately \$161,000, which is payable to WKU.

There was an amount due from Alumni Association as of December 31, 2020 related to a lease in the amount of \$458,860, net of allowance of \$50,476. This balance was paid off in full with contributed investments during the year ended December 31, 2021.

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

NOTE 14 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

Student Life also entered a lease with the University on June 30, 2022, to provide an additional food service operation. Student Life entered into a long-term capital lease arrangement with the University to operate this facility for 15 years, which began June 30, 2022, and ending on June 30, 2037, and subject to five separate renewal terms at the end of 2037. The prepaid rent to be received from this lease is \$692,523.

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

CARES Act Contribution Revenue: Contributions were earmarked for Student Life through the COVID CPE (Council of Postsecondary Education) grant in the amount of \$143,877 during the year ended June 30, 2022. All of those funds were to recover lost revenues and associated costs for providing housing for students quarantined in the residence halls. Revenues and net assets are separately reported to reflect the nature of this contribution. The value recorded for this contribution is recognized as follows:

Nature of the Gift

Conditional gifts, with or without restriction

Value Recognized

Gifts that depend on Student Life overcoming a donor-imposed barrier to be entitled to the funds

Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met

Conditional contributions having donor stipulations, which are satisfied in the period the gift is received, are recorded as revenue and net assets without donor restrictions. Approximately 100% percent of all contributions were received from one donor in 2022.

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 14 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Assets Limited as to Use

Assets limited as to use at June 30, 2022 consisted of the following:

	<u>2022</u>
Money market accounts	\$ <u>8,125,852</u>
Total	\$ <u>8,125,852</u>
Assets limited as to use:	
Restricted by bond indenture	\$ 6,980,001
Internally restricted for debt principal and interest	<u>1,145,851</u>
Total	\$ <u>8,125,852</u>

Property and Equipment

Property and equipment at June 30, 2022 consisted of:

	<u>2022</u>
Land	\$ 6,626,701
Land improvements	2,452,320
Buildings	113,960,491
Building improvements	73,558,755
Vehicles	148,477
Furnishings and fixtures	15,881,624
Housing Software	151,050
Construction in progress	<u>363,733</u>
	213,143,151
Less accumulated depreciation and amortization	<u>67,272,803</u>
	\$ <u>145,870,348</u>

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 14 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Long-Term Debt

Long-term debt consisted of the following:

	<u>2022</u>
<p>Series 2017 A – Industrial Building Revenue Bonds - Tax-exempt fixed rate of 3.368%; payable in monthly installments of principal and interest; annual principal payments range from \$1,930,059 to \$6,805,639 through 2026; rate to be renegotiated in March 2027 when balance due will be \$45,435,919; collateralized by all real estate. Unamortized debt issuance costs as of June 30, 2022 were \$181,991.</p>	\$ 75,337,068
<p>Series 2019 B – Industrial Building Revenue Bonds – Tax-exempt fixed rate of 3.17%; 8-year lockout period payable in monthly installments of principal and interest; annual principal payments range from \$414,045 to \$5,653,476 through 2029; rate to be renegotiated in September 2029 when balance due will be \$26,027,325; collateralized by all real estate. Unamortized debt issuance costs as of June 30, 2022 were \$163,225.</p>	<u>41,473,297</u> 116,810,365
<p>Less unamortized bond issuance costs</p>	<u>345,216</u> <u>\$ 116,465,149</u>

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

2023		\$ 6,751,723
2024		6,981,731
2025		7,219,684
2026		7,464,914
2027		51,021,148
Thereafter		<u>37,371,165</u>
		<u>\$ 116,810,365</u>

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 14 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Related Party Transactions

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

	<u>2022</u>
Accounts receivable from WKU – student housing and related fees	\$ 769,197
Accounts receivable from WKU – other	807,853
Net investment in direct financing lease	1,931,784
Accounts payable – operating expenses	1,844,489
Interest income – direct financing lease	95,479
Hilltopper Hub lease	176,471
Operating lease income	49,986
Chilled water service fees	348,470
Management fees	84,200

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

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

Student Life receives rent revenue from the University for the lease of retail space at one of Student Life’s residence halls. The lease was renewed for another five-year term in March 2022 with annual lease payments ranging from \$52,006 to \$55,189. The rent was \$49,986 for the year ended June 30, 2022. The revenue from this lease is included in other revenues.

Student Life received prepaid rent from WKU in the amount of approximately \$3 million during the year ended June 30, 2020, for WKU to provide a food service operation. The lease is for the period of November 1, 2019 through October 31, 2036 and subject to five-year renewal terms at the end of October 2036. The revenue from this lease is recorded in other income in the amount of \$176,471 for the year ended June 30, 2022.

Student Life receives fees from the University relating to chilled water services. The fees were \$348,470 for the year ended June 30, 2022. These fees are included in other revenues.

A schedule of future rent revenue is presented below:

2023	\$	228,477
2024		229,517
2025		230,578
2026		231,660
2027		176,471
Thereafter		1,647,059
	\$	2,743,762

NOTE 14 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Related Party Transactions (Continued)

The University provides certain direct and indirect support to Student Life and Student Life provides certain direct and indirect support to the University. Both organizations have no objective basis for determining the value of these activities. However, as a part of the management agreement, Student Life does provide an annual amount to the University to help offset such related costs. The management fees were \$84,200 for the year ended June 30, 2022.

Disclosures about Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of inputs that may be used to measure fair value:

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

Pension Plans

Student Life has no employees; however, the University has designated certain employees to work exclusively or partially for Student Life. The University participates in three multi-employer pension plans maintained by the state of Kentucky. The plans provide defined benefits to eligible University employees providing services to Student Life. Student Life reimburses the University for Student Life's share of the actuarially determined contributions to the plans, which currently range from 8.49% to 75.40% of its covered payroll based upon the individual's retirement category. Contributions reimbursed to the University were \$579,381 for the year ended June 30, 2022.

Commitments

As of June 30, 2022, Student Life had ongoing commitments to improve all residence halls and continue construction of one new residence hall with the corresponding estimated costs:

	Estimated <u>Cost</u>
McCormack elevators	\$ 176,000
Southwest HVAC upgrades	110,000
Hilltopper HVAC upgrades	<u>597,000</u>
	<u>\$ 883,000</u>

NOTE 15 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES

Nature of Operations

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

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

Investments

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

Investments consist of the following at December 31, 2021:

	<u>2021</u>
Mutual funds	\$ 43,706,954
Equity securities	34,816,805
Exchange traded funds	10,714,095
Alternative investments, hedge fund	6,607,997
Corporate bonds and other fixed income securities	5,191,232
Real estate	1,661,400
Alternative investments, programmatic loans	1,010,000
Alternative investments, private equity	1,000,000
Alternative investments, private real estate	720,161
Certificates of deposit	690,206
Alternative investments, futures	109,197
U. S. government and government agency obligations	<u>6</u>
	106,228,053
Investments included above held for:	
University	<u>(3,816,658)</u>
	<u>\$ 102,411,395</u>

NOTE 15 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Investments (Continued)

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

Management considers the carrying value of real estate to approximate fair value at December 31, 2021. Real estate investment trust values are reported at fair value based upon an independent valuation performed at least annually.

Investment advisory fees for the year ended December 31, 2021 were \$379,149.

Related Party Transactions

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

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

Employees' Retirement Plans

Through the University, College Heights participates in the Kentucky Employees' Retirement System (KERS) and the Kentucky Teachers Retirement System (KTRS), both of which are cost sharing, multiple-employer, defined benefit pension plans administered by the respective KERS and KTRS boards of trustees. College Heights is not represented on either of the boards of trustees. Both KERS and KTRS provide retirement, disability, and death benefits to College Heights' eligible employees. The service retirement benefit is a lifetime benefit. College Heights reimburses the University for College Heights' share of the contributions made on behalf of eligible College Heights employees. Both multiple employer plans pay a defined amount upon retirement based on the length of service and the final average salary of the employee, along with a retirement multiplier. Retirement eligibility is determined by the employee's age and years of service. Total contributions of \$74,623 in 2021 were expensed to salaries and benefits for ongoing participation in these plans.

NOTE 16 – SUBSEQUENT EVENTS

On August 5, 2022, the University issued General Receipts Refunding Bonds, 2022 Series B on August 5, 2022 totaling \$10,315,000. These bonds were procured to redeem the conduit debt of the City of Bowling Green, Kentucky General Obligation and Special Revenue Refunding Bonds 2010 Series A for present value savings. Maturing on June 1, 2026, these bonds bear interest at a fixed rate equal to 2.63% per annum and require annual principal payments and mandatory sinking fund redemption payments beginning June 1, 2023. Interest accrues from the date of issuance and is payable semiannually beginning December 1, 2022.

On August 12, 2022, the University issued General Receipts Bonds, 2022 Series A totaling \$41,685,000. These bonds were procured for the following purposes: (1) construction of a new athletic fieldhouse which will be used by the football team, marching band, intramural sports teams and other various campus groups; and (2) to renovate the press box in Houchens Smith Stadium. Maturing on May 1, 2042, these bonds bear interest at a fixed rate equal to 3.240% per annum and require annual principal payments and mandatory sinking fund redemption payments beginning May 1, 2027. Interest accrues from the date of issuance and is payable semiannually beginning November 1, 2022.

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(in thousands)
June 30, 2022

KERS – Non-Hazardous

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
University's proportion of the net pension liability	0.97%	1.09%	1.13%	1.26%	1.29%	1.46%	1.47%
University's proportionate share of the net pension liability	\$ 129,018	\$ 153,739	\$ 159,267	\$ 171,121	\$ 173,895	\$ 166,399	\$ 147,109
University's covered payroll	\$ 15,187	\$ 17,013	\$ 18,246	\$ 19,527	\$ 20,402	\$ 23,985	\$ 22,769
University's proportionate share of the net pension liability as a percentage of its covered payroll	849.53%	903.66%	872.89%	876.33%	852.34%	693.76%	646.09%
Plan fiduciary net position as a percentage of the total pension liability	18.48%	14.01%	13.66%	12.84%	13.30%	14.80%	18.83%

KERS – Hazardous

University's proportion of the net pension liability	0.59%	0.61%	0.69%	0.63%	0.60%	0.78%	0.90%
University's proportionate share of the net pension liability	\$ 2,638	\$ 3,402	\$ 3,795	\$ 3,173	\$ 2,992	\$ 3,039	\$ 3,098
University's covered payroll	\$ 1,142	\$ 1,155	\$ 1,257	\$ 1,229	\$ 1,174	\$ 1,343	\$ 1,310
University's proportionate share of the net pension liability as a percentage of its covered payroll	230.00%	294.55%	331.23%	258.18%	254.86%	226.28%	236.49%
Plan fiduciary net position as a percentage of the total pension liability	66.03%	55.18%	55.49%	56.10%	54.75%	57.41%	61.70%

KTRS

University's proportion of the net pension liability	0.50%	0.54%	0.56%	0.77%	0.73%	1.21%	1.23%
University's proportionate share of the net pension liability	\$ 67,925	\$ 79,923	\$ 79,901	\$ 105,246	\$ 207,035	\$ 373,414	\$ 299,522
State's proportionate share of the net pension liability associated with the University	<u>71,711</u>	<u>84,053</u>	<u>86,580</u>	<u>78,302</u>	<u>165,003</u>	<u>35,194</u>	<u>30,458</u>
Total	<u>\$ 139,636</u>	<u>\$ 163,976</u>	<u>\$ 166,481</u>	<u>\$ 183,548</u>	<u>\$ 372,038</u>	<u>\$ 408,608</u>	<u>\$ 329,980</u>
University's covered payroll	\$ 45,018	\$ 48,533	\$ 50,972	\$ 54,430	\$ 55,655	\$ 56,509	\$ 56,089
University's proportionate share of the net pension liability as a percentage of its covered payroll	150.88%	164.68%	156.75%	193.36%	372.00%	660.80%	534.01%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.30%	58.80%	59.30%	39.83%	35.22%	42.49%

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(in thousands)
June 30, 2022

Notes to the Schedule:

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

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

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

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

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

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

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

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

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

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
(in thousands)
June 30, 2022

KERS – Non-Hazardous

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 8,011	\$ 5,824	\$ 6,430	\$ 6,868	\$ 8,018	\$ 8,210	\$ 7,397
Contributions in relation to the contractually required contribution	<u>(8,011)</u>	<u>(5,824)</u>	<u>(6,430)</u>	<u>(6,868)</u>	<u>(8,018)</u>	<u>(8,210)</u>	<u>(7,397)</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
University's covered payroll	\$ 13,139	\$ 15,187	\$ 17,013	\$ 18,246	\$ 19,527	\$ 20,402	\$ 23,985
Contributions as a percentage of covered payroll	60.97%	38.35%	37.79%	37.64%	41.06%	40.24%	30.84%

KERS – Hazardous

Contractually required contribution	\$ 1,213	\$ 411	\$ 397	\$ 432	\$ 263	\$ 248	\$ 220
Contributions in relation to the contractually required contribution	<u>(1,213)</u>	<u>(411)</u>	<u>(397)</u>	<u>(432)</u>	<u>(263)</u>	<u>(248)</u>	<u>(220)</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
University's covered payroll	\$ 1,189	\$ 1,142	\$ 1,155	\$ 1,257	\$ 1,229	\$ 1,174	\$ 1,343
Contributions as a percentage of covered payroll	102.02%	35.99%	34.37%	34.37%	21.40%	21.12%	16.38%

KTRS

Contractually required contribution	\$ 5,668	\$ 5,909	\$ 6,248	\$ 6,539	\$ 9,564	\$ 9,661	\$ 9,624
Contributions in relation to the contractually required contribution	<u>(5,668)</u>	<u>(5,909)</u>	<u>(6,248)</u>	<u>(6,539)</u>	<u>(9,564)</u>	<u>(9,661)</u>	<u>(9,624)</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
University's covered payroll	\$ 42,825	\$ 45,018	\$ 48,533	\$ 50,972	\$ 54,430	\$ 55,655	\$ 56,509
Contributions as a percentage of covered payroll	13.24%	13.13%	12.87%	12.83%	17.57%	17.36%	17.03%

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
(in thousands)
June 30, 2022

Notes to the Schedule:

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

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

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

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

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

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

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

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

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2022

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

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2022

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

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2022

Notes to the Schedule:

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

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

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

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

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

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

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

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

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
KERS – Non-Hazardous					
Contractually required contribution	\$ 2,231	\$ 1,193	\$ 1,317	\$ 1,406	\$ 1,642
Contributions in relation to the contractually required contribution	<u>(2,231)</u>	<u>(1,193)</u>	<u>(1,317)</u>	<u>(1,406)</u>	<u>(1,642)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 13,139	\$ 15,187	\$ 17,013	\$ 18,246	\$ 19,527
Contributions as a percentage of covered payroll	16.98%	7.86%	7.74%	7.71%	8.41%
 KERS – Hazardous					
Contractually required contribution	\$ -	\$ -	\$ 28	\$ 31	\$ 28
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>(28)</u>	<u>(31)</u>	<u>(28)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 1,189	\$ 1,142	\$ 1,155	\$ 1,257	\$ 1,229
Contributions as a percentage of covered payroll	0.0%	0.0%	2.42%	2.47%	2.28%

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2022

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

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2022

Notes to the Schedule:

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

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

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

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

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

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

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

* Employer contributions do not include the expected implicit subsidy.

Supplementary Information

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
Student Financial Aid Cluster			
U.S. Department of Education			
Direct Programs			
Federal Supplemental Educational Opportunity Grants		84.007	\$ 369,023
Federal Work Study Program		84.033	739,962
Federal Pell Grant Program		84.063	20,692,265
Federal Perkins Loan Program		84.038	1,696,834
Federal Direct Student Loans		84.268	61,521,173
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		84.379	5,658
Total U.S. Department of Education – Direct			<u>85,024,915</u>
Total U.S. Department of Education			<u>\$ 85,024,915</u>
TOTAL STUDENT AND FINANCIAL AID CLUSTER			<u>85,024,915</u>
COVID-19 Education Stabilization Fund – Higher Education Emergency Relief			
U.S. Department of Education – COVID-19			
Direct Programs			
COVID-19 HEERF Student Aid Portion		84.425E	16,888,300
COVID-19 HEERF Institutional Portion		84.425F	6,767,792
COVID-19 Governors Emergency Education Relief Fund		84.425C	289,686
Total U.S. Department of Education – COVID-19 – Direct			<u>23,945,778</u>
Pass-Through Programs			
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	PON2 540 220000 1106	84.425E	107,316
Education Stabilization Fund	SC415 220000 1305	84.425	2,579
Total U.S. Department of Education – COVID-19 Pass Through			<u>109,895</u>
Total U.S. Department of Education – COVID-19			<u>24,055,673</u>
TOTAL COVID-19 Education Stabilization Fund – Higher Education Emergency Relief			<u>24,055,673</u>

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
Research and Development Cluster			
U.S. Department of Agriculture			
Direct Programs			
Agricultural Research Basic and Applied Research		10.001	\$ 506,205
Total U.S. Department of Agriculture – Direct			<u>506,205</u>
Total U.S. Department of Agriculture			<u>\$ 506,205</u>
U.S. Department of Commerce			
Pass-Through Programs			
Synoptic Data Corp	52020-147	11.CON	6,765
Synoptic Data Corp	PO17-00640/TASKS2017-0115	11.CON	115,331
Contract NOAA Small Business Innovation Research	AGREEMENT DATED 01/17/2020	11.021	65,424
Contract NOAA Sci Tech Mesonet	SUBAWD 00760	11.431	150,918
Total U.S. Department of Commerce – Pass Through			<u>338,438</u>
Total U.S. Department of Commerce			<u>338,438</u>
U.S. Department of Defense			
Pass-Through Programs			
Research and Technology Development – Center for Open Science	MOA SIGNED 01/22/20	12.910	7,880
Total U.S. Department of Defense – Pass Through			<u>7,880</u>
Total U.S. Department of Defense			<u>7,880</u>
U.S. Department of the Interior			
Direct Programs			
National Cooperative Geologic Mapping		15.810	10,700
Cooperative Research and Training Programs – Resources of the National Park System		15.945	54,137
Total U.S. Department of the Interior – Direct			<u>64,837</u>
Pass-Through Programs			
Cooperative Ecosystem Studies Units	101430-18084	15.678	2,723
Assistance to State Water Resources Research Institutes	3200000437-20-250	15.805	5,141
Assistance to State Water Resources Research Institutes	3200 000 437-20-249	15.805	1,612
Assistance to State Water Resources Research Institutes	32000004323-22-069	15.805	2,513
Total U.S. Department of the Interior – Pass Through			<u>11,989</u>
Total U.S. Department of the Interior			<u>76,826</u>
U.S. Department of Transportation			
Pass-Through Programs			
Interagency Hazardous Materials Public Sector Training and Planning Grants	PON2 095 2100003117	20.703	51,490
Total U.S. Department of Transportation – Pass Through			<u>51,490</u>
Total U.S. Department of Transportation			<u>51,490</u>
National Aeronautics and Space Administration			
Direct Programs			
Science		43.001	15,123
Total National Aeronautics and Space Administration – Direct			<u>15,123</u>
Pass-Through Program			
Office of Stem Engagement (OSTEM)	321 0001706-22-033	43.008	4,036
Office of Stem Engagement (OSTEM)	32004436-22-125	43.008	111,429
Adelphia Technology, Inc	ATL-WKU 20-001	43.CON	28,846
Total National Aeronautics and Space Administration – Pass Through			<u>144,311</u>
Total National Aeronautics and Space Administration			<u>159,434</u>

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
National Science Foundation			
Direct Programs			
Mathematical and Physical Sciences		47.049	\$ 262,597
Biological Sciences		47.074	56,048
Total National Science Foundation – Direct			<u>318,645</u>
Pass-Through Programs			
University of Kentucky Research Foundation			
Biological Sciences	3200001363-18-083	47.074	7,865
Education and Human Resources	3200002015-19-043	47.076	21,578
Science Center			
Education and Human Resources	NSFHS-20-1-WKU	47.076	5,463
University of South Dakota			
Education and Human Resources	A00-0363-5001	47.076	36,611
Fisk University			
Education and Human Resources	2035	47.076	8
KY NSF EPSCoR			
Integrative Activities	3200002692-20-031	47.083	53,022
Integrative Activities	3200002692-20-031	47.083	74,260
Integrative Activities	330221-04	47.083	49,966
Integrative Activities	320000 2692-22-008	47.083	56,883
Integrative Activities	3200002692-22-118	47.083	51,604
Total National Science Foundation – Pass Through			<u>357,260</u>
Total National Science Foundation			<u>\$ 675,905</u>
Environmental Protection Agency			
Pass-Through Programs			
Adelphi	ATL-WKU-21-003	66.000	16,133
Total Environmental Protection Agency – Pass Through			<u>16,133</u>
Total Environmental Protection Agency			<u>16,133</u>
U.S. Department of Energy			
Pass-Through Programs			
Office of Science Financial Assistance Program	ATL-WKU- 21-002	81.049	74,585
Fossil Energy Research and Development	543827-78001	81.089	12,000
Total U.S. Department of Energy – Pass Through			<u>86,585</u>
Total U.S. Department of Energy			<u>86,585</u>

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
U.S. Department of Health and Human Services			
Direct Programs			
Occupational Safety and Health Program		93,262	\$ 50,631
Occupational Safety and Health Program		93,262	148,368
NIH-Mental Health Research Grants		93,242	111,794
NIH-Drug Abuse and Addiction Research Programs		93,279	16,494
NIH-Biomedical Research and Research Training		93,859	150,162
NIA-Aging Research		93,866	92,402
Total U.S. Department of Health and Human Services – Direct			569,851
Pass-Through Programs			
University of Kentucky Research Foundation	3200002746-20-102	93,262	575
University of Cincinnati	013704-00011	93,262	1,497
Cabinet for Health and Family Services			
Opioid STR	PON2 746 200 0004096	93,788	51,211
University of Louisville			
Environmental Health	ULRF-19-0979F2-01	93,113	17,213
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	49,562
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	5,656
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	34,276
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	46,829
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	37,460
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	44,812
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	41,953
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	63,884
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	42,964
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	12,884
Biomedical Research and Research Training	ULRF-18-0975C-07	93,859	110,185
Biomedical Research and Research Training	ULRF-18-097554-01	93,859	1,577
Biomedical Research and Research Training	ULRF	93,859	-
Biomedical Research and Research Training	ULRF	93,859	5,779
Biomedical Research and Research Training	ULRF	93,859	6,824
Biomedical Research and Research Training	ULRF	93,859	21,564
Biomedical Research and Research Training	ULRF	93,859	13,252
Biomedical Research and Research Training	ULRF	93,859	13,125
Biomedical Research and Research Training	ULRF	93,859	11,806
Biomedical Research and Research Training	ULRF	93,859	14,893
Biomedical Research and Research Training	ULRF	93,859	12,692
Biomedical Research and Research Training	ULRF	93,859	2,083
Pennyroyal Center	DATED 02/16/22	93,958	26,320
Total U.S. Department of Health and Human Services – Pass Through			690,876
Total U.S. Department of Health and Human Services			\$ 1,260,727
Corporation for National and Community Service			
Pass-Through Programs			
Ameri Corps	DATED 10/14/21	94,006	31,709
Total Corporation for National and Community Service – Pass Through			31,709
Total Corporation for National and Community Service			31,709
U.S. Department of Homeland Security			
Pass-Through Program			
Homeland Security Advanced Research Projects	HSHQDC07-3-00005	97.CON	35,350
Total U.S. Department of Homeland Security – Pass Through			35,350
Total U.S. Department of Homeland Security			35,350
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			3,246,682

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
HEAD START CLUSTER			
U.S. Department of Health and Human Services			
Direct Programs			
Head Start		93.600	\$ 2,010,303
Head Start		93.600	<u>144,069</u>
Total U.S. Department of Health and Human Services – Direct			<u>2,154,372</u>
Pass-Through Programs			
Head Start	04CH011242-02	93.600	36,995
Head Start	04CH011242-02	93.600	325
Head Start	04CH011242/03	93.600	125,575
Head Start	04CH011242/03	93.600	<u>1,174</u>
Total U.S. Department of Health and Human Services – Pass Through			<u>164,069</u>
Total U.S. Department of Health and Human Services			<u>\$ 2,318,441</u>
TOTAL HEAD START CLUSTER			<u>2,318,441</u>
CCDF CLUSTER			
U.S. Department of Health and Human Services			
Pass-Through Programs			
Child Care and Development Block Grant	SC 736 2100001482	93.575	1,414,116
Child Care and Development Block Grant	SC 736 2200 000471	93.575	17,303
Child Care and Development Block Grant	AGREEMENT DATED 2/25/2021	93.575	<u>165,507</u>
Total U.S. Department of Health and Human Services – Pass Through			<u>1,596,926</u>
Total U.S. Department of Health and Human Services			<u>1,596,926</u>
TOTAL CCDF CLUSTER			<u>1,596,926</u>
TRIO CLUSTER			
U.S. Department of Education			
Direct Programs			
TRIO Student Support Services		84.042	37,828
TRIO Student Support Services		84.042	194,409
TRIO Student Support Services		84.044	199,972
TRIO Talent Search		84.044	152,013
TRIO Talent Search		84.044	111,273
TRIO Talent Search		84.044	104,601
TRIO Talent Search		84.044	328,425
TRIO Talent Search		84.044	206,111
TRIO Talent Search		84.047	196,209
TRIO Upward Bound		84.047	301,447
TRIO Upward Bound		84.047	532,184
TRIO Upward Bound		84.066	<u>199,108</u>
Total U.S. Department of Education – Direct			<u>2,563,580</u>
Total U.S. Department of Education			<u>2,563,580</u>
TOTAL TRIO CLUSTER			<u>2,563,580</u>

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
OTHER FEDERAL			
U.S. Department of Agriculture			
Direct Programs			
Agricultural Research Basic and Applied Research		10.001	\$ 3,534
Agricultural Research Basic and Applied Research		10.168	63,019
Agricultural Research Basic and Applied Research		10.175	119,921
Partnership Agreements		10.699	66,135
Total U.S. Department of Agriculture – Direct			<u>252,609</u>
Total U.S. Department of Agriculture			<u>\$ 252,609</u>
U.S. Department of Commerce			
Direct Programs			
Manufacturing Extension Partnership		11.611	644,077
Manufacturing Extension Partnership		11.611	17,527
Manufacturing Extension Partnership		11.611	494,818
Total U.S. Department of Commerce – Direct			<u>1,156,422</u>
Total U.S. Department of Commerce			<u>1,156,422</u>
U.S. Department of Defense			
Pass-Through Programs			
The Language Flagship Grants to Institutions of Higher Education	0054-WKU-21-CHN-280-P07	12.550	-
The Language Flagship Grants to Institutions of Higher Education	0054-WKU-21	12.550	5,615
The Language Flagship Grants to Institutions of Higher Education	BOR21-WKU-24-CHN-PO1	12.550	283,248
The Language Flagship Grants to Institutions of Higher Education	0054-WKU-21-SSC-280-P08	12.550	121,836
The Language Flagship Grants to Institutions of Higher Education	BOR21-WKU-24-CHN-PO1	12.550	13,140
Total U.S. Department of Defense – Pass Through			<u>423,839</u>
Total U.S. Department of Defense			<u>423,839</u>
U.S. Department of the Interior			
Direct Programs			
Cooperative Research and Training Programs		15.945	335
Cooperative Research and Training Programs		15.945	77,969
U.S. Department of the Interior – Direct			<u>78,304</u>
Total U.S. Department of the Interior			<u>78,304</u>
U.S. Department of the State			
Pass-Through Programs			
Academic Exchange Programs – Undergraduate Programs	CBPSA20-WKU01	19.009	7,390
Total U.S. Department of the State Pass-Through Programs			<u>7,390</u>
Total U.S. Department of the State			<u>7,390</u>
U.S. Department of the Treasury			
Pass-Through Programs			
Coronavirus State and Local Fiscal Recovery Funds	PON2 721 2200001478	21.027	87,223
Total U.S. Department of the Treasury Pass-Through Programs			<u>87,223</u>
Total U.S. Department of the Treasury			<u>87,223</u>
Library of Congress			
Pass-Through Programs			
Illinois State University Teaching with Primary Sources	A08-0002-5055	42.01	20,593
Total Library of Congress Pass-Through Programs			<u>20,593</u>
Total Library of Congress			<u>20,593</u>

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
National Endowment for Arts			
Direct Programs			
Promotion of the Arts Grants to Organizations and Individuals		45.024	\$ (1)
Promotion of the Arts Grants to Organizations and Individuals		45.024	13,879
Promotion of the Arts Grants to Organizations and Individuals		45.024	7,139
Promotion of the Arts Grants to Organizations and Individuals		45.024	14,347
Promotion of the Arts Grants to Organizations and Individuals		45.024	3,695
Total National Endowment for Arts – Direct			<u>39,059</u>
Total National Endowment for Arts			<u>\$ 39,059</u>
National Institute for Museum and Library Services			
Direct Programs			
Promotion of the Humanities Division of Preservation and Access		45.301	15,952
Total National Institute for Museum and Library Services – Direct			<u>15,952</u>
Total Institute for Museum and Library Services			<u>15,952</u>
U.S. Department of Education			
Direct Programs			
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities		84.325	219,733
Total U.S. Department of Education – Direct			<u>219,733</u>
Pass-Through Programs			
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	PON2 540 210000 1665	84.325	7,560
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	PON2 540 220000 0791	84.325	28,350
Title I Grants to Local Educational Agencies	PON2 540 20 0002806	84.010	-
Title I Grants to Local Educational Agencies	PON2 540 2100002061	84.010	148,745
Career and Technical Education – Basic Grants to States	PON2 540 2100002742	84.048	4,959
Javits Gifted and Talented Students Education	2005153889	84.206	213,014
Total U.S. Department of Education – Pass Through			<u>402,628</u>
Total U.S. Department of Education			<u>622,361</u>
U.S. Department of Health and Human Services			
Direct Programs			
Advanced Nursing Education Workforce Grant Program		93.247	256,595
Mental and Behavioral Health Education and Training Grants		93.732	369,514
Total U.S. Department of Health and Human Services – Direct			<u>626,109</u>
Pass-Through Programs			
Area Health Education Centers	ULRF-17-1164C-02	93.107	60,906
Area Health Education Centers	ULRF-17-1164D-02	93.107	46,809
PPHF Geriatric Education Centers	ULRF-19-0740A3-04	93.969	7,500
Eastern Kentucky University			
Foster Care Title IV-E	453922-21-114	93.658	(46)
Foster Care Title IV-E	454064-22-120	93.658	84,128
Foster Care Title IV-E	454068-22-119	93.658	8,684
Total U.S. Department of Health and Human Services – Pass Through			<u>207,981</u>
Total U.S. Department of Health and Human Services			<u>834,090</u>

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures
Executive Office of the President			
Pass-Through Programs			
High Intensity Drug Trafficking Areas Program	G21AP0001A	95.001	\$ 14,421
High Intensity Drug Trafficking Areas Program	G20AP0001A	95.001	<u>11,965</u>
Total Executive Office of the President – Pass-Through Programs			<u>26,386</u>
Total Executive Office of the President			<u>\$ 26,386</u>
U.S. Department of Homeland Security			
Pass-Through Programs			
Hazard Mitigation Grant	PON2 095 2000001514	97.039	9,253
BRIC: Building Resilient Infrastructure and Communities	PON2 095 2100001075	97.047	<u>41,215</u>
Total U.S. Department of Homeland Security – Pass-Through Programs			<u>50,468</u>
Total U.S. Department of Homeland Security			<u>50,468</u>
TOTAL OTHER FEDERAL			<u>3,614,696</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 122,420,913</u>

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2022

Of the federal expenditures presented in the Schedule, the University provided federal awards to the following subrecipients:

Program	Assistance Listing Number	Subrecipient	Fiscal 2022 Expenditures
Cabinet for Health and Family Services			
Family Child Care Network	93.575	Accr WK067138 EC Learning Ed FY22	\$ 110,221
Family Child Care Network	93.575	Appalachian Early Childhood Network	210,491
Family Child Care Network	93.575	Child Care council of Kentucky	206,901
Family Child Care Network	93.575	Community Coordinated Child Care	128,635
Family Child Care Network	93.575	Early Childhood Learning Education	75,014
National Park Service			
Trail Use Impacts – MCNP	15.945	The University of Alabama in Huntsville	5,310
United States Department of Agriculture			
Fresh App-Promote Farmers Markets	10.168	Community Farmers Market	5,098
Fresh App-Promote Farmers Markets	10.168	Foundation for Connecting Communities	12,741
Fresh App-Promote Farmers Markets	10.168	Need More Acres Farm	3,740
Fresh App-Promote Farmers Markets	10.168	SoKY Marketplace LLC	9,053
Fresh App-Promote Farmers Markets	10.168	Southern Kentucky Produce Association	729
Consumer-oriented WIDE Partnership	10.175	Community Farmers Market	15,433
Consumer-oriented WIDE Partnership	10.175	Foundation for Connecting Communities	27,115
Consumer-oriented WIDE Partnership	10.175	Need More Acres Farm	16,603
Consumer-oriented WIDE Partnership	10.175	SoKY Marketplace LLC	9,521
Consumer-oriented WIDE Partnership	10.175	Southern Kentucky Produce Association	5,563
US Dept of Health & Human Services			
Head Start FY21	93.600	Audubon Area Community Services Inc	292,282
Head Start FY21	93.600	Murray Head Start	219,487
Head Start Training FY21	93.600	Audubon Area Community Services Inc	3,244
Head Start Training FY21	93.600	Murray Head Start	533
Head Start COVID	93.600	Audubon Area Community Services Inc	26,280
Head Start CRRSA COVID	93.600	Audubon Area Community Services Inc	53,874
Head Start FY22	93.600	Audubon Area Community Services Inc	288,647
Head Start FY22	93.600	Murray Head Start	303,594
Head Start Training FY22	93.600	Audubon Area Community Services Inc	2,574
Head Start Training FY22	93.600	Murray Head Start	2,339
Total: Federal Awards Paid to Subrecipients			\$ 2,035,022

WESTERN KENTUCKY UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Western Kentucky University (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, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

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

Note 4: Federal Loan Programs

The Federal Perkins Loan Program is administered directly by the University, and balances and transactions relating to these programs are included in the University’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. There were no disbursement from the Federal Perkins Loan Program during the year. The balance of loans outstanding at June 30, 2022, was \$1,289,020.

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

Independent Auditor's Report

Board of Regents
Western Kentucky University
Bowling Green, Kentucky

We have audited, in accordance with 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, the aggregate discretely presented component units and the fiduciary activities of Western Kentucky University (University), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 27, 2022, which contained an emphasis of matter paragraph regarding a change in accounting principle. Our report also includes a reference to other auditors who audited the financial statements of Western Kentucky University Foundation, Inc. and Western Kentucky University College Heights Foundation, Inc., as described in our report on the University's financial statements. The financial statements of Western Kentucky University Foundation, Inc., WKU Student Life Foundation, Inc. and Western Kentucky University College Heights Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Western Kentucky University Foundation, Inc., WKU Student Life Foundation, Inc. and Western Kentucky University College Heights Foundation, Inc.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

FORVIS,LLP

Louisville, Kentucky
October 27, 2022

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

Independent Auditor's Report

Board of Regents
Western Kentucky University
Bowling Green, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Western Kentucky University's (University) compliance with the types of compliance requirements identified as subject to audit in the *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.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to 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 GAAS, *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 judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with 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.

Report on Internal Control over Compliance

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

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

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

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

FORVIS,LLP

Louisville, Kentucky
November 17, 2022

WESTERN KENTUCKY UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

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

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

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

Federal Awards

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

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

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

7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
Various 84.007, 84.033, 84.063, 84.032, 84.379 84.425E, 84.425F, 84.425C	Research and Development Cluster Student Financial Assistance Cluster COVID-19 Education Stabilization Fund

8. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.

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

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

WESTERN KENTUCKY UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
2021-001	Instances in which the same expenditures were claimed for multiple federal programs	Corrected