

**KENTUCKY STATE UNIVERSITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY)
Frankfort, Kentucky**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

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

Secretary of Finance and
Administration Cabinet of the
Commonwealth of Kentucky

Report on the Audit of the Financial Statements

Opinions

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

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

We did not audit the financial statements of the Kentucky State University Foundation, Inc. (the Foundation), which represent 100 percent of the assets, net assets, and revenues of the Foundation as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor.

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 Auditors' 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 the Foundation were not audited in accordance with *Government Auditing Standards*.

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

Secretary of Finance and
Administration Cabinet of the
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Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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.

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

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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, schedules of proportionate share of the net pension and OPEB liabilities and schedule of pension and OPEB contributions, for the Kentucky Employees' Retirement System and the Kentucky Teachers' Retirement System be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 are 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.

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

Secretary of Finance and
Administration Cabinet of the
Commonwealth of Kentucky

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2025, 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
May 1, 2025

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023
(UNAUDITED)

Introduction

Management's Discussion and Analysis of Kentucky State University's financial statements provide an overview of the financial position and activities for the year ended June 30, 2023, with comparative information for the year ended June 30, 2022. This discussion has been prepared by management and should be read in conjunction with the financial statements and the related notes. The financial statements, notes, and this discussion and analysis are the responsibility of management.

Kentucky State University (the University) is a comprehensive research institution of higher learning dedicated to advancing educational excellence and opportunity across the Commonwealth of Kentucky. The University is one of two 1890 Land Grant institutions located in Kentucky.

Kentucky State University's mission is to provide transformative educational experiences that prepare graduates to make meaningful contributions to society. It honors and elevates its legacy as a Historically Black College and University (HBCU) by empowering a diverse community of students. Through access, inclusion, and student-centered learning, the University prepares future leaders to thrive in a global society—uniting high-impact teaching, innovative research, and meaningful service across academic programs. Kentucky State University is committed to honoring its legacy of service by actively partnering with communities on civic initiatives aimed at enhancing the quality of life for citizens across the Commonwealth.

Reporting Entity

The financial statements and notes include Kentucky State University and its component unit, the Kentucky State University Foundation, Inc. The Foundation is a Kentucky not-for-profit corporation established to receive, invest, and disburse funds in support of the University's educational and developmental initiatives. It is managed by a Board of Trustees independent from the University. The Foundation is supported primarily by donor and alumni contributions.

Basis of Presentation

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Highlights

As of June 30, 2023 (2022), the University's financial position reflected total assets and deferred outflows of \$199.2 million (\$195.8 million), and total liabilities and deferred inflows of \$187.5 million (\$192.3 million), resulting in a total net position of \$11.7 million (\$3.5 million).

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)

Total assets and deferred outflows as of June 30, 2023, increased by \$3.4 million (1.7%) when compared to June 30, 2022. The increase was primarily due to grants receivable. Total liabilities and deferred inflows decreased by \$4.8 million (2.4%) primarily due to decreases in deferred inflows related to pension and other postemployment benefits.

Unrestricted net position represents resources that are not subject to externally imposed restrictions and may be used to meet the University's ongoing obligations and operational needs. As of June 30, 2023 (2022), the University reported a deficit of \$77.0 million (\$90.4 million) in unrestricted net position, representing a \$13.4 million decrease from the prior year.

Nonexpendable restricted net position consists of amounts that must be maintained in perpetuity, as required by donors. Expendable restricted net position includes private grants, contributions restricted for specific purposes, and accumulated earnings on endowment assets that are available for spending in accordance with those restrictions. The University classifies earnings on endowments as either spendable or non-spendable based on donor stipulations. As of June 30, 2023 (2022), the University reported nonexpendable restricted net position of \$8.7 million (\$8.7 million) and expendable restricted net position of \$10.4 million (\$10.4 million).

For the year ended June 30, 2023 (2022), operating revenues were \$43.5 million (\$51.2 million) and operating expenditures were \$71.3 million (\$78.5 million), resulting in a loss from operations of \$27.9 million (\$27.4 million). Net nonoperating revenues were \$33.4 million (\$27.5 million) for the year ended June 30, 2023 (2022). State appropriations totaled \$27.9 million for June 30, 2023, and 2022. For the year ended June 30, 2023 (2022), total net position increased by \$8.2 million (\$351,000).

Using the Financial Statements

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

For the fiscal year-ended June 30, 2023, the University adopted Governmental Accounting Standards Board Statement No. 96 - *Subscription-Based Information Technology Arrangement* ("SBITAs") which requires entities to recognize a liability and right-of-use asset for SBITAs.

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)

Statement of Net Position

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

Assets and Deferred Outflows: As of June 30, 2023, total assets and deferred outflows amounted to \$184.4 million. Of this amount, investment in capital assets (net of depreciation) was \$145.6 million, or 78.95% of total assets and deferred outflows of resources. Investments amounted to \$20.2 million, or 10.95%, of total assets and deferred outflows of resources. During the year, total assets and deferred outflows increased by \$3.4 million, primarily due to an increase in grants receivable.

Liabilities and Deferred Inflows: As of June 30, 2023, total liabilities and deferred inflows amounted to \$187.5 million. Net Pension and Other Postemployment Benefits (OPEB) liabilities amounted to \$67.4 million. As of June 30, 2023, long-term debt totaled \$95.7 million and included bonds payable, lease agreements, and certificates of participation related to the construction of a new residence hall (Note 2). During the fiscal year ended June 30, 2023, total liabilities and deferred inflows decreased by \$4.8 million, primarily due to decreases in the deferred inflows related to pension and other postemployment benefits.

Net Position: Net position was \$11.7 million at June 30, 2023, and was reported in three categories: net investment in capital assets of \$69.6 million, restricted nonexpendable of \$8.7 million, restricted expendable of \$10.4 million, and an unrestricted deficit of (\$77.0) million.

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)

Condensed Statement of Net Position

	<u>2023</u>	<u>2022</u>
ASSETS		
Current	\$ 11,571,484	\$ 12,740,549
Noncurrent	27,207,001	41,933,538
Capital Assets, Net	<u>145,642,754</u>	<u>127,253,475</u>
Total Assets	<u>184,421,239</u>	<u>181,927,562</u>
DEFERRED OUTFLOWS OF RESOURCES	14,759,583	13,867,561
LIABILITIES		
Current	12,490,321	9,177,199
Noncurrent	<u>164,465,711</u>	<u>162,375,461</u>
Total Liabilities	<u>176,956,032</u>	<u>171,552,660</u>
DEFERRED INFLOWS OF RESOURCES	10,533,213	20,701,326
NET POSITION		
Net Investment in Capital Assets	69,600,865	74,864,875
Restricted	19,120,815	19,063,354
Unrestricted Deficit	<u>(77,030,103)</u>	<u>(90,387,092)</u>
Total Net Position	<u>\$ 11,691,577</u>	<u>\$ 3,541,137</u>

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis of accounting, whereby revenues are recognized when services are provided and expenses are recognized when goods and services are received, regardless of when cash is exchanged.

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

The following presents a comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2023, and 2022:

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

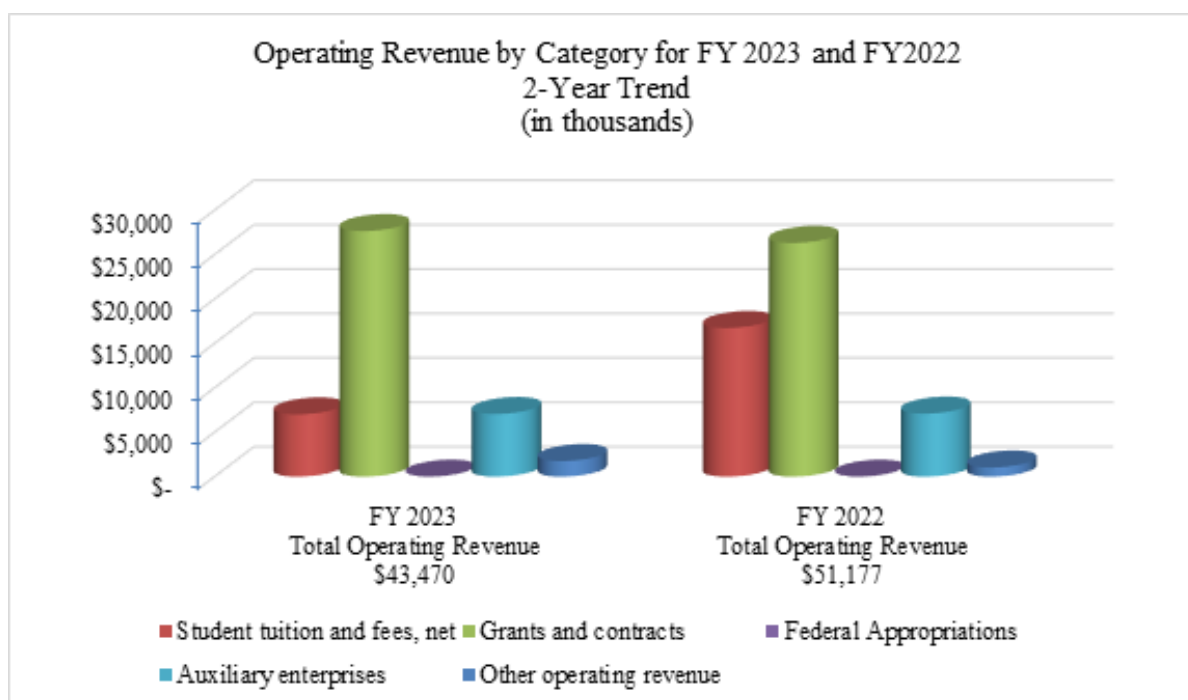
	<u>2023</u>	<u>2022</u>
REVENUES		
Student Tuition and Fees, Net	\$ 7,008,004	\$ 16,738,780
Grants and Contracts	27,652,236	26,311,740
Auxiliary Enterprises	7,055,422	7,097,739
Other Operating Revenue	1,755,001	1,028,438
Total Operating Revenues	<u>43,470,663</u>	<u>51,176,697</u>
EXPENSES		
Educational and General	64,363,084	72,719,452
Auxiliary Enterprises	6,969,702	5,808,448
Total Operating Expenses	<u>71,332,786</u>	<u>78,527,900</u>
OPERATING LOSS	(27,862,123)	(27,351,203)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	27,880,600	27,885,600
Federal Grants and Contracts	7,636,939	5,452,298
Investment Income, Net	1,182,412	(2,876,235)
Other Nonoperating Revenue	24,095	35,275
Certificates of Participation Issuance Costs	-	(1,116,658)
Loss on Disposal of Capital Assets	(966,249)	-
Interest on Capital Assets - Related Debt	(2,364,396)	(1,879,136)
Total Nonoperating Revenues	<u>33,393,401</u>	<u>27,501,144</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	5,531,278	149,941
CAPITAL GRANTS	<u>2,619,162</u>	<u>155,200</u>
CHANGE IN NET POSITION	8,150,440	305,141
Net Position - Beginning of Year	<u>3,541,137</u>	<u>3,235,996</u>
NET POSITION - END OF YEAR	<u><u>\$ 11,691,577</u></u>	<u><u>\$ 3,541,137</u></u>

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)

Operating Revenue

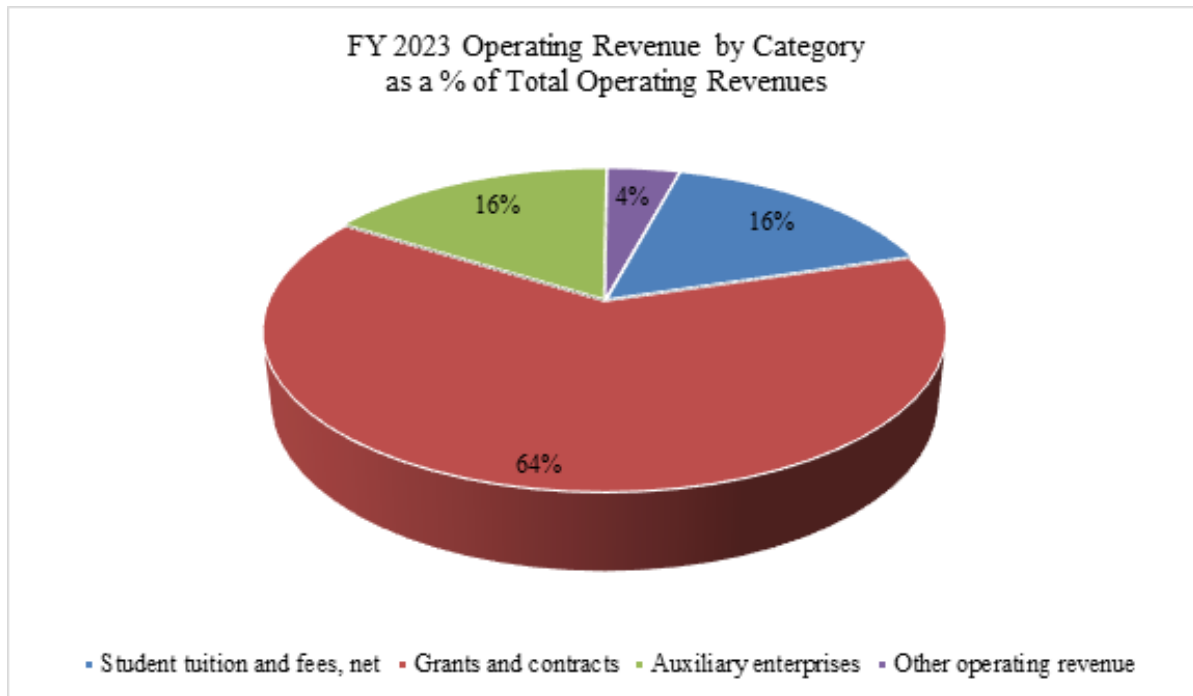
Total operating revenues were \$43.5 million for the year ended June 30, 2023, as compared with \$51.2 million in fiscal year 2022. The primary components of operating revenue were federal, state, and local grants and contracts of \$27.65 million (63.6%), student tuition and fees (net of scholarships) of \$7 million (16.1%), and auxiliary services and other revenues of \$8.8 million (20.22%). Fiscal year 2023 net student tuition and fees revenue decreased by \$9.7 million compared to fiscal year 2022. Fiscal year 2023 grants and contracts revenue increased \$1.3 million compared to fiscal year 2022 due to an increase in state, local, and other grants. Fiscal year 2023 auxiliary services and other revenue increased by \$684,246 compared to fiscal year 2022.

The chart below presents a two-year trend of operating revenues by category:



**KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)**

The following chart presents operating revenues by category as a percentage of total operating revenues for the fiscal year ended June 30, 2023.

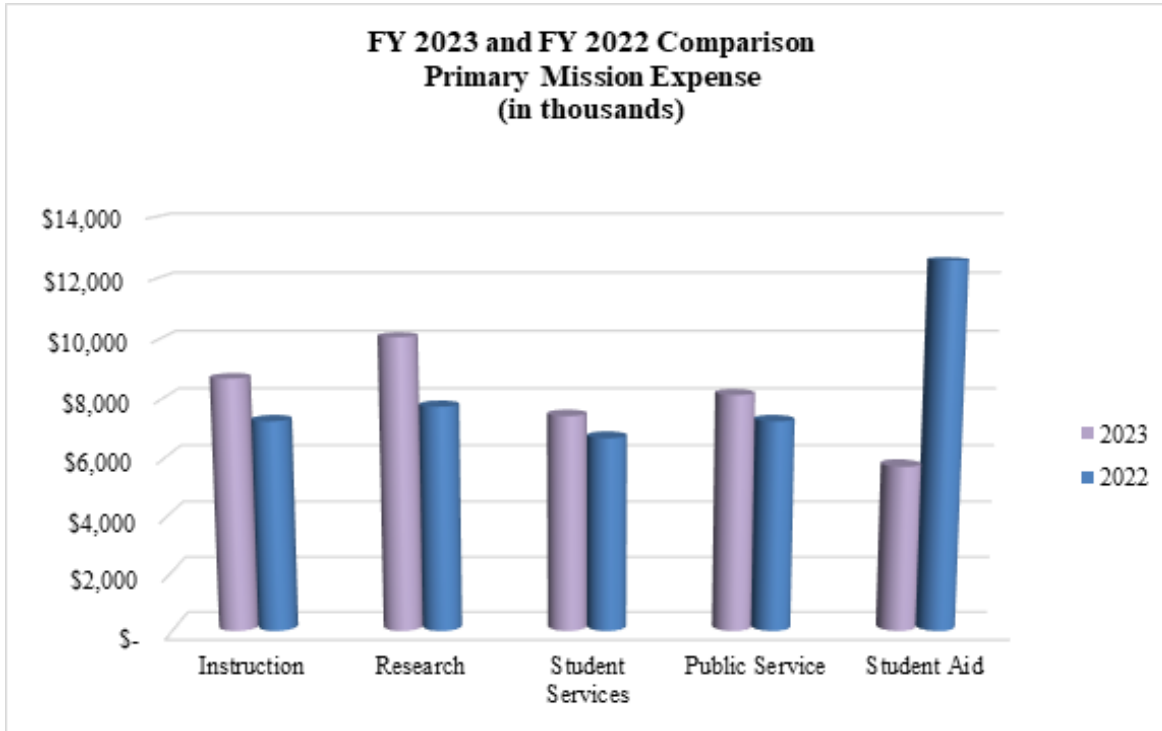


Operating Expenses

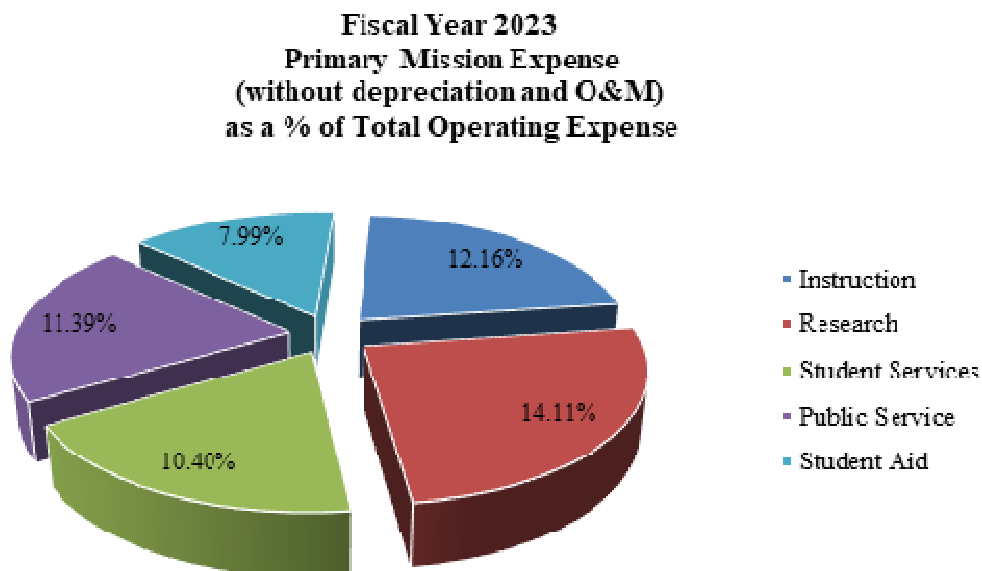
Operating expenses totaled \$71.3 million, a \$7.2 million decrease from \$78.5 million in fiscal year 2022. Of this amount, \$39.98 million (56%) was expended for the primary mission of the University, including instruction (12.16%), research (14.11%), student services (10.40%), student aid (7.99%), and public service (11.39%). Research is the main component of primary mission expense amounting to \$10.0 million in fiscal year 2023 or 14.0% of all operating expenses.

**KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)**

The following chart presents a two-year comparison of primary mission expense:

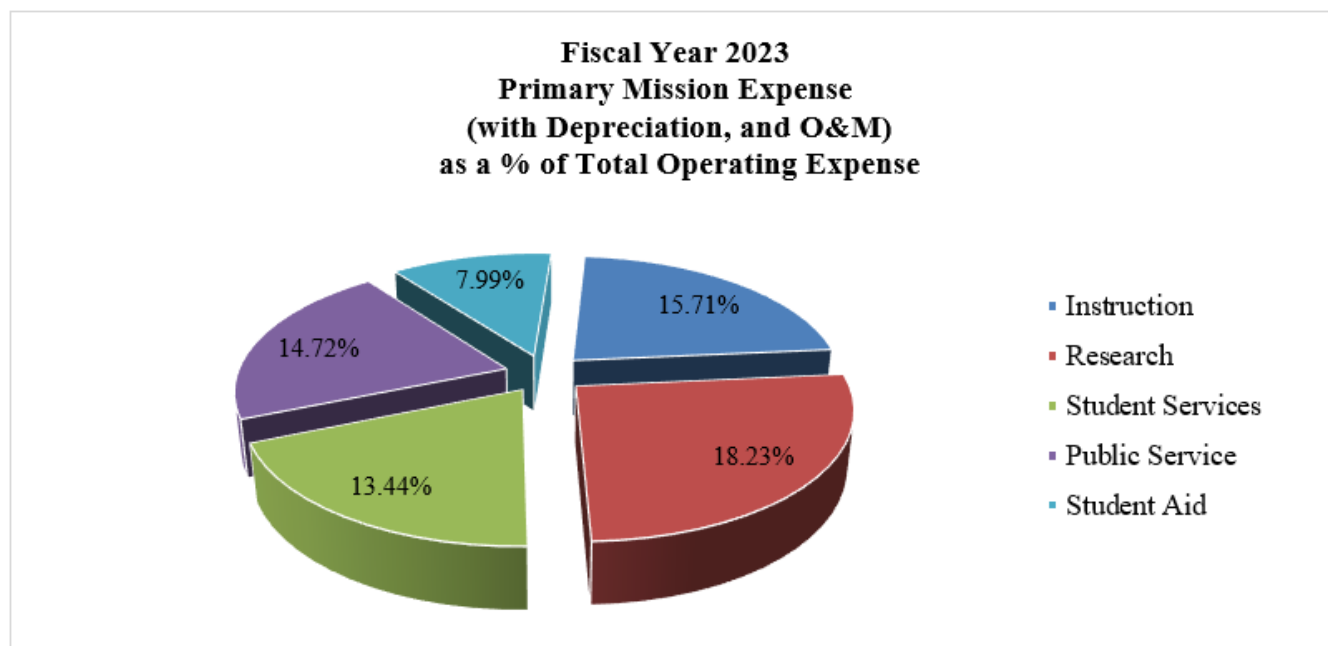


The chart below presents the University's primary mission expense (without depreciation and operating and maintenance expense allocations) as a percentage of total operating expense for the year ended June 30, 2023:



KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)

Depreciation and operations and maintenance (O&M) expenses are allocated to primary mission categories (see Note 13 – Natural and Functional Classifications of Operating Expenses). The chart below presents primary mission expense (with depreciation and O&M allocations) as a percentage of total operating expense.



The University invests in student aid and support services to provide students with opportunities to be successful. For the year ended June 30, 2023, student aid expense totaled \$5.7 million and scholarship allowance totaled \$10.2 million. Compared to the fiscal year ended June 30, 2022, student aid decreased by \$5.0 million and scholarship allowances decreased by \$9.2 million, primarily due to the tapering of Federal COVID-19 funding.

The net loss from operations was \$(27.9) million for the fiscal year ended June 30, 2023. Nonoperating revenues, net of expenses, totaled \$33.4 million, resulting in an increase in net position of \$8.2 million. Nonoperating revenues include state appropriations of \$27.9 million and nonoperating federal grants and contracts of \$7.6 million.

Statement of Cash Flows

The Statement of Cash Flows presents information related to the University's cash inflows and outflows summarized by operating activities, noncapital financing activities, capital financing activities and investing activities. The primary purpose of the Statement of Cash Flows is to provide information about cash inflows and outflows during the year, helping readers assess the University's ability to generate future net cash flows, meet obligations as they come due, and determine any potential need for external financing.

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)

The following presents a summarized Statement of Cash Flows for the fiscal years ended June 30, 2023, and 2022:

Condensed Statement of Cash Flows

	<u>2023</u>	<u>2022</u>
Cash (Used) Provided By:		
Operating Activities	\$ (34,838,981)	\$ (35,632,162)
Noncapital Financing Activities	35,540,471	51,337,898
Capital and Related Financing Activities	(24,068,465)	14,557,215
Investing Activities	(233,991)	(227,001)
Cash and Cash Equivalents - Beginning of Year (Restated)	<u>31,791,460</u>	<u>1,755,510</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 8,190,494</u></u>	<u><u>\$ 31,791,460</u></u>

Cash and Investments

Major sources of cash received from operating activities include student tuition and fees of \$6.3 million and grants and contracts of \$21.4 million. Major uses of cash for operating activities include payments for salaries and benefits of \$44.9 million and for equipment, supplies, and services of \$23.3 million.

Noncapital financing activities include state appropriations of \$27.9 million.

Capital and related financing activities include purchases and payments of \$24.1 million for construction and acquisition of capital assets and for principal and interest payments on bonds and other capital related debt.

Commonwealth Appropriations

Commonwealth appropriations constitute approximately 36.3% of the University's total operating and nonoperating revenues and serve as a critical factor in maintaining its overall financial stability. Classified as unrestricted revenue, state appropriations are reported as nonoperating income and are primarily utilized to support payroll and benefit obligations for University employees.

The following details state appropriations received for fiscal years ending June 30, 2023, and 2022:

	<u>2023</u>	<u>2022</u>
Commonwealth Appropriations	<u><u>\$ 27,880,600</u></u>	<u><u>\$ 27,885,600</u></u>

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)

Grant and Contract Revenue

The following table details the University's grant and contract revenue for fiscal years ended June 30, 2023, and 2022.

	2023	2022
Federal Grants and Contracts, Operating	\$ 20,390,179	\$ 24,969,290
Federal Grants and Contracts, Nonoperating	7,636,939	5,452,298
State Grants and Contracts	7,262,057	1,342,450
Capital Grants	2,619,162	155,200
Total Grants and Contracts	<u>\$ 37,908,337</u>	<u>\$ 31,919,238</u>

Capital Plan

The University continues to face financial challenges in maintaining and upgrading its capital assets, including infrastructure, buildings, and grounds. The University's capital plan is funded by appropriations from the Commonwealth of Kentucky, debt financing, and student fees that are restricted for asset preservation.

As of June 30, 2023, construction in progress primarily relates to a long-term campus roof repair project, funded by a \$5.0 million state appropriation from revenue bonds issued by the State Property and Buildings Commission (SPBC) under the Roof Repair and Replacement Pool. As of June 30, 2023, the estimated cost to complete the project is \$1.9 million, with completion expected in fiscal year 2026; debt service on the revenue bonds will be funded through appropriations provided by the General Assembly.

Capital Asset

Capital assets, net of accumulated depreciation, totaled \$145.6 million at June 30, 2023, an increase of \$16.2 million. Capital assets as of June 30, 2023, and significant changes in capital assets during the year are as follows:

	2022 (Restated)	Net Additions (Reductions) FY22-23	2023
Land and Land Improvement	\$ 6,533,787	\$ 1,220,182	\$ 7,753,969
Buildings, Fixed Equipment, and Infrastructure	172,788,042	51,338,341	224,126,383
Equipment, Vehicles, and Capitalized Software	55,334,313	(8,707,358)	46,626,955
Library Materials and Art	10,689,760	(10,408,174)	281,586
Construction In Progress	34,535,678	(30,651,409)	3,884,269
Right-to-use Lease Assets	611,871	463,669	1,075,540
Right-to-use Subscription Assets	2,142,704	1,539,647	3,682,351
Accumulated Depreciation	(153,239,976)	11,451,677	(141,788,299)
Total	<u>\$ 129,396,179</u>	<u>\$ 16,246,575</u>	<u>\$ 145,642,754</u>

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)

Long-Term Debt

Bonds and leases payable are summarized below:

	2023	2022
Certificates of Participation	\$ 49,190,000	\$ 49,190,000
Certificates of Participation - Premium	7,739,086	8,306,728
Finance Purchase	14,742,118	15,212,532
General Receipts Bonds	1,225,000	1,505,000
Bond Discount	(18,409)	(18,409)
HB 250 Stabilization Funding	23,000,000	23,000,000
Subscription Liability	2,660,834	-
Lease Liability	503,261	434,321
Total	\$ 99,041,890	\$ 97,630,172

Kentucky State University Foundation

The Kentucky State University Foundation, Inc. (the Foundation) is a Kentucky not-for-profit corporation established to receive, invest, and expend funds in support of the University's educational and developmental activities. Managed by an independent Board of Trustees, the Foundation is primarily funded through contributions from donors and alumni. Key financial highlights of the Foundation include:

- The assets of the Foundation exceed its liabilities by \$13.0 million and \$12.3 million at June 30, 2023, and 2022, respectively.
- Net assets increased by \$0.7 million and decreased by \$2.4 million for the fiscal years ended June 30, 2023, and 2022, respectively.
- The Foundation recognized \$2.0 million in total revenue for the fiscal year ended June 30, 2023, compared to revenue of \$(1.0) million for the fiscal year ended June 30, 2022.
- Total support provided by the Foundation to the University was \$0.4 million and \$0.5 million for the fiscal years ended June 30, 2023, and 2022, respectively.

The four largest endowments held by the Foundation constitute 46% of the endowment balance and include the Diego Stu Scholarship Fund, College Endowment Fund, Pearl Dale Endowment Fund, and the Permanent Alumni's Scholarship Fund. There are over fifty additional permanently restricted endowment funds that represent less than 54% of the total endowment balance.

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)

Endowment balances by primary fund are shown below:

	2023	2022
Diego Stu Scholarship Fund	\$ 1,000,000	\$ 1,000,000
College Endowment Fund	500,000	500,000
Pearl Dale Endowment Fund	375,984	375,984
Permanent Alumni's Scholarship Fund	652,327	563,288
All Other Endowment Funds	2,972,196	2,898,839
Total	\$ 5,500,507	\$ 5,338,111

Economic Factors Impacting Future Periods

University leadership remains firmly committed to the mission of Kentucky State University and to advancing higher education through innovation, leadership development, and service to the Commonwealth. Executive management continues to collaborate with the Council on Postsecondary Education (CPE) to address the state's evolving needs, positioning the University to become a strong, financially stable, and efficiently managed institution of higher learning. Economic factors impacting future periods include:

- Tuition and cost of attendance – The University continually evaluates the cost of attendance in relation to funding allocated by the General Assembly. Funding levels and methodologies for institutions of higher education in the Commonwealth are established and approved by the Council on Postsecondary Education (CPE).
- Enrollment growth and student retention – The University recruits a diverse population of traditional, nontraditional, and transfer students pursuing both undergraduate and graduate degrees. Stabilizing enrollment through innovative recruitment strategies remains a key priority for university leadership.
- Program expansion - The University has strategically expanded its academic programs to more effectively address the evolving needs of its students and the Commonwealth of Kentucky. In 2023, the University began the process of adding three bachelor of science programs: Cybersecurity, Manufacturing Engineering Technology, and Biological and Agricultural Engineering. Phase two of the strategic program offerings of the University is to be completed in Fall 2024/Spring 2025 and includes new graduate programs: Master of Science in Biological and Agricultural Engineering, Master of Social Work, and Master of Arts in Criminal Justice.

**KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2023
(UNAUDITED)**

- Additionally, certain programs were closed to enrollment starting in 2023 with final program close scheduled in five years. These programs include the Master of Public Administration, Bachelor of Science in Chemistry, Bachelor of Science in Mathematics, Bachelor of Arts in Social Sciences, and Bachelor of Arts in English.
- Regional Stewardship – The University continues to meet economic and community needs through collaborative initiatives with businesses, community-based organizations, schools and other educational agencies, citizens, and local and state officials.
- Land Grant – The University continues to uphold its land-grant mission by offering innovative research opportunities aboard the Kentucky River Thoroughbred research vessel and through community-based extension services at the Rosenwald Center for Families and Children.
- Kentucky House Bill 1, enacted during the 2022 Regular Session of the Kentucky General Assembly, outlines the state's expenditure plan for the 2022–2024 biennium. The University received an appropriation of \$28.2 million for fiscal year 2023. House Bill 1, Part II(1)(1)—the executive branch budget bill passed during the 2022 Regular Session—establishes a \$683.5 million asset preservation pool funded through General Fund-supported bonds. The asset preservation pool supports individual preservation, renovation, and maintenance projects at Kentucky's public postsecondary institutions, including educational facilities, general infrastructure, and state-owned residential housing. The Council on Postsecondary Education is responsible for overseeing the allocation and use of funds from the asset preservation pool. The University has been allocated \$8.0 million from the asset preservation pool for each fiscal year ending June 30, 2023, and 2024. The University is required to provide a 15% match, or \$1.2 million for each fiscal year ending June 30, 2023, and 2024.

Throughout fiscal year 2023, the University maintained a stable financial position, despite ongoing pressures on its revenue streams. As it continues to navigate a complex and evolving economic landscape, the University remains committed to identifying and pursuing new funding opportunities to complement state support. Executive leadership remains steadfast in its dedication to delivering high-quality academic programs and services to students and stakeholders, while prioritizing long-term financial sustainability. The administration is confident in Kentucky State University's capacity to preserve its financial health and further enhance its standing as a distinguished regional institution of excellence.

Contacting the University's Financial Management

This report provides stakeholders with an overview of Kentucky State University's financial position and operational results for the fiscal year ending June 30, 2023. For questions or to request additional financial information, please contact Melissa Hicks, Interim Vice President for Finance & Administration and Chief Financial Officer, at Kentucky State University, 400 East Main Street, ASB Suite 201, Frankfort, KY 40601.

KENTUCKY STATE UNIVERSITY
STATEMENT OF NET POSITION – PRIMARY INSTITUTION
JUNE 30, 2023

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,054,180
Accounts Receivable, Net	1,595,182
Prepaid Expenses, Current	28,882
Grants Receivable, Net	7,893,240
Total Current Assets	<u>11,571,484</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	6,136,314
Investments	20,238,450
Capital Assets Not Being Depreciated	6,962,639
Capital Assets, Being Depreciated or Amortized Net	138,680,115
Prepaid Expenses, Noncurrent	832,237
Total Noncurrent Assets	<u>172,849,755</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Pension	9,395,875
Deferred Outflows - OPEB	5,363,708
Total Deferred Outflows of Resources	<u>14,759,583</u>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	4,433,955
Accrued Compensated Absences	993,650
Unearned Revenue	1,811,559
Deposits and Other Current Liabilities	372,520
Claims and Judgements Payable	557,364
Accrued Interest Payable	1,016,145
Lease Liability, Current Portion	416,679
Subscription Liabilities, Current Portion	1,065,215
Long-Term Debt, Current Portion	1,823,234
Total Current Liabilities	<u>12,490,321</u>

Noncurrent Liabilities:

Net Pension Liability	55,568,936
Net OPEB Liability	11,836,103
Accrued Compensated Absences	790,470
Lease Liability	86,582
Subscription Liability	1,595,619
Long-Term Debt, Noncurrent Portion	94,054,561
Federal Grants Refundable	533,440
Total Noncurrent Liabilities	<u>164,465,711</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Pension	6,206,656
Deferred Inflows - OPEB	4,326,557
Total Deferred Inflows of Resources	<u>10,533,213</u>

NET POSITION

Net Investment in Capital Assets	69,600,865
Restricted:	
Nonexpendable - Endowment	8,696,091
Expendable	10,424,724
Unrestricted Deficit	(77,030,103)
Total Net Position	<u>\$ 11,691,577</u>

See accompanying Notes to Financial Statements

KENTUCKY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY
INSTITUTION
YEAR ENDED JUNE 30, 2023

OPERATING REVENUES

Operating Revenues	
Student Tuition and Fees, Net of Scholarship	
Allowance of \$10,177,539	\$ 7,008,004
Federal Grants and Contracts	20,390,179
State, Local and Other Grants and Contracts	7,262,057
Other Operating Revenue	1,755,001
Auxiliary Enterprises:	
Residence Halls	3,042,138
Dining	3,895,375
Other Auxiliaries	117,909
Total Operating Revenues	<u>43,470,663</u>

OPERATING EXPENSES

Instruction	11,208,457
Research	13,000,474
Public Service	10,498,094
Academic Support	1,198,640
Student Services	9,583,746
Institutional Support	13,175,349
Student Aid	5,698,324
Auxiliary Enterprises	6,969,702
Total Operating Expenses	<u>71,332,786</u>

OPERATING LOSS (27,862,123)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	27,880,600
Federal Grants and Contracts	7,636,939
Investment Income, Net	1,182,412
Other Nonoperating Revenue	24,095
Interest on Capital Assets - Related Debt	(2,364,396)
Loss on Disposal of Fixed Asset	(966,249)
Total Nonoperating Revenues (Expenses)	<u>33,393,401</u>

INCOME BEFORE OTHER REVENUES AND EXPENSES 5,531,278

CAPITAL GRANTS 2,619,162

CHANGE IN NET POSITION 8,150,440

Net Position - Beginning of Year 3,541,137

NET POSITION - END OF YEAR \$ 11,691,577

KENTUCKY STATE UNIVERSITY
STATEMENT OF CASH FLOWS – PRIMARY INSTITUTION
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 6,320,042
Grants, Contracts, and Gifts	21,427,740
Payments to Suppliers	(23,281,196)
Payments to Employees	(44,916,048)
Payments to Students	(3,199,942)
Federal Direct Lending Receipts	9,030,327
Federal Direct Lending Payments	(9,030,327)
Auxiliary Enterprises	6,937,513
Other Receipts	1,872,910
Net Cash Used by Operating Activities	<u>(34,838,981)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	27,880,600
Grants and Contracts	7,636,939
Other Receipts	22,932
Net Cash Provided by Noncapital Financing Activities	<u>35,540,471</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grant	2,619,162
Purchases of Capital Assets	(22,244,631)
Principal Paid on Long-Term Debt	(750,414)
Principal Paid on Lease and SBITA Contracts	(1,418,627)
Interest Paid on Long-Term Debt, Leases, and SBITA Contracts	(2,273,955)
Net Cash Used by Capital and Related Financing Activities	<u>(24,068,465)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(1,675,408)
Interest on Investments	(486,107)
Proceeds from Sales and Maturities of Investments	1,927,524
Net Cash Used by Investing Activities	<u>(233,991)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

(23,600,966)

Cash and Cash Equivalents - Beginning of Year

31,791,460

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 8,190,494

SHOWN IN THE FINANCIAL STATEMENTS AS:

Cash and Cash Equivalents	\$ 2,054,180
Restricted Cash and Cash Equivalents	6,136,314
Total	<u><u>\$ 8,190,494</u></u>

See accompanying Notes to Financial Statements

KENTUCKY STATE UNIVERSITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023

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

Operating Loss	\$ (27,862,123)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities:	
Depreciation Expense	7,383,495
Bad Debt Credit	(649,339)
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(728,918)
Grants Receivable, Net	(4,945,436)
Prepaid Expenses	22,982
Accounts Payable and Accrued Liabilities	135,491
Other Noncurrent Liabilities	303,719
Compensated Absences	(309,235)
Unearned Revenue	(588,765)
Claims and Judgements Payable	357,364
Deferred Outflows - Pension	1,766,175
Deferred Outflows - OPEB	(2,237,604)
Deferred Inflows - Pension	(9,973,154)
Deferred Inflows - OPEB	(615,552)
Net OPEB Asset	11,750
Net Pension Liability	654,647
Net OPEB Liability	2,435,522
Net Cash Used by Operating Activities	<u><u>\$ (34,838,981)</u></u>

SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS

Loss on Disposal of Assets	<u><u>\$ 966,249</u></u>
Capital Additions in Accounts Payable	<u><u>\$ 345,992</u></u>
Expenses Paid on Behalf of the University	<u><u>\$ 2,246,068</u></u>
Acquisition of Right-to-Use Assets Under Lease and SBITA Contracts	<u><u>\$ 4,148,401</u></u>

**KENTUCKY STATE UNIVERSITY
KENTUCKY STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2023**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,014,675
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Investments, at Fair Value	11,957,963
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Property and Equipment

Equipment	140,400
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Buildings and Improvements	65,526
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Accumulated Depreciation	(198,259)
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Total Property and Equipment, Net	<u>7,667</u>
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Other Assets	<u>32,105</u>
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Total Assets	<u><u>\$ 13,012,410</u></u>
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 2,257
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Accrued Liabilities	7,304
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Total Current Liabilities	<u>9,561</u>
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NET ASSETS

Without Donor Restrictions:

Undesignated	(8,572)
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Board-Designated for Endowment	<u>1,619,920</u>
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Total Without Donor Restrictions	<u>1,611,348</u>
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With Donor Restrictions:

Purpose Restriction	5,808,994
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Time-Restricted for Future Periods	82,000
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Perpetual in Nature	<u>5,500,507</u>
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Total With Donor Restrictions	<u>11,391,501</u>
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Total Net Assets	<u>13,002,849</u>
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Total Liabilities and Net Assets	<u><u>\$ 13,012,410</u></u>
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**KENTUCKY STATE UNIVERSITY
KENTUCKY STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 44,897	\$ 654,010	\$ 698,907
Investment Income:			
Interest and Dividends	90,568	183,175	273,743
Realized and Unrealized Gains	349,137	767,483	1,116,620
Other, Net of Investment and Management Expense	(65,695)	-	(65,695)
Total Investment Income, Net	374,010	950,658	1,324,668
Releases from Restrictions	893,763	(893,763)	-
Total Revenues, Gain, and Other Support	1,312,670	710,905	2,023,575
EXPENSES			
Program Services Expenses:			
Student Support	335,036	-	335,036
University Support	528,931	-	528,931
Total Program Services Expenses	863,967	-	863,967
Management and General	430,686	-	430,686
Total Expenses	1,294,653	-	1,294,653
CHANGES IN NET ASSETS	18,017	710,905	728,922
Net Assets - Beginning of Year	1,604,846	10,669,081	12,273,927
Reclassifications	(11,515)	11,515	-
NET ASSETS - END OF YEAR	<u>\$ 1,611,348</u>	<u>\$ 11,391,501</u>	<u>\$ 13,002,849</u>

See accompanying Notes to Financial Statements

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Presentation

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

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged in only business-type activities. Accordingly, the financial statements have been prepared on the accrual basis of accounting with a focus on the flow of economic resources measurement. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Financial Statement Presentation

GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the University as a whole. Net position is classified into four categories according to external restrictions or availability of assets for satisfaction of University obligations. The University's net position is classified as follows:

Net Investment in Capital Assets

Capital assets, net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Financial Statement Presentation (Continued)

Restricted

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

Unrestricted

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

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

Cash Equivalents

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

Accounts, Grants, and Loans Receivable, Net

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

Allowance for Doubtful Accounts

The University provides for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant, and loan balances; the historical collectability experiences by the University on such balances; and other factors that, in the University's judgement, require consideration in estimating doubtful accounts.

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Endowment Funds

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

The University recognizes that long-term objectives are most important, but it is also necessary that shorter-term benchmarks be used to assess the periodic performance of the investment program. The University anticipates annual spending of 4.8% of the market value of the previous year's balance. The University believes that it is prudent to diversify endowment investments so as to minimize the risks of large losses and has established asset allocation ranges based upon the University's participation demographics, anticipated cash flow requirements and the expected returns of the capital markets. Appreciation on endowed funds was \$628,693 for the year ended June 30, 2023.

Investments

Fair value is defined as 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. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value in three levels based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities.

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Investments (Continued)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for assets or liabilities categorized in Level 3.

Prepays

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

Certificates of Participation, Premiums, and Issuance Costs

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

Capital Assets

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

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

<u>Classification</u>	<u>Estimated Life</u>
Improvements	20 Years
Buildings	40 Years
Transportation Equipment	5-15 Years
Equipment	5-20 Years
Enterprise Resource Planning Software	7 Years
Library Holdings	10 Years

The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease or subscription-based information technology arrangement (SBITA) liability plus any payments made prior to the contract term, less contract incentives, and plus ancillary charges necessary to place the capital into service. The right to use assets are amortized on a straight-line basis over the life of the related contract.

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Compensated Absences

It is the University's policy to allow employees to carry over unused annual leave up to a maximum of 40 days. As of June 30, 2023, the liability for unused compensated absences was \$1,784,120.

Unearned Revenue

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

Pensions and Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are used for timing differences for both pension and OPEB plans based on actuarial calculations. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are used for pension and OPEB differences.

Leases and SBITAs

For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the University recognizes periodic expense based on the provision of the lease or SBITA contract. For all other contracts that meet the requirements of GASBS 87 or GASBS 96, the University recognized a lease or subscription liability and an intangible right-to-use asset based on the present value of the future lease or subscription payments over the contracted term of the lease or SBITA.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Leases and SBITAs (Continued)

The University uses its estimated incremental borrowing rate as the discount rate for leases and SBITAs unless the rate the vendor charges is known. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease or SBITA, the present value is remeasured, and corresponding adjustments made. Payments based on future performance are not included in the measurement of the lease or subscription liability but recognized as expense in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised.

Income Taxes

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

Restricted Asset Spending Policy

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

Operating Activities

The University defines operating activities, as reported on the statement of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state and certain federal appropriations, gifts, and investment income, are recorded as nonoperating revenues.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Scholarship Discounts and Allowances

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

Use of Estimates

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

Component Unit Disclosure

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

During the year ended June 30, 2023, the Foundation made distributions of approximately \$528,931 on behalf of the University for both net assets and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Kentucky State University Foundation, Inc. at PO Box 4210, Frankfort, KY 40604.

New Accounting Standards

GASB has issued an accounting standard that was required to be adopted by the University in the current fiscal year, as discussed below.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. Statement No. 96 establishes accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this statement, a government is required to recognize a subscription liability and a right of use subscription asset for SBITAs with a subscription term greater than twelve months. The adoption of this statement had no impact on previously reported beginning net position at June 30, 2022.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Commonwealth treasurer requires that all state funds be insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The University's deposits with the Commonwealth treasurer are pooled with funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Commonwealth treasurer may determine, in the state's name. The University requires that balances on deposits with financial institutions to be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, in the University's name. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. As a means of limiting its exposure to losses from custodial credit risk, the University's deposits and investments are held by the Commonwealth treasurer, collateralized by securities in the University's name, and insured by the FDIC or in the University's name. At June 30, 2023, the University had \$2,231,226 held by trustee that are restricted for capital expenditures as described below in the certificates of participation section.

The carrying amount of cash in bank at June 30, 2023, was \$8,190,494 as compared with the bank balance of \$9,215,994. The difference is primarily caused by outstanding checks and items in transit. At June 30, 2023, the University had petty cash funds totaling \$100 and deposits as reflected by bank balances as follows:

Total Cash Insured by FDIC	\$ 250,000
Cash Covered by Collateral Held by Third-Party Custodian	2,820,902
Maintained by Commonwealth of Kentucky, Collateral Held by the Commonwealth in the Commonwealth's Name	8,678
Total Unrestricted Cash and Cash Equivalents	<u>3,079,580</u>
Maintained by Commonwealth of Kentucky, Collateral Held by the Commonwealth in the Commonwealth's Name, Restricted for Capital	3,815,088
Cash Held by Trustee for Certificates of Participation Project	2,321,226
Total	<u><u>\$ 9,215,894</u></u>

Certificates of Participation

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

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Certificates of Participation (Continued)

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

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

The balances of these restricted cash accounts at June 30, 2023, are as follows:

	Cash and Cash Equivalents
Administrative Expense Fund	\$ 34,991
Certificate Payment Fund	2,832
Capitalized Interest Fund	1,056,362
Construction Fund	45,637
Management, Operations, Maintenance, and Capital Reserve Fund	4,996,492
Total	<u><u>\$ 6,136,314</u></u>

Investments

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University has the following investments with recurring fair value measurements as of June 30, 2023:

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange Traded Funds	\$ 14,231,285	\$ 14,231,285	\$ -	\$ -
Corporate Bonds	3,711,918	-	3,711,918	-
Government Bonds	2,295,247	-	2,295,247	-
Total	<u><u>\$ 20,238,450</u></u>	<u><u>\$ 14,231,285</u></u>	<u><u>\$ 6,007,165</u></u>	<u><u>\$ -</u></u>

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Investments (Continued)

All securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued based on the securities' relationship to benchmark quoted prices.

As of June 30, 2023, the University had the following fixed income investments with the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u><1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>11-20 Years</u>
Corporate Bonds	\$ 3,711,918	\$ 503,992	\$ 2,609,740	\$ 598,186	\$ -
Government Bonds	2,295,247	397,001	1,121,277	776,969	-
Total	<u>\$ 6,007,165</u>	<u>\$ 900,993</u>	<u>\$ 3,731,017</u>	<u>\$ 1,375,155</u>	<u>\$ -</u>

Credit Risk

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

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 ACCOUNTS, GRANTS, AND LOANS RECEIVABLE

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

	Student Tuition and Fees	Student Loan	Grants and Contracts	Other	Total
Total	\$ 2,098,414	\$ 1,039,147	\$ 7,893,240	\$ 52,669	\$ 11,083,470
Allowance	(555,901)	(1,039,147)	-	-	(1,595,048)
Net Total	<u>\$ 1,542,513</u>	<u>\$ -</u>	<u>\$ 7,893,240</u>	<u>\$ 52,669</u>	<u>\$ 9,488,422</u>

NOTE 4 CAPITAL ASSETS, NET

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

	Balance (Restated)	Additions	Transfers	Disposals	Ending Balance
Capital Assets Not Being					
Depreciated or Amortized:					
Land and Improvements	\$ 2,288,370	\$ 790,000	\$ -	\$ -	\$ 3,078,370
Construction in Progress	34,535,678	22,337,156	(52,988,565)	-	3,884,269
Total Capital Assets					
Not Being Depreciated					
or Amortized	36,824,048	23,127,156	(52,988,565)	-	6,962,639
Other Capital Assets:					
Land Improvements	4,245,417	31,115	144,563	254,504	4,675,599
Buildings	172,788,042	-	51,592,845	(254,504)	224,126,383
Equipment	48,390,349	1,419,086	(9,662,475)	49,950	40,196,910
Transportation Equipment	4,839,675	726,717	(761,935)	-	4,804,457
Library Holdings	10,689,760	-	(10,408,174)	-	281,586
Computer Software	2,104,289	-	(478,701)	-	1,625,588
Right to Use Lease Assets	611,871	463,669	-	-	1,075,540
Right to Use SBITA Assets	2,142,704	1,539,647	-	-	3,682,351
Total Other Capital Assets	245,812,107	4,180,234	30,426,123	49,950	280,468,414
Less: Accumulated Depreciation					
and Amortization for:					
Land Improvements	728,271	235,129	-	2,870,094	3,833,494
Buildings	110,509,967	2,573,451	(1,012,523)	(107,212)	111,963,683
Equipment	25,009,662	3,112,380	(9,601,099)	520	18,521,463
Transportation Equipment	4,480,217	116,100	(423,187)	-	4,173,130
Library Holdings	10,556,392	33,103	(10,376,418)	-	213,077
Computer Software	1,746,403	20,346	(182,966)	-	1,583,783
Right to Use Lease Assets	209,064	382,609	-	-	591,673
Right to Use SBITA Assets	-	907,996	-	-	907,996
Total Accumulated					
Depreciation/Amortization	153,239,976	7,381,114	(21,596,193)	2,763,402	141,788,299
Capital Assets, Net	<u>\$ 129,396,179</u>	<u>\$ 19,926,276</u>	<u>\$ (966,249)</u>	<u>\$ (2,713,452)</u>	<u>\$ 145,642,754</u>

At June 30, 2023, the remaining estimated contractual commitments of \$3 million for capital expenditures.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 UNEARNED REVENUE

Unearned revenue consists of grants in the amount of \$1,121,264, tuition of \$481,514 and other of \$208,781 as of June 30, 2023.

NOTE 6 ACCRUED COMPENSATED ABSENCES

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

Annual and Compensatory Leave

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

Activity in the liability for accrued compensated absences during the year ended June 30, 2023, is summarized as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Accrued Compensated Absences	\$ 2,093,355	\$ -	\$ (309,235)	\$ 1,784,120	\$ 993,650

Sick Leave

It is the policy of the University to record the cost of sick leave when paid. Generally, sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death. There is no liability recorded for sick leave at June 30, 2023. The estimated accumulated amount of unused sick leave at June 30, 2023, totals approximately \$7,094,000.

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2023, are summarized as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Current Portion
<u>Bonds</u>					
General Receipts Bonds	\$ 1,505,000	\$ -	\$ 280,000	\$ 1,225,000	\$ 290,000
Bond Discount	(18,409)	-	-	(18,409)	(4,484)
Total Bonds	1,486,591	-	280,000	1,206,591	285,516
<u>Direct Borrowings</u>					
Finance Purchase	15,212,532	-	470,414	14,742,118	960,036
<u>Other Long-Term Liabilities</u>					
Series 2021 COP	49,190,000	-	-	49,190,000	-
Series 2021 COP-Premium	8,306,728	-	567,642	7,739,086	577,682
HB 250 Stabilization Funding	23,000,000	-	-	23,000,000	-
Total Long-Term Liabilities	80,496,728	-	567,642	79,929,086	577,682
Total Long-Term Debt	97,195,851	-	1,318,056	95,877,795	1,823,234
<u>Other</u>					
Lease Liabilities	434,321	463,669	394,729	503,261	416,679
Subscription Liabilities	2,142,704	1,539,647	1,021,517	2,660,834	1,065,215
Total Other	2,577,025	2,003,316	1,416,246	3,164,095	1,481,894
Total	\$ 99,772,876	\$ 2,003,316	\$ 2,734,302	\$ 99,041,890	\$ 3,305,128

HB 250 Stabilization Funding

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

General Receipt Bonds

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

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

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

General Receipt Bonds (Continued)

The principal and interest repayment requirements relating to the outstanding bonds payable at June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 290,000	\$ 47,469	\$ 337,469
2025	300,000	36,231	336,231
2026	310,000	24,606	334,606
2027	325,000	12,594	337,594
Total	<u>\$ 1,225,000</u>	<u>\$ 120,900</u>	<u>\$ 1,345,900</u>

Finance Purchase

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

The capitalized costs of assets acquired through the financed purchases included in the above schedule was \$16,693,621 with accumulated amortization of \$2,594,753 as of June 30, 2023. These assets are pledged as collateral in an event of default.

The principal and interest repayment requirements relating to the energy management system obligation payable at June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 960,036	\$ 392,978	\$ 1,353,014
2025	986,224	366,790	1,353,014
2026	1,013,127	339,887	1,353,014
2027	1,040,764	312,250	1,353,014
2028	1,069,154	283,860	1,353,014
2029-2033	5,799,487	965,586	6,765,073
2034-2036	3,873,326	185,718	4,059,044
Total	<u>\$ 14,742,118</u>	<u>\$ 2,847,069</u>	<u>\$ 17,589,187</u>

Certificates of Participation

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

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Certificates of Participation (Continued)

The COPs are secured by certain real estate and the projects located on that real estate, the lease payments to KSU Campus Housing, LLC (the Company) and a pledge of general receipts. The University has entered into a lease purchase arrangement whereby on the termination of the stated lease, title to the land and buildings will be conveyed absolutely to the University. The University has the right to acquire the entire title to the facility on or after November 1, 2031.

Future debt service requirements for all certificates of participation outstanding at June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 1,023,075	\$ 1,023,075
2025	1,030,000	2,020,400	3,050,400
2026	1,060,000	1,968,150	3,028,150
2027	1,095,000	1,914,725	3,009,725
2028	1,125,000	1,858,775	2,983,775
2029 - 2033	6,155,000	8,414,925	14,569,925
2034 - 2038	6,830,000	7,072,400	13,902,400
2039 - 2043	7,485,000	5,641,100	13,126,100
2044 - 2048	8,140,000	4,078,600	12,218,600
2049 - 2053	8,795,000	2,384,900	11,179,900
2054 - 2057	7,475,000	602,700	8,077,700
Total	<u>\$ 49,190,000</u>	<u>\$ 36,979,750</u>	<u>\$ 86,169,750</u>

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

<u>Year Ending June 30,</u>	<u>Prepaid Insurance</u>	<u>Bond Premium</u>
2024	\$ 25,932	\$ 577,682
2025	25,932	557,366
2026	25,932	522,026
2027	25,932	487,034
2028	25,932	452,494
2029 - 2033	129,660	1,766,480
2034 - 2038	129,660	1,274,896
2039 - 2043	129,660	946,100
2044 - 2048	129,660	669,331
2049 - 2053	129,660	391,200
2054 - 2058	80,211	94,477
Total	<u>\$ 858,171</u>	<u>\$ 7,739,086</u>

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Leases

The University leases various copiers, printers, and buses from vendors for various departments. Terms of these leases expire in various years through 2026. The lease liabilities are reported at the net present value using the University's incremental borrowing rate or the discount rate as stated in the contract terms, if available. Lease assets and related accumulated amortization total \$1,075,540 and \$591,673 as of June 30, 2023, respectively.

Principal and interest on lease obligations for the three fiscal years as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 430,269	\$ 416,678	\$ 10,315
2025	81,598	80,851	931
2026	5,820	5,732	116
Total	<u>\$ 517,687</u>	<u>\$ 503,261</u>	<u>\$ 11,362</u>

SBITAs

The University has subscription contracts with various vendors for the right to use software. Terms of these contracts expire in various years through 2027. The subscription liabilities are reported at the net present value using the University's incremental borrowing rate or the discount rate as stated in the contract terms, if available. Subscription right to use assets and related accumulated amortization total \$3,682,351 and \$907,996 as of June 30, 2023, respectively.

Principal and interest on the contract obligations for the four fiscal years as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,200,818	\$ 1,065,215	\$ 135,603
2025	1,092,763	1,037,325	55,438
2026	421,878	452,962	(31,084)
2027	106,740	105,332	1,408
Total	<u>\$ 2,822,199</u>	<u>\$ 2,660,834</u>	<u>\$ 161,365</u>

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS

Kentucky Employees' Retirement System - Defined Benefit Plan

Plan Description

The University contributes to the Kentucky Employees Retirement System (KERS), a cost sharing - multiple employer public employee retirement system. KERS is a defined benefit plan providing for retirement, disability, death benefits and health insurance. Participants have a fully vested interest after the completion of 60 months of service, 12 of which are current service. KERS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the pension plan's fiduciary net position. That report may be obtained by writing to Kentucky Employee Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124 or by calling (502) 696-8800.

	Tier 1 Participation Prior to September 1, 2008	Tier 2 Participation September 1, 2008 Through December 31, 2013	Tier 3 Participation January 1, 2014
<u>Nonhazardous</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.		

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS

Kentucky Employees' Retirement System - Defined Benefit Plan (Continued)

Plan Description (Continued)

	Tier 1 Participation Prior to September 1, 2008	Tier 2 Participation September 1, 2008 Through December 31, 2013	Tier 3 Participation January 1, 2014
<u>Nonhazardous</u>			
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.
<u>Hazardous</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 lumpsum compensation payments (before and at retirement).	3 highest salaries; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor	2.49%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 26 years = 2.25%. Greater than 25 years = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA)	No COLA unless authorized by the Legislature. If authorized, the COLA is limited to 1.5%. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit	Any age with 20 years of service. Age 55 with 60 months of service.	Any age with 25 years of service. Age 60 with 60 months of service.	Any age with 25 years of service. Age 60 with 60 months of service.
Reduced Retirement Benefit	Age 50 with 15 years of service.	Age 50 with 15 years of service.	No reduced retirement benefit.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Employees' Retirement System - Defined Benefit Plan (Continued)

Contributions

Benefit and contribution rates are established by state statute. Per KRS 61.565(3) contribution requirements of the active employees and the participating organizations are established and may be amended by the Kentucky Retirement System Board (KRS Board). For the fiscal year ended June 30, 2023, University nonhazardous and hazardous employees were required to contribute 5% and 8%, respectively, of their annual covered salary.

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

Participating employers were required to contribute at an actuarially determined rate. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the KRS Board. Administrative costs of KERS are financed through employer contributions and investment earnings.

Pursuant to KRS 61.5991, the method of calculating the employer contribution changed from a percentage of pay to a two-part calculation effective July 1, 2021. The normal cost contributions are based on each employers' reported payroll multiplied by the normal cost percentage. House Bill 192, passed during the 2021 regular session of the legislature, set the KERS nonhazardous employer contribution rate for the year ended June 30, 2022, at 9.60% (7.74% to the pension fund and 1.86% to the insurance fund). The unfunded liability cost is an actuarially accrued liability contribution based upon the actuarial valuation for fiscal year 2022 and is prorated according to each employer's percentage of the plan's total actuarial accrued liability that is attributable to each employer's current and former employees. The University's share of the actuarially accrued liability contribution is 0.239538%, with 90% allocated to the pension fund and 10% allocated to the insurance fund. The University contributed \$2,463,171 to the nonhazardous retirement plan; \$236,464 for the normal cost contribution, and \$2,226,707 for the actuarially accrued liability contribution. \$1,985,932 of the contribution was allocated to the nonhazardous KERS pension fund and \$477,239 to the nonhazardous KERS insurance fund. All of the \$58,023 contributed for the KERS Hazardous plan was allocated to pension benefits.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Employees' Retirement System - Defined Benefit Plan (Continued)

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

At June 30, 2023, the University reported a liability of \$31,780,327 for its proportionate share of the nonhazardous net pension liability and \$574,396 for hazardous.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled-forward for June 30, 2022. The University's proportionate share of the Nonhazardous net pension liability is 0.239538%, which is a decrease of 0.002877% from the prior year allocation of 0.242415%. The University's proportionate share of the Hazardous net pension liability is 0.113178%, which is an increase of 0.101948% from the prior year allocation of 0.101948%. The net pension liability was allocated based upon the employers' allocation of amortization cost, as specified under the revised statutes and is further based upon their allocation of the normal cost portion of the required contribution, as allocated by actual salary for fiscal year ending June 30, 2022.

For the year ended June 30, 2023, the University's actuarially calculated reduction to pension expense was \$3,960,811 for nonhazardous and an increase of pension expense of \$163,025 for hazardous. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous:		
Difference Between Expected and Actual Experience	\$ -	\$ 37,230
Net Difference Between Projected and Actual Earnings on Investments	685,558	562,392
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	1,022,853
University Contributions Subsequent to Measurement Date	2,380,791	-
Total	<u>\$ 3,066,349</u>	<u>\$ 1,622,475</u>
Hazardous:		
Difference Between Expected and Actual Experience	\$ 4,986	\$ 10,318
Net Difference Between Projected and Actual Earnings on Investments	112,514	88,226
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	58,170	-
University Contributions Subsequent to Measurement Date	58,023	-
Total	<u>\$ 233,693</u>	<u>\$ 98,544</u>

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Employees' Retirement System - Defined Benefit Plan (Continued)

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

At June 30, 2023, the University reported \$2,438,814 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as pension expense. Deferred outflows and deferred inflows of resources at June 30, 2023, related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2024	\$ (1,055,459)	\$ 54,791
2025	(6,119)	4,057
2026	(31,077)	(5,567)
2027	155,738	23,845
Total	<u>\$ (936,917)</u>	<u>\$ 77,126</u>

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Asset Valuation Method	20% of the Difference Between Market Value of Assets and the Expected Actuarial Value of Assets is Recognized
Inflation	2.30%
Payroll Growth Rate	0%
Salary Increases, Varies by Service:	
Nonhazardous	3.30 to 15.30
Hazardous	3.55 to 20.05
Investment Rate of Return:	
Nonhazardous	5.25
Hazardous	6.25

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Employees' Retirement System - Defined Benefit Plan (Continued)

Actuarial Assumptions (Continued)

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

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

The net pension liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation rolled-forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

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

<u>Asset Class</u>	<u>Hazardous</u>		<u>Nonhazardous</u>	
	<u>Target</u>	<u>Long-Term</u>	<u>Target</u>	<u>Long-Term</u>
		<u>Nominal</u>		<u>Nominal</u>
	<u>Allocation</u>	<u>Rate of Return</u>	<u>Allocation</u>	<u>Rate of Return</u>
Public Equity	43.50 %	4.45 %	32.50 %	4.45 %
Core Bonds	10.00	0.28	20.50	0.28
Specialty Credit/High Yield	15.00	2.28	15.00	2.28
Real Estate	10.00	3.67	10.00	3.67
Real Return	10.00	4.07	10.00	4.07
Private Equity	10.00	10.15	7.00	10.15
Cash Equivalents	1.50	(0.91)	5.00	(0.91)
Total	<u>100.00 %</u>		<u>100.00 %</u>	

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Employees' Retirement System - Defined Benefit Plan (Continued)

Changes Since Measurement Date

There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Discount Rate

The discount rate used to measure the total pension liability was 5.25% (Nonhazardous) and 6.25% (Hazardous). The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position and future contributions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The University's proportionate share of the net pension liability has been calculated using a discount rate of 5.25% (Nonhazardous) and a discount rate of 6.25% (Hazardous) for the June 30, 2021, actuarial valuation. The following presents the University's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate as of June 30, 2023:

	1% Decrease (4.25)%	Current Discount Rate (5.25%)	1% Increase (6.25)%
Nonhazardous:			
Proportionate Share of the			
Collective Net Pension Liability	<u>\$ 36,552,545</u>	<u>\$ 31,780,327</u>	<u>\$ 27,850,843</u>
	1% Decrease (5.25)%	Current Discount Rate (6.25%)	1% Increase (7.25)%
Hazardous:			
Proportionate Share of the			
Collective Net Pension Liability	<u>\$ 758,981</u>	<u>\$ 574,396</u>	<u>\$ 424,812</u>

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Teachers' Retirement System - Defined Benefit Plan

Plan Description

The Kentucky Teachers' Retirement System (KTRS), a cost sharing - multiple employer public employee retirement system. KTRS is a defined benefit plan providing for retirement, disability, death benefits and health insurance. Participants have a fully vested interest after the completion of 60 months of service, 12 of which are current service. KTRS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the pension plan's fiduciary net position. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601 or by calling (502) 573-3266.

<u>Benefits Provided</u>	<u>Tier 1 Participation Prior to July 1, 2008</u>	<u>Tier 2 Participation On or After 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.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Teachers' Retirement System - Defined Benefit Plan (Continued)

Plan Description (Continued)

<u>Benefits Provided</u>	<u>Tier 1 Participation Prior to July 1, 2008</u>	<u>Tier 2 Participation On or After July 1, 2008</u>
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)	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 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.	

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Teachers' Retirement System - Defined Benefit Plan (Continued)

Contributions

Benefit and contribution rates are established by state statute. Per KRS 161.340, 161.550, and 161.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KTRS Board. For the fiscal year ended June 30, 2022, University employees were required to contribute 8.185% of their annual covered salary for retirement benefits. The University was contractually required to contribute 16.48% (13.65% allocated to pension, 2.75% allocated to medical insurance, and .08% allocated to life insurance) of covered payroll for the year ended June 30, 2022. The actuarially determined amount, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University's total contributions to KTRS for the year ended June 30, 2023, was \$1,713,242 and were equal to the required contributions for the year. In addition, the Commonwealth of Kentucky contributes ad hoc annual cost of living adjustments provided by the General Assembly for KTRS retirees. This contribution totaled \$2,226,389 for the year ended June 30, 2023.

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

At June 30, 2023, the University reported a liability for its proportionate share of the net pension liability that reflected a reduction for pension support provided to the University by the Commonwealth of Kentucky. The amount recognized by the University as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the University were as follows:

University's Proportionate Share of the Net Pension Liability	\$ 23,214,213
Commonwealth of Kentucky's Proportionate Share of the Net Pension Liability Associated with the University	30,167,294
Total	<u>\$ 53,381,507</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The University's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period of July 1, 2020, through June 30, 2021. At June 30, 2023, the University's proportion was 0.13% and the Commonwealth's proportion was 0.17%.

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Teachers' Retirement System - Defined Benefit Plan (Continued)

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

For the year ended June 30, 2023, the University was allocated pension expense of \$1,131,911 including \$639,673 for support provided by the Commonwealth. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Investments	\$ 1,479,343	\$ -
Change in Assumptions	2,105,559	-
Differences Between Expected and Actual Experience	-	805,895
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	961,493	3,679,741
Contributions Subsequent to Measurement Date	1,549,438	-
Total	<u>\$ 6,095,833</u>	<u>\$ 4,485,636</u>

At June 30, 2023, the University reported \$1,549,438 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as pension expense in the following fiscal year. Net deferred outflow (inflows) of resources at June 30, 2023, related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 308,641
2025	(243,548)
2026	(1,337,455)
2027	1,333,121
Total	<u>\$ 60,759</u>

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Teachers' Retirement System - Defined Benefit Plan (Continued)

Actuarial Assumptions

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

Valuation Date	June 30, 2021
Inflation	2.50%
Salary Increases	3.00% - 7.50%, Average, Including Inflation
Investment Rate of Return	7.10%, Net of Pension Plan Investment Expense, Including Inflation
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.50%
Postretirement Benefit Increases	1.50% Annually

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups, service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, adopted by the board on September 20, 2021.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2020, adopted by the Board on September 20, 2021.

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

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Teachers' Retirement System - Defined Benefit Plan (Continued)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Large Cap U.S. Equity	37.40 %	4.20 %
Small Cap U.S. Equity	2.60	4.70
International Equity	16.50	5.30
Emerging Markets Equity	5.50	5.40
Fixed Income	15.00	(0.10)
High Yield Bonds	2.00	1.70
Additional Categories	5.00	2.20
Real Estate	7.00	4.00
Private Equity	7.00	6.90
Cash	2.00	(0.30)
Total	<u>100.00 %</u>	

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 be made at actuarially determined contribution rates, adjusted by 95% for all fiscal years in the future. Based on those assumptions, at the June 30, 2022, measurement date, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Kentucky Teachers' Retirement System - Defined Benefit Plan (Continued)

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.10)%	Current Discount (7.10)%	1% Increase (8.10)%
Proportionate Share of the Collective Net Pension Liability	<u>\$ 29,662,966</u>	<u>\$ 23,214,213</u>	<u>\$ 17,891,304</u>

Summary Pension Plan Information

	KERS Hazardous/ Nonhazardous	KTRS	Total
Net Pension Liability	\$ 32,354,723	\$ 23,214,213	\$ 55,568,936
Deferred Outflows of Resources	3,300,042	6,095,833	9,395,875
Deferred Inflows of Resources	1,721,019	4,485,636	6,206,655
Pension Expense (Income)	(3,797,786)	1,131,911	(2,665,875)

NOTE 9 KENTUCKY STATE UNIVERSITY DEFINED CONTRIBUTION RETIREMENT PLAN

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

To provide the opportunity to continue participation in the Plan, the University has established a tax-deferred annuity plan, which requires electing participants to enter into a written salary reduction agreement with the University to participate. All eligible employees may begin participation in the plan on a voluntary basis on the first day after beginning employment at the University. Electing participants are required by the plan to contribute 6.16% of their salaries to the plan. Currently, the University is required to contribute 8.74% of the covered employees' salaries. The contribution requirement for the year ended June 30, 2023, totals approximately \$1,223,000, consisting of approximately \$657,000 from the University and \$566,000 from employees. This represents 100% of the contributions required by the plan. Participants may also elect to make contributions on an after-tax basis. Total contributions to the plan will not exceed limits imposed by section 415 and section 403(b) of the Internal Revenue Code. These limits may be adjusted from time to time. In addition, salary reduction contributions to the plan will be further limited by Code section 402(g).

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB)

In addition to the pension plans disclosed in Note 8, the University's employees participate in either the KTRS OPEB Plan or the KERS OPEB Plan (the System) depending on the retirement plan in which they participate. Each OPEB plan is described in detail below.

Kentucky Employees Retirement System (KERS) OPEB Plan

Plan Description

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

OPEB Benefits Provided

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

Participation Began Before July 1, 2003

Benefit Eligibility: Recipient of a retirement allowance.

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

Participation Began On or After July 1, 2003, but Before September 1, 2008

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

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

Participation Began On or After September 1, 2008

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

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

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Employees Retirement System (KERS) OPEB Plan (Continued)

Contributions

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

Pursuant to KRS 61.5991, the method of calculating the employer contribution changed from a percentage of pay to a two-part calculation effective July 1, 2021. The normal cost contributions are based on each employers' reported payroll multiplied by the normal cost percentage. House Bill 192, passed during the 2021 regular session of the legislature, set the KERS nonhazardous employer contribution rate for the year ended June 30, 2023, at 9.60% (7.74% to the pension fund and 1.86% to the insurance fund). The unfunded liability cost is an actuarially accrued liability contribution based upon the actuarial valuation for fiscal year 2020 and is prorated according to each employer's percentage of the plan's total actuarial accrued liability that is attributable to each employer's current and former employees.

The University's share of the actuarially accrued liability contribution is 0.239538%, with 90% allocated to the pension fund and 10% allocated to the insurance fund. The University contributed \$2,463,171 to the nonhazardous retirement plan; \$236,464 for the normal cost contribution, and \$2,226,707 for the actuarially accrued liability contribution. The University's share of the actuarially accrued liability contribution is 0.239538%, with 90% allocated to the pension fund and 10% allocated to the insurance fund. The University contributed \$2,463,171 to the nonhazardous retirement plan; \$236,464 for the normal cost contribution, and \$2,226,707 for the actuarially accrued liability contribution. \$1,985,932 of the contribution was allocated to the nonhazardous KERS pension fund and \$477,239 to the nonhazardous KERS insurance fund. All of the \$58,023 contributed for the KERS Hazardous plan was allocated to pension benefits.

Members Whose Participation Began Before September 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 September 1, 2008

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

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Employees Retirement System (KERS) OPEB Plan (Continued)

Contributions (Continued)

Members Whose Participation Began On or After January 1, 2014

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

Total OPEB Liability

The total other postemployment benefits (OPEB) liability was determined by an actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Inflation	2.30%
Payroll Growth Rate	0.00% for KERS Nonhazardous and Hazardous
Salary Increases	3.30 to 15.30%, Varies by Service for Nonhazardous, and 3.55% to 20.05%, Varies by Service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial Trend Starting at 6.40% at January 1, 2023, Decreasing to an Ultimate Trend Rate of 4.05% over 13 Years
Post-65	Initial Trend Starting at 6.30% at January 1, 2023, Decreasing to an Ultimate Trend Rate of 4.05% over 13 Years

The mortality table used are System-specific based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Employees Retirement System (KERS) OPEB Plan (Continued)

Total OPEB Liability (Continued)

Discount Rate Assumptions

- Discount Rate: The discount rate used to measure the total Nonhazardous OPEB liability was 5.72%, which was increased from the 5.26% discount rate used in the prior year. The discount rate used to measure the total Hazardous OPEB liability was 5.59%, which was increased from the 5.01% discount rate used in the prior year.
- 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 each future year calculated in accordance with the current funding policy.
- Municipal Bond Rate: The discount rate determination used a municipal bond rate of 3.69% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022.
- Long-Term Rate of Return and 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 rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the nonhazardous and hazardous plan. 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>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	43.50 %	4.45 %
Private Equity	10.00	10.15
Specialty Credit/High Yield	15.00	2.28
Core Bonds	10.00	0.28
Real Estate	10.00	3.67
Real Return	10.00	4.07
Cash	1.50	(0.91)
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.

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Employees Retirement System (KERS) OPEB Plan (Continued)

Nonhazardous

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

	1% Decrease (4.72)%	Current Discount Rate (5.72%)	1% Increase (6.72)%
The University's Net OPEB Liability - Nonhazardous	<u>\$ 7,000,443</u>	<u>\$ 5,847,470</u>	<u>\$ 4,786,432</u>

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB Liability - Nonhazardous	<u>\$ 4,807,593</u>	<u>\$ 5,847,470</u>	<u>\$ 6,964,211</u>

Hazardous

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

	1% Decrease (4.59)%	Current Discount Rate (5.59%)	1% Increase (6.59)%
The University's Net OPEB Asset - Hazardous	<u>\$ 103,508</u>	<u>\$ 8,633</u>	<u>\$ (68,385)</u>

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Employees Retirement System (KERS) OPEB Plan (Continued)

Hazardous (Continued)

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB			
Asset - Hazardous	<u>\$ (61,048)</u>	<u>\$ 8,633</u>	<u>\$ 93,254</u>

Employer's Portion of the Collective OPEB Liability

The University's proportionate share of the Nonhazardous net OPEB liability, as indicated in the prior table, is \$5,847,470, or 0.264339%, which is an increase of 0.013099% from the prior year allocation of 0.025124%. The University's proportionate share of the Hazardous net OPEB liability, as indicated in the prior table, is \$8,633, or 0.113180%, which is an increase of 0.101948% from the prior year allocation of 0.101948%. The net OPEB liability was allocated based upon the employers' allocation of amortization cost, as specified under the revised statutes and is further based upon their allocation of the normal cost portion of the required contribution, as allocated by actual salary for fiscal year ending June 30, 2022.

OPEB Expense

The University was allocated OPEB expense of \$232,723 related to the KERS Nonhazardous and \$24,530 related to the KERS Hazardous for the year ended June 30, 2023.

Deferred Outflows and Deferred Inflows

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

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Employees Retirement System (KERS) OPEB Plan (Continued)

Deferred Outflows and Deferred Inflows (Continued)

Deferred inflows and outflows as of the Measurement Date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous:		
Difference Between Expected and Actual Experience	\$ 142,473	\$ 468,359
Changes of Assumptions	328,685	387,943
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	486,999	751,184
Difference Between Expected and Actual Investment Earnings on Plan Investments	119,305	-
Contributions Subsequent to the Measurement Date	333,721	-
Total	<u>\$ 1,411,183</u>	<u>\$ 1,607,486</u>
Hazardous:		
Difference Between Expected and Actual Experience	\$ 10,757	\$ 35,546
Changes of Assumptions	49,753	41,390
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	17,427	22,135
Difference Between Expected and Actual Investment Earnings on Plan Investments	10,796	-
Contributions Subsequent to the Measurement Date	673	-
Total	<u>\$ 89,406</u>	<u>\$ 99,071</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$334,394, which excludes the implicit subsidy reported of \$116,726, will be recognized as a reduction of net OPEB expense 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:

<u>Year Ending June 30,</u>	Nonhazardous	Hazardous
2024	\$ (202,044)	\$ (1,016)
2025	(361,161)	(129)
2026	(61,334)	(14,546)
2027	94,515	5,353
Total	<u>\$ (530,024)</u>	<u>\$ (10,338)</u>

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Teachers' Retirement System OPEB Plan

Medical Insurance Plan

Plan Description

In addition to the pension benefits previously described, KRS 161.675 requires KTRS to provide postemployment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance, and the General Assembly.

Benefits Provided

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

Contributions

To fund the postretirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. 3.75% is paid by member contributions, 0.75% from state appropriation, and 3.00% from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010, who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. For the year ended June 30, 2023, the University contributed \$313,309 to the KTRS medical insurance plan.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Medical Insurance Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2023, the University reported a liability of \$5,862,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the University. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the University's proportion was 0.236126%, a decrease of 0.1450504% from the prior year proportion of .1686630%, and the Commonwealth of Kentucky's proportionate share was 0.0148310%, a decrease of 0.061017% from the prior year proportion of 0.075848%.

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

University's Proportionate Share of the Net OPEB Liability	\$ 5,862,000
State's Proportionate Share of the Net OPEB Liability Associated with the University	<u>368,000</u>
Total	<u><u>\$ 6,230,000</u></u>

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Medical Insurance Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

For the year ended June 30, 2023, the University recognized OPEB expense of \$19,679 and revenue of \$19,679 for support provided by the State. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual		
Earnings on OPEB Plan Investments	\$ 312,000	\$ -
Change in Assumptions	1,190,000	-
Differences Between Expected and		
Actual Experience	-	2,464,000
Changes in Proportion and Differences Between		
Employer Contributions and Proportionate Share		
of Contributions	1,979,000	117,000
University's Contributions Subsequent to		
Measurement Date	333,333	-
Total	<u>\$ 3,814,333</u>	<u>\$ 2,581,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$333,333 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as OPEB expense in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (13,000)
2025	(16,000)
2026	50,000
2027	390,000
2028	349,000
Thereafter	140,000
Total	<u>\$ 900,000</u>

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Medical Insurance Plan (Continued)

Actuarial Assumptions

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Investment Rate of Return	7.10%, Net of OPEB Plan Investment Expense, Including Inflation
Projected Salary Increases	3.00-7.50%, Including Inflation
Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare Cost Trend Rates	
Under 65	7.00% for 2022 Decreasing to an Ultimate Rate of 4.50% by FY 2032
Ages 65 and Older	5.125% for FY 2022 Decreasing to an Ultimate Rate of 4.50% by FY 2025
Medicare Part B Premiums	6.97% for FY 2022 with an Ultimate Rate of 4.50% by 2034
Municipal Bond Index Rate	3.37%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, Net of OPEB Plan Investment Expense, Including Price Inflation

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

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Medical Insurance Plan (Continued)

Actuarial Assumptions (Continued)

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

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

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

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Medical Insurance Plan (Continued)

Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (6.10)%	Current Discount (7.10)%	1% Increase (8.10)%
University's Net OPEB Liability (Medical Insurance)	<u>\$ 7,355,000</u>	<u>\$ 5,862,000</u>	<u>\$ 4,626,000</u>

Sensitivity of the University's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

	1% Decrease	Current Trend Rate	1% Increase
University's Net OPEB Liability (Medical Insurance)	<u>\$ 4,394,000</u>	<u>\$ 5,862,000</u>	<u>\$ 7,687,000</u>

Life Insurance Plan

Plan Description

KTRS administers the life insurance plan as provided by KRS 161.655 to eligible active and retired members. The KTRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the life insurance plan may be made by the KTRS Board of Trustees and the General Assembly.

Benefits Provided

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

Contributions

In order to fund the postretirement life insurance benefit, 0.03% of the gross annual payroll of members is contributed by the state. For the year ended June 30, 2022, the University contributed \$8,993 to the KTRS life insurance plan.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Life Insurance Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2023, the University reported a liability of \$118,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the University's proportion was 0.378871%, a decrease of 0.043115% from the prior year proportion of 0.043115%.

For the year ended June 30, 2023, the University recognized actuarially determined OPEB expense of \$19,679 and revenue of \$19,679 for support provided by the State. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 32,000	\$ -
Net Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,000	10,000
Change in Assumptions	-	15,000
Differences Between Expected and Actual Experience	2,000	14,000
University's Contributions Subsequent to the Measurement Date	9,786	-
Total	<u>\$ 48,786</u>	<u>\$ 39,000</u>

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Life Insurance Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$9,786 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as OPEB expense in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (1,000)
2025	(2,000)
2026	-
2027	10,000
2028	(7,000)
Thereafter	-
Total	<u>\$ -</u>

Actuarial Assumptions

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

Investment Rate of Return	7.10% Net of OPEB Plan Investment Expense, Including Inflation
Projected Salary Increases	3.00-7.50% Including Inflation
Inflation Rate	3.00%
Real Wage Growth	5.00%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.50%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.50% Net of OPEB Plan Investment Expense, Including Inflation

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

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Life Insurance Plan (Continued)

Actuarial Assumptions (Continued)

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

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

<u>Asset Class*</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00 %	4.40 %
International Equity	23.00	5.60
Fixed Income	18.00	(0.10)
Real Estate	6.00	4.00
Private Equity	5.00	6.96
Additional Categories	6.00	2.10
Cash	2.00	(0.30)
Total	<u>100.00 %</u>	

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

Discount Rate

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

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLANS (OPEB) (CONTINUED)

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Life Insurance Plan (Continued)

Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (6.10)%	Current Discount Rate (7.10%)	1% Increase (8.10)%
University's Net OPEB (LI) Liability	\$ 182,000	\$ 8,993	\$ 66,000

Summary OPEB Information

	KERS	KTRS	Total
Net OPEB Liability	\$ 5,856,103	\$ 5,870,993	\$ 11,727,096
Deferred Outflows of Resources	3,814,333	48,786	3,863,119
Deferred Inflows of Resources	2,581,000	39,000	2,620,000
Actuarially Determined OPEB Expense	198,000	8,000	206,000

NOTE 11 COMMITMENTS AND CONTINGENCIES

The University is a party to various lawsuits and other claims in the ordinary course of business. Matters existed as of June 30, 2023, for which judgments and settlements have been reached after June 30, 2023. The amount accrued as of June 30, 2023, for these matters is \$350,000. University officials are of the opinion, based upon the advice of legal counsel, that the ultimate resolution of additional matters existing as of June 30, 2023, but not accrued as of that date, will not have a material effect on the financial statements of the University.

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

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 RISK MANAGEMENT

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

During fiscal year 2020, the University started a self-insurance program for employee's health insurance. Under this plan, the University pays premiums based on estimated claims. The University pays approximately 62% of the expenses of the plan for permanent full-time employees and their families. The liability for self-insurance is included in accrued liabilities in the accompanying statement of net position. Changes in the liability for self-insurance for June 30, 2023, are as follows:

Liability - Beginning of Year	\$ 405,514
Accruals for Current Year Claims and Changes in Estimate	2,981,411
Claims Paid	<u>(3,084,595)</u>
Liability - End of Year	<u><u>\$ 302,330</u></u>

NOTE 13 NATURAL AND FUNCTIONAL CLASSIFICATIONS OF OPERATING EXPENSES

In the Statement of Revenues, Expenses, and Changes in Net Position, operating expenses are presented by functional expense purpose. Depreciation is allocated below based on functional classification as required by Integrated Postsecondary Education Data System (IPEDS) for Fiscal Year 2023. Functional expense purpose is classified by natural classification as follows:

Functional Classification	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	ROU Amortization, ROU Lease, and O&M Depreciation	Operations and Maintenance	Total
Instruction	\$ 7,592,566	\$ 1,083,317	\$ -	\$ 1,177,989	\$ 1,354,585	\$ 11,208,457
Research	5,838,073	4,224,916	-	1,366,327	1,571,158	13,000,474
Public Service	5,323,053	2,802,974	-	1,103,332	1,268,735	10,498,094
Academic Support	698,203	229,602	-	125,975	144,860	1,198,640
Student Services	5,345,820	2,072,458	-	1,007,235	1,158,233	9,583,746
Institutional Support	6,492,927	3,181,122	-	1,628,577	1,872,723	13,175,349
O&M Plant	1,433,820	5,797,007	-	981,783	(8,212,610)	-
Auxiliary Enterprises	3,738,439	2,388,947	-	-	842,316	6,969,702
Student Financial Aid	175,898	-	5,522,426	-	-	5,698,324
Total Operating Expenses	<u>\$ 36,638,799</u>	<u>\$ 21,780,343</u>	<u>\$ 5,522,426</u>	<u>\$ 7,391,218</u>	<u>\$ -</u>	<u>\$ 71,332,786</u>

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 MANAGEMENT IMPROVEMENT PLAN

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

Based on the legislation, the plan requires:

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

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

Kentucky House Bill 250 described in Note 7 of this report also appropriated \$5,000,000 and \$10,000,000 to the Council to provide to the University for fiscal years ending June 30, 2023, and June 30, 2024, respectively. The 2023 appropriation was not received as of June 30, 2023. The Council will provide these funds to the University as goals and benchmarks are met by the University in accordance with the management improvement plan.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 KENTUCKY STATE UNIVERSITY FOUNDATION, INC.

Description of the Organization

Kentucky State University Foundation, Inc. (the Foundation) is a Kentucky nonprofit corporation formed to receive, invest, and expend funds to promote and implement educational and developmental activities at Kentucky State University (the University). A Board of Trustees manage the Foundation independent from that of the University. The Foundation is supported primarily through contributions from alumni.

Summary of Significant Accounting Policies

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

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

Basis of Presentation

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

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions. The governing body has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the restriction has been fulfilled, or both. The investment return on net assets with donor restrictions may be restricted or unrestricted according to the donor's wishes.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 KENTUCKY STATE UNIVERSITY FOUNDATION, INC. (CONTINUED)

Basis of Presentation (Continued)

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

Income Taxes

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

Investments

Investments as of June 30, 2023, are summarized as follows:

Equity Securities	\$ 9,095,202
Debt Securities	2,862,761
Total Investments	<u>\$ 11,957,963</u>

Fair Value Measurements

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

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

Common Stocks, Municipal Bonds, Corporate Bonds, U.S. Government Securities, and Equity Exchange Traded Funds

Valued at the closing price reported on the active market on which the individual securities are traded. Some Level 2 inputs are used for pricing of municipal and corporate bonds; therefore, they are all classified as Level 2.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 KENTUCKY STATE UNIVERSITY FOUNDATION, INC. (CONTINUED)

Mutual Funds

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

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

Fair value measurements as of June 30, 2023, are as follows:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$ 5,548,336	\$ -	\$ -	\$ 5,548,336
Mutual Funds	2,311,451	-	-	2,311,451
Equity Exchange Traded Funds	1,235,415	-	-	1,235,415
Municipal Bonds	-	275,352	-	275,352
Corporate Bonds	-	2,587,409	-	2,587,409
Total Assets at Fair Value	<u>\$ 9,095,202</u>	<u>\$ 2,862,761</u>	<u>\$ -</u>	<u>\$ 11,957,963</u>

Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2023, are restricted for the following purpose:

Subject to Expenditure for Specified Purpose:

Instruction and Institutional Support	\$ 2,124,793
Scholarships	<u>1,432,408</u>
Total Subject to Expenditure for Specified Purpose	3,557,201

Subject to the Passage of Time	82,000
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Subject to Endowment Spending Policy and Appropriation:

Investments in Perpetuity (Including Amounts Above the Original Gift Amount of \$5,214,862) Which, Once Appropriated, are Expendable to Support the Following Programs:	
Instruction and Institutional Support	1,546,580
Scholarships	<u>6,205,720</u>
Total Subject to Endowment Spending Policy and Appropriation	<u>7,752,300</u>

Total Net Assets With Donor Restrictions	<u>\$ 11,391,501</u>
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**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 KENTUCKY STATE UNIVERSITY FOUNDATION, INC. (CONTINUED)

Net Assets Released from Restriction

For the year ended June 30, 2023, net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restrictions specified by donors as follows:

Endowment Spending Allocation	\$ 11,741
University Support	356,160
Scholarships	82,960
Operating and Other Expenses	206,294
Student Support	207,205
Travel and Other Expenses	29,403
Total Release from Restrictions	<u><u>\$ 893,763</u></u>

Endowment Composition

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

The Foundation's Board of Trustees has interpreted the Commonwealth of Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of June 30, 2023, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts including promises to give net of discount and allowance for doubtful accounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

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

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 KENTUCKY STATE UNIVERSITY FOUNDATION, INC. (CONTINUED)

Endowment Composition (Continued)

Endowment net asset composition by type of fund as of June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Board-Designated Endowment Fund	\$ 1,619,920	\$ -	\$ 1,619,920
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	5,500,507	5,500,507
Accumulated Investment Gains	-	2,251,793	2,251,793
Total	<u>\$ 1,619,920</u>	<u>\$ 7,752,300</u>	<u>\$ 9,372,220</u>

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of June 30, 2023.

Spending Policy

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

Changes in endowment net assets as of June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$ 1,596,904	\$ 7,062,436	\$ 8,659,340
Contributions	-	135,216	135,216
Interest and Dividends	90,777	136,243	227,020
Realized and Unrealized Gains	363,989	571,373	935,362
Other, Net of Investment Expense	-	(131,467)	(131,467)
Amounts Appropriated for Expenditure	(285,735)	(11,741)	(297,476)
Reclassifications	(146,015)	(9,760)	(155,775)
Total	<u>\$ 1,619,920</u>	<u>\$ 7,752,300</u>	<u>\$ 9,372,220</u>

REQUIRED SUPPLEMENTARY INFORMATION

KENTUCKY STATE UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2023
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

<u>Nonhazardous</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the Net Pension Liability	\$ 31,780	\$ 32,282	\$ 45,185	\$ 42,075	\$ 30,999	\$ 32,618	\$ 29,146	\$ 29,408	\$ 28,555
Proportionate Share of the Net Pension Liability	0.23 %	0.24 %	0.32 %	0.30 %	0.23 %	0.24 %	0.26 %	0.29 %	0.32 %
Covered Payroll	\$ 3,225	\$ 4,015	\$ 4,548	\$ 4,358	\$ 3,583	\$ 3,888	\$ 4,321	\$ 5,390	\$ 5,453
Proportionate Share of the Net Pension Liability as a Share of its Covered Payroll	985.43%	804.03%	993.51%	965.47%	865.17%	838.94%	674.52%	545.60%	523.66%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	18.51 %	18.48 %	14.01 %	13.66 %	12.84 %	13.30 %	14.80 %	18.83 %	22.32 %
<u>Hazardous</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>			
Proportion of the Net Pension Liability	\$ 574	\$ 454	\$ 340	\$ 393	\$ 939	\$ 237			
Proportionate Share of the Net Pension Liability	0.08 %	0.11 %	0.06 %	0.07 %	0.19 %	0.05 %			
Covered Payroll	\$ 205	\$ 179	\$ 106	\$ 114	\$ 309	\$ 79			
Proportionate Share of the Net Pension Liability as a Share of its Covered Payroll	280.00%	253.63%	320.75%	344.74%	303.88%	300.00%			
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.51 %	66.03 %	55.18 %	55.49 %	56.10 %	54.80 %			

Note: This table represents data that is one year in arrears. These are 10-year schedules. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Changes in Assumptions

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

KENTUCKY STATE UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
KENTUCKY EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2023
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

<u>Nonhazardous</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,986	\$ 2,466	\$ 1,649	\$ 1,867	\$ 1,789	\$ 1,471	\$ 1,516	\$ 1,312	\$ 1,515	\$ 1,432
Contributions in Relation to the Contractually Required Contribution	\$ 1,986	\$ 2,466	\$ 1,649	\$ 1,867	\$ 1,789	\$ 1,471	\$ 1,516	\$ 1,312	\$ 1,515	\$ 1,432
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,225	\$ 3,707	\$ 4,015	\$ 4,548	\$ 4,358	\$ 3,583	\$ 3,888	\$ 4,321	\$ 5,390	\$ 5,345
Contributions as a Percentage of Covered Payroll	61.58%	66.52 %	41.07 %	41.05 %	41.05 %	41.05 %	38.99 %	30.36 %	28.11 %	26.79 %
<u>Hazardous</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>				
Contractually Required Contribution	\$ 58	\$ 68	\$ 65	\$ 32	\$ 35	\$ 61				
Contributions in Relation to the Contractually Required Contribution	\$ 58	\$ 68	\$ 65	\$ 32	\$ 35	\$ 61				
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Covered Payroll	\$ 182	\$ 205	\$ 179	\$ 106	\$ 114	\$ 309				
Contributions as a Percentage of Covered Payroll	31.87%	33.17 %	36.31 %	30.19 %	30.70 %	19.74 %				

Note: These are 10-year schedules. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
KENTUCKY EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2023
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

<u>Nonhazardous</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the Net OPEB Liability	\$ 5,847	\$ 5,727	\$ 8,099	\$ 6,622	\$ 5,389	\$ 6,178
Proportionate Share of the Net OPEB Liability	0.23 %	0.25 %	0.32 %	0.30 %	0.23 %	0.24 %
Covered Payroll	\$ 3,225	\$ 4,015	\$ 4,548	\$ 4,358	\$ 3,583	\$ 3,888
Proportionate Share of the Net OPEB Liability as a Share of Covered Payroll	181.30%	142.59 %	178.08 %	151.95 %	150.66 %	158.90 %
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	38.15 %	38.38 %	29.00 %	30.92 %	27.32 %	24.40 %
<u>Hazardous</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the Net OPEB Liability (Asset)	\$ 9	\$ (12)	\$ 26	\$ (19)	\$ (62)	\$ 3
Proportionate Share of the Net OPEB Liability	0.08 %	0.10 %	0.06 %	0.07 %	0.19 %	0.05 %
Covered Payroll	\$ 205	\$ 179	\$ 106	\$ 114	\$ 309	\$ 79
Proportionate Share of the Net OPEB Liability as a Share of Covered Payroll	4.39%	-6.70%	24.53%	(16.67)%	(20.06)%	3.80 %
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	98.72 %	101.85 %	92.00 %	105.29 %	105.83 %	98.80 %

Note: This table represents data that is one year in arrears. These are 10-year schedules. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10-years of information is available.

Changes in Assumptions

The discount rate used to calculate the total OPEB liability increased from 5.26% to 5.72% for the KERS nonhazardous insurance plan and from 5.01% to 5.59% for the KERS hazardous insurance plan.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
KENTUCKY EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)
JUNE 30, 2023
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

<u>Nonhazardous</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 477	\$ 323	\$ 337	\$ 394	\$ 375	\$ 301	\$ 314
Contributions in Relation to the Contractually Required Contribution	\$ 477	\$ 323	\$ 337	\$ 394	\$ 375	\$ 301	\$ 314
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,225	\$ 3,707	\$ 4,016	\$ 4,548	\$ 4,358	\$ 3,583	\$ 3,734
Contributions as a Percentage of Covered Payroll	14.79%	8.71 %	8.39 %	8.66 %	8.60 %	8.40 %	8.41 %
<u>Hazardous</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ 7	\$ 7	\$ 12	
Contributions in Relation to the Contractually Required Contribution	\$ -	\$ -	\$ -	\$ 7	\$ 7	\$ 12	
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered Payroll	\$ 182	\$ 205	\$ 179	\$ 106	\$ 114	\$ 309	
Contributions as a Percentage of Covered Payroll	- %	- %	- %	6.60%	6.14%	3.88%	

Note: These are 10-year schedules. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10-years of information is available.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
JUNE 30, 2023
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's Proportion of the Net Pension Liability	\$ 23,214	\$ 22,178	\$ 24,786	\$ 22,159	\$ 22,617	\$ 40,538
State's Proportionate Share of Collective Net Pension Liability	<u>30,167</u>	<u>23,414</u>	<u>26,067</u>	<u>24,011</u>	<u>16,827</u>	<u>32,308</u>
Total	<u>\$ 53,381</u>	<u>\$ 45,592</u>	<u>\$ 50,853</u>	<u>\$ 46,170</u>	<u>\$ 39,444</u>	<u>\$ 72,846</u>
Proportion of the Net Pension Liability Covered Payroll	0.13 %	0.17 %	0.17 %	0.30 %	0.16 %	0.16 %
Proportionate Share of the Net Pension Liability as a Share of Covered Payroll	\$ 11,744	\$ 13,060	\$ 12,222	\$ 11,429	\$ 10,894	\$ 11,832
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	197.67%	169.82%	202.80%	193.88%	207.61%	342.61%
	78.46%	51.74 %	39.05 %	32.58 %	25.50 %	21.18 %

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

Changes in Assumptions and Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022.

There were no changes to assumptions as of the measurement date of June 30, 2022.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
JUNE 30, 2023
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 1,549	\$ 1,865	\$ 2,074	\$ 1,941	\$ 1,815	\$ 1,730	\$ 1,879	\$ 1,773	\$ 2,059	\$ 2,483
Contributions in Relation to the Contractually Required Contribution	\$ 1,549	\$ 1,865	\$ 2,074	\$ 1,941	\$ 1,815	\$ 1,730	\$ 1,879	\$ 1,773	\$ 2,059	\$ 2,483
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 12,504	\$ 11,744	\$ 13,060	\$ 12,222	\$ 11,429	\$ 10,894	\$ 11,832	\$ 11,164	\$ 12,965	\$ 15,635
Contributions as a Percentage of Covered Payroll	12.39%	15.88%	15.88%	15.88%	15.88%	15.88%	15.88%	15.88%	15.88%	15.88%

Note: These are 10 year schedules. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
JUNE 30, 2023
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

	2023	2022	2021	2020	2019	2018
Proportion of the Net OPEB Liability	\$ 5,980	\$ 3,674	\$ 4,350	\$ 5,053	\$ 5,626	\$ 5,880
State's Proportionate Share of the Net OPEB Liability	368	1,627	1,918	2,198	2,700	2,630
Total	<u>\$ 6,348</u>	<u>\$ 5,301</u>	<u>\$ 6,268</u>	<u>\$ 7,251</u>	<u>\$ 8,326</u>	<u>\$ 8,510</u>
Proportionate Share of the Net OPEB Liability	0.13 %	0.17 %	0.17 %	0.30 %	0.16 %	0.16 %
Covered Payroll	\$ 11,744	\$ 13,060	\$ 12,222	\$ 11,429	\$ 10,894	\$ 11,832
Proportionate Share of the Net OPEB Liability as a						
Share of its Covered Employee Payroll	50.92%	28.13 %	35.59 %	44.21 %	51.64 %	49.70 %
Plan Fiduciary Net Position as a Percentage of Total						
OPEB Liability	81.70%	51.74 %	39.05 %	32.58 %	25.50 %	21.18 %

Note: This table represents data that is one year in arrears. These are 10 year schedules. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Changes in Assumptions and Benefit Terms

The health care trend rates were updated to reflect future anticipated experience. A new benefit tier was added for members joining the System on and after January 1, 2022.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
JUNE 30, 2023
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 313	\$ 236	\$ 307	\$ 298	\$ 297	\$ 287	\$ 307
Contributions in Relation to the Contractually Required Contribution	\$ 313	\$ 236	\$ 307	\$ 298	\$ 297	\$ 287	\$ 307
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 12,504	\$ 11,744	\$ 13,060	\$ 12,222	\$ 11,429	\$ 10,894	\$ 11,832
Contributions as a Percentage of Covered Payroll	2.50%	2.04 %	2.35 %	2.44 %	2.60 %	2.63 %	2.59 %

Note: These are 10 year schedules. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor Agency Name Federal Subagency Name/Pass-Through Grantor Federal Assistance Listing Name/Program Name/Clusters	Federal Assistance Listing Number	Pass-Through Contract Number	Passed Through to Subrecipients	Federal Expenditures
Research and Development Cluster:				
U.S. Department of Agriculture				
Agricultural Research Service				
Agricultural Research Basic and Applied Research				
Geonomic Approaches of Nosema Disease in Honey Bees	10.001		\$ -	\$ 3,497
Animal and Plant Health Inspection Service				
Plant and Animal Disease, Pest Control, and Animal Care				
Animal Health - Shrimp	10.025		-	30,343
National Institute of Food and Agriculture				
Cooperative Forestry Research				
McIntire Stennis Fiscal Year 2022	10.202		-	15,332
McIntire Stennis Fiscal Year 2021	10.202		-	59,567
McIntire Stennis Fiscal Year 2020	10.202		-	47,751
Total 10.202			-	122,650
Payments to 1890 Land-Grant Colleges and Tuskegee University				
Evans Allen Research Fiscal Year 2020	10.205		-	5,398
Evans Allen Research Fiscal Year 2021	10.205		-	2,980,879
Evans Allen Research Fiscal Year 2022	10.205		-	3,807,218
Evans Allen Research Fiscal Year 2023	10.205		-	451,195
Total 10.205			-	7,244,690
Sustainable Agriculture Research and Education (SARE)				
Passed through from the University of Georgia Research Foundation				
Enhanced Sustainable Agriculture Research	10.215		-	8,065
Helping Agricultural Professionals SARE Fiscal Year 2019	10.215	SUB00002306	-	372
SARE Fiscal Year 2021	10.215	SUB00003367	-	8,394
Total 10.215			-	16,831
National Institute of Food and Agriculture				
1890 Institution Capacity Building Grant				
CBG Electronic Extension	10.216		-	86,927
Collaborative Evaluation of Saffron	10.216		-	18,018
Ecosystems in Appalachia	10.216		-	103,407
Engaging Underrepresented Students	10.216		-	64,318
Enhancing Agriculture and Education Opportunities	10.216		-	12,005
Enhancing Design Floating Raceway	10.216		-	57,770
Expanding Aquaculture and Health Food Choices	10.216		-	59,546
Extension Approaches to help KY	10.216		-	5,471
Honeybee Stressor and Apiary Management	10.216		-	113,260
Integrated Agriculture	10.216		-	137,859
Modern Agriculture Implementation of Molecular Biology	10.216		-	11,236
Shrimp Aquaponics Program	10.216	229-23-11110714	-	38,062
Strengthening Agricultural Intelligence	10.216		-	47,155
Support for Socially Disadvantaged Farms	10.216		-	16,855
Training to Develop Capacities	10.216		-	67,252
Undergrad Fermentation and Distillation	10.216		-	29,786
Passed through from the University of Arkansas at Pine Bluff				
Sustainable Aquaculture	10.216		-	19
Total 10.216			-	868,946
Agriculture and Food Research Initiative (AFRI)				
Geotech Small Farms	10.310		-	31,487
Sushi Hemp	10.310		-	136,409
Hemp Effect Project	10.310		-	27,951
Total 10.310			-	195,847
Total U.S. Department of Agriculture			-	8,482,804

See accompanying Notes to Schedule of Expenditures of Federal Awards.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor Agency Name Federal Subagency Name/Pass-Through Grantor Federal Assistance Listing Name/Program Name/Clusters	Federal AL Number	Pass-Through Contract Number	Passed Through to Subrecipients	Federal Expenditures
Research and Development Cluster (Continued):				
National Science Foundation (NSF)				
Division of Human Resource Development				
STEM Program to Increase Minority Student Participation	47.076		\$ -	\$ (38,767)
Next Generation STEM Professional	47.076		-	192,629
Division of Equity for Excellence in STEM				
Passed through from the University of Kentucky Research Foundation				
Louis Stokes STEM Pathways & Research Alliance 2020	47.076	320002692-20-026	-	61,584
Total 47.076				215,446
EPSCOR	47.083		-	58,659
Total National Science Foundation			-	274,105
Total Research and Development Cluster				8,756,909
Other Programs:				
U.S. Department of Agriculture				
Agriculture Discovery Program Summer Outreach 2022	10.025		-	4,802
Agriculture Discovery Program Summer Outreach 2021	10.025		-	76,344
Total 10.025				81,146
Agriculture Marketing Service				
Farmers Market and Local Food Promotion Program				
Helping Small-Scale Growers	10.175		-	80,020
Agroforestry - Food Production	10.216		-	22,282
Agriculture and Food Research Initiative (AFRI)				
Improving Phosphorus Recovery	10.310		-	141,411
Organic and Urban Agriculture Food Justice	10.310		-	26,882
Total 10.310				168,293
Beginning Farmer and Rancher Development Program				
Farming for Cash Program	10.311		-	121,822
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers				
Outreach and Assistance Program SDVFR 2021	10.443		-	185,290
Cooperative Extension Service				
Agricultural Experimental Learning Center	10.500		-	577,854
The 1890 Facilities Grants Program	10.500		-	196,985
Passed through from the University of Kentucky Research Foundation				
Children, Youth, and Families at Risk Fiscal Year 2020	10.500	3200002871-20-111	-	10,413
Total 10.500			-	785,252
Agriculture Extension at 1890 Land-grant Institutions				
Cooperative Extension Fiscal Year 2020	10.512		-	2,939
Cooperative Extension Fiscal Year 2021	10.512		-	3,418,299
Cooperative Extension Fiscal Year 2022	10.512		-	449,746
Total 10.512			-	3,870,984
Expanded Food and Nutrition Education Program (EFNEP)				
EFNEP Fiscal Year 2020	10.514		-	1,178
EFNEP Fiscal Year 2021	10.514		-	39,963
Total 10.514			-	41,141
Renewable Resources Extension Act				
RREA Fiscal Year 2020	10.515		-	1,048
RREA Fiscal Year 2021	10.515		-	13,500
RREA Fiscal Year 2022	10.515		-	11,926
RREA Fiscal Year 2023	10.515		-	3,202
Total 10.515			-	29,676

See accompanying Notes to Schedule of Expenditures of Federal Awards.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor Agency Name Federal Subagency Name/Pass-Through Grantor Federal Assistance Listing Name/Program Name/Clusters	Federal AL Number	Pass-Through Contract Number	Passed Through to Subrecipients	Federal Expenditures
Other Programs (Continued):				
U.S. Department of Agriculture (Continued):				
Scholarships for Students at 1890 Institutions (B)				
1890 Scholarships Program	10.524		\$ -	\$ 960,981
SNAP Cluster				
State Administrative Matching Grants for SNAP				
Passed through from the KY Cabinet for Health & Family Services				
SNAP Nutrition Education Obesity Year 2	10.561	SC7362200001080	-	242,415
Total SNAP Cluster			-	242,415
Soil and Water Conservation				
Conservation Technical Assistance Fiscal Year 2021	10.902		-	11,747
Total U.S. Department of Agriculture			-	6,601,049
U.S. Department of Education				
Student Financial Assistance — Cluster				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		-	279,111
Federal Work-Study Program (FWSP)	84.033		-	175,944
Federal Pell Grant Program	84.063		-	5,314,455
Federal Perkins Loan Program	84.038		-	382,419
Federal Direct Student Loans	84.268		-	9,030,327
Total Student Financial Assistance Cluster			-	15,182,256
TRIO Cluster				
TRIO Student Support Services				
Student Support Services Fiscal Year 2020	84.042A		-	(5,524)
Student Support Services Fiscal Year 2021	84.042		-	442,440
Total 84.042			-	436,916
TRIO Upward Bound				
Engaged and Empowered UB Year 3	84.047A		-	872
Engaged and Empowered UB Year 4	84.047		-	1,077
Engaged and Empowered UB Year 5	84.047		-	72,100
Total 84.047			-	74,049
Total TRIO Cluster			-	510,965
Higher Education Institutional Aid				
Title III SAFRA YR5 2020	84.031B		-	266,767
HBCU Future Act 20/25 Yr 1	84.031E		-	19,377
HBCU TIII, Part B YR5	84.031		-	775,984
HBCU Future Act YR2	84.031		-	278,129
HBCU TIII, Part B YR 4, CF	84.031		-	142,385
HBCU Title III, Part F - Year 3, Nu	84.031		-	452,669
HBCU TIII, PART B YR1	84.031		-	931,127
Total 84.031			-	2,866,437
Strengthening Minority-Serving Institutions				
HBCU Graduate (Masters)	84.382G		-	671,080
Education Stabilization Fund				
COVID-19 - HEERF HBCUs	84.425J		-	2,322,484
COVID-19 - GEER and Economic Security Act	84.425C	SC 415 2000002003	-	21,885
Total 84.425			-	2,344,369
Total U.S. Department of Education			-	21,575,107

See accompanying Notes to Schedule of Expenditures of Federal Awards.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

Federal Grantor Agency Name Federal Subagency Name/Pass-Through Grantor Federal Assistance Listing Name/Program Name/Clusters	Federal Assistance Listing Number	Pass-Through Contract Number	Passed Through to Subrecipients	Federal Expenditures
Other Programs (Continued):				
U.S. Department of Health and Human Services				
Foster Care Title IV-E				
Passed through from Eastern Kentucky University				
Public Child Welfare Certification Program 2022	93.658	454068-22-103	\$ -	\$ 2,064
Passed through from the Council for Postsecondary Education				
University of Louisville - Geriatrics Workforce Enhancement Program	93.969		-	1,346
Total U.S. Department of Health and Human Services			-	3,410
U.S. Department of Justice				
Juvenile Mentoring Program				
Passed through from the National 4-H Council				
4-H National Mentoring Program Year 12	16.726	2020-JU-FX-0031	-	910
Total Federal Expenditures			\$ -	\$ 36,936,039

See accompanying Notes to Schedule of Expenditures of Federal Awards.

KENTUCKY STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INDIRECT COST RATE

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

NOTE 4 PERKINS LOAN PROGRAM

The amount presented on the schedule of expenditures of federal awards for the Federal Perkins Loan Program represents loan balances outstanding at July 1, 2022, for which the government imposes continuing compliance requirements. No disbursements are allowed to be made from the Perkins Loan Program subsequent to June 30, 2019. The University has loans outstanding in the amount of \$355,930 with an allowance for doubtful accounts at June 30, 2023.

NOTE 5 FEDERAL STUDENT LOAN PROGRAM

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

Federal Direct Student Loans Program	
Subsidized	\$ 3,218,378
Unsubsidized	3,356,245
Parent PLUS	<u>2,455,704</u>
Total	<u><u>\$ 9,030,327</u></u>



**INDEPENDENT AUDITORS' 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**

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

Secretary of Finance and
Administration Cabinet of the
Commonwealth of Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Kentucky State University (the University), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated May 1, 2025. Our report includes a reference to other auditors who audited the financial statements of the Kentucky State University Foundation, Inc. (the Foundation), as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Members of the Board of Regents
Kentucky State University

Secretary of Finance and
Administration Cabinet of the
Commonwealth of Kentucky

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 through 2023-009 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-010 to 2023-011 be significant deficiencies.

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*.

The University's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
May 1, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Secretary of Finance and
Administration Cabinet of the
Commonwealth of Kentucky

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Kentucky State University's (the 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, 2023. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

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

Members of the Board of Regents
Kentucky State University

Secretary of Finance and
Administration Cabinet of the
Commonwealth of Kentucky

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.

Matter(s) Giving Rise to Qualified Opinion on the Student Financial Assistance Cluster

As described in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding Assistance Listing No's. 84.007 Federal Supplemental Educational Opportunity Grants, 84.063 Federal Pell Grant, and 84.268 Direct Loan as described in finding number 2023-018 for Special Tests and Provisions.

Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditors' 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.

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- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-012 – 2023-032. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-018 to be a material weakness.

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Commonwealth of Kentucky

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-012 – 2023-017 and 2023-019 – 2023-032 to be significant deficiencies.

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

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

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



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
May 1, 2025

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? X Yes No
 - Significant deficiency(ies) identified? X Yes None Reported
3. Noncompliance material to financial statements noted? X Yes No

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? X Yes No
 - Significant deficiency(ies) identified? X Yes None Reported
2. Type of auditors' report issued on compliance for major federal programs:

Qualified for the Following Program:

Student Financial Aid Cluster (AL 84.007, 84.033, 84.038, 84.063, 84.268, 84.379)

Unmodified for the Following Programs:

Education Stabilization Fund (AL 84.425C, 84.425J)

Research and Development Cluster (various Als)

SNAP Cluster (AL 10.561)
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors' Results (Continued)

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.561	SNAP Cluster State Admin Matching Grants for the SNAP
84.007	Student Financial Aid Cluster:
84.033	FSEOG Grant Program
84.038	Federal Work Study
84.063	Federal Perkins Loan Program
84.268	Federal Pell Grant Program
84.379	Federal Direct Student Loans
	TEACH Grants
Various	Research and Development Cluster
84.425E	HEERF Student Emergency Aid
84.425F	HEERF Institutional Aid
84.425J	HEERF HBCU Aid

Dollar threshold used to distinguish between
Type A and Type B state projects:

\$ 1,108,122

Auditee qualified as low-risk auditee?

 Yes X No

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023 – 001 – Financial Reporting

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The financial statement audit was delayed as the University did not timely close its books and records for the fiscal year 2023.

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but not limited to, reconciling statement of net position accounts monthly, a formal process of procedures and internal controls to ensure timely and accurate year-end financial statements and related notes and providing supporting audit documentation that reconciles to the trial balance under audit on a timely basis.

Effect: The potential effects of the above matters are that interim and year end information may contain errors that may not be detected and corrected on a timely basis. As a result, users of the financial statements could make decisions based on financial results that are not complete and accurate. The University was not in compliance with its continuing disclosure agreements and 40 journal entries were required to be made to the trial balance after the start of the audit.

Cause: Various statements of net position accounts are not reconciled throughout the course of the fiscal year. There are no formal policies and procedures to ensure timely fiscal year end close process. This caused various reconciliation issues in completing a draft of the University's financial statements and a reconciliation of the related trial balance under audit.

Repeat Finding: Yes, 2022-001.

Recommendation: We recommend management perform an assessment of the current controls, processes and personnel within the accounting department and make changes and additions where needed to facilitate timely and accurate financial reporting. Further we recommend management complete a formal close process documenting tasks and completion dates.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

2023 – 002 – Bank Reconciliations

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The University uses accounts in the general ledger to allocate cash for internal tracking purposes. These accounts were not all considered when reconciling the year end cash balances. As a result, material adjustments were required. There remains an unreconciled difference of approximately \$86,000.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023 – 002 – Bank Reconciliations (Continued)

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but not limited to, reconciling statement of net position accounts monthly, a formal process of procedures and internal controls to ensure timely and accurate year-end financial statements and related notes and providing supporting audit documentation that reconciles to the trial balance under audit on a timely basis.

Effect: The potential effects of the above matters are that interim and year end information may contain errors that may not be detected and corrected on a timely basis, as well as misappropriation of cash not being detected on a timely basis. As a result, users of the financial statements could make decisions based on financial results that are not complete and accurate.

Cause: Certain cash accounts were not reconciled timely which caused material adjustments.

Repeat Finding: Yes, 2022-002.

Recommendation: We recommend that cash reconciliations be completed and reviewed, no later than a month after the period being reconciled and any required adjustments be made timely within the general ledger.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

2023 – 003 – Debt and Lease Accounting

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Debt and lease liability general ledger accounts were not reconciled to supporting schedules. Accrued interest on the liabilities were incorrectly calculated. As a result, material entries were made to correct debt and lease balances.

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but not limited to, reconciling statement of net position accounts monthly, a formal process of procedures and internal controls to ensure timely and accurate year-end financial statements and related notes and providing supporting audit documentation that reconciles to the trial balance under audit on a timely basis.

Effect: The potential effects of the above matters are that interim and year end information may contain errors that may not be detected and corrected on a timely basis. As a result, users of the financial statements could make decisions based on financial results that are not complete and accurate.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023 – 003 – Debt and Lease Accounting (Continued)

Cause: Debt and lease liabilities were not reconciled timely and accrued interest was not properly calculated.

Repeat Finding: No.

Recommendation: We recommend that roll-forwards be performed for all long-term liabilities, supported by appropriate amortization schedules and other supporting documentation, and the general ledger be updated to reflect correct year-end balances.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

2023 – 004 – Capital Assets

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Schedules supporting capital asset balances had errors and were incomplete. As a result, material entries were made to correct capital assets, depreciation expense, and loss on sale of asset.

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but not limited to, reconciling statement of net position accounts monthly, a formal process of procedures and internal controls to ensure timely and accurate year-end financial statements and related notes and providing supporting audit documentation that reconciles to the trial balance under audit on a timely basis.

Effect: Capital asset related accounts were materially misstated prior to audit adjustments.

Cause: Capital assets were not reconciled timely which caused for errors in the supporting schedules and the University had not adjusted restricted proceeds and capital asset additions for a major capital project that concluded in fiscal year 2023.

Repeat Finding: No.

Recommendation: We recommend the University review its controls over accounting for capital assets and ensure the year end roll-forward is appropriately supported.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023 – 005 – Allowance for Doubtful Accounts

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The allowance for doubtful accounts regarding student receivables was not adjusted from the balance of the prior year.

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but not limited to, reconciling statement of net position accounts monthly, a formal process of procedures and internal controls to ensure timely and accurate year-end financial statements and related notes and providing supporting audit documentation that reconciles to the trial balance under audit on a timely basis. The University is required to assess the allowance for doubtful accounts for student accounts on an annual basis to adjust for current year circumstances.

Effect: Allowance account was not analyzed or adjusted for the current year. As a result, users of the financial statements could make decisions based on financial results that are not complete and accurate.

Cause: Lack of formal closing policies and procedures.

Repeat Finding: No.

Recommendation: We recommend closing procedures include steps to ensure that the allowance is analyzed and adjusted.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

2023 – 006 – Grant Accounting

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our audit process surrounding grant activity, it was noted that grant receivable, grant unearned revenue, and grant revenue and expenditure were not reconciled.

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but not limited to, reconciling statement of net position accounts monthly, a formal process of procedures and internal controls to ensure timely and accurate year-end financial statements and related notes and providing supporting audit documentation that reconciles to the trial balance under audit on a timely basis.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023 – 006 – Grant Accounting (Continued)

Effect: Material audit adjustments were required to be made to unadjusted balances.

Cause: The University did not have supporting subledgers supporting grants receivable and unearned revenues by invoice or grant. Within the general ledger, all receivable activity is recorded to two accounts, one with a material debt balance and one with a material credit balance, which was not reconciled to a detailed listing of receivables. There were balances in unearned revenues and grants receivable that should have off-set one another.

Repeat Finding: No.

Recommendation: We recommend that the University support grants receivable with a detailed listing by funding agency and invoice and unearned revenue be supported by a detailed listing by grant.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

2023 – 007 – Net Position

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Prior year audit entries were not correctly posted to the general ledger which led to beginning net position balance not agreeing to the audited ending net position balance of the prior year.

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but not limited to, reconciling statement of net position accounts monthly, a formal process of procedures and internal controls to ensure timely and accurate year-end financial statements and related notes and providing supporting audit documentation that reconciles to the trial balance under audit on a timely basis.

Effect: Significant analysis was conducted, and material audit adjustments were recorded to correct beginning net position.

Cause: The University did not accurately post fiscal year 2022 audit adjustments in the correct year in the trial balance.

Repeat Finding: No.

Recommendation: We recommend that the University establish procedures to ensure that audit adjustments and closing entries are properly posted to the general ledger.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023 – 007 – Net Position (Continued)

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

2023 – 008 – Postemployment Benefits

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Management did not record adjustments to agree pension and other postretirement employee benefit (OPEB) related accounts related to multi-employer plans to the supporting audited schedules detailing balances per employer.

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but not limited to, reconciling statement of net position accounts monthly, a formal process of procedures and internal controls to ensure timely and accurate year-end financial statements and related notes and providing supporting audit documentation that reconciles to the trial balance under audit on a timely basis.

Effect: Material audit adjustments were required to pension and OPEB related accounts.

Cause: No formal processes or procedures regarding the proper adjustment to pension and OPEB related accounts.

Repeat Finding: No.

Recommendation: We recommend that the University develop policies and procedures to appropriately reconcile and adjust these accounts as part of the year-end financial close.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

2023 – 009 – Schedule of Expenditures of Federal Awards (SEFA)

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The SEFA provided for audit contained material errors in the amounts reported as federal awards.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023 – 009 – Schedule of Expenditures of Federal Awards (SEFA) (Continued)

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but not limited to, ensuring the year-end SEFA is complete and accurate.

Effect: Material audit adjustments were required to federal expenditures.

Cause: No formal processes or procedures regarding reconciliation of the SEFA to the related general ledger accounts.

Repeat Finding: No.

Recommendation: We recommend that the University develop policies and procedures to appropriately reconcile the SEFA to the general ledger.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

2023 – 010 – Purchase Cards

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: In a sample of purchase card transactions, it was noted that a significant number of transactions selected were not supported by receipts or management approval.

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

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

Cause: No process was in place to ensure direct supervisory review of credit card purchases, nor was there a process to follow up on missing receipts for transactions on an individual's card.

Repeat Finding: Yes, 2022-004.

Recommendation: We recommend that policies and procedures regarding use of purchase cards be reviewed and adjusted as needed, and these policies and procedures be strictly followed.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings (Continued)

2023 – 011 – Accrued Payroll

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: Management did not complete an analysis or adjust the general ledger to ensure the proper amount of accrued payroll was reflected.

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but not limited to, reconciling statement of net position accounts monthly, a formal process of procedures and internal controls to ensure timely and accurate year-end financial statements and related notes and providing supporting audit documentation that reconciles to the trial balance under audit on a timely basis.

Effect: Audit adjustments were required to be made to adjust accrued payroll accounts and related expense accounts.

Cause: Lack of policy and procedures ensuring appropriate adjustments to accrued payroll accounts are made.

Repeat Finding: No.

Recommendation: We recommend that policies and procedures regarding properly recording accrued payroll liabilities be reviewed and updated.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs

2023 – 012 – Verification

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Supplemental Educational Opportunity Grant Program; Federal Pell Grant Program; Federal Direct Student Loan; Federal Work Study Program

Assistance Listing Number: 84.007; 84.063; 84.268; 84.033

Federal Award Identification Number and Year: P007A171583; P007A231583; P063P190147; P063P210147; P063P220147; P063P230147; P063Q210147; P063Q220147; P268K230147; P268K240147; P033A211583; P033A231583 - 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: An institution is required to establish written policies and procedures that incorporate the provisions of 34 CFR 668.51 through 668.61 for verifying applicant information for those applicants selected for verification by ED. The institution shall require each applicant whose application is selected by ED to verify the information required for the Verification Tracking Group to which the applicant is assigned.

Condition: Supporting documentation for students who were selected for verification was not maintained.

Questioned costs: None.

Context: During our testing of students selected for verification, we selected a sample of 14 students to test for proper documentation of verification. 14 of the 14 students tested had instances of noncompliance as the institution did not retain statements of educational purpose.

Cause: The University's policies and procedures did not ensure retention of required documentation.

Effect: Student could report incorrect information which could lead to incorrect EFC and over awarding of aid.

Repeat Finding: No.

Recommendation: We recommend management retain electronic files of student verification documentation more securely within school systems/networks.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 013 – Awarding of Pell Grant

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Pell Grant Program

Assistance Listing Number: 84.063

Federal Award Identification Number and Year: P063P190147; P063P210147; P063P220147; P063P230147; P063Q210147; P063Q220147 - 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 690.62 states the Pell grant for an academic year is based upon the payment and disbursement scheduled published by the Secretary for each award year. The payment schedules take into account the cost of attendance, the student's EFC, and the enrollment status of the student.

Condition: Students were under-award and under disbursed Pell grant funds.

Questioned costs: \$5,175.

Context: During our testing of the Pell Grant program, we selected a sample of 33 students to test for proper calculation and disbursement of Pell funds. 3 of the 33 students tested had Pell grant awarded amounts incorrectly calculated and disbursed.

Cause: The University did not have a process in place to review Pell grant awarded amounts to ensure the student was awarded and disbursed based on the proper enrollment and EFC.

Effect: Incorrect amounts were awarded and disbursed to students which caused students to be under-awarded and disbursed.

Repeat Finding: No.

Recommendation: We recommend management review individual student calculations of Pell awards to ensure no additional errors in awards disbursed to students.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 014 – Awarding of Title IV Aid

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Supplemental Educational Opportunity Grant Program; Federal Pell Grant Program; Federal Direct Student Loan; Federal Work Study Program

Assistance Listing Number: 84.007; 84.063; 84.268; 84.033

Federal Award Identification Number and Year: P007A171583; P007A231583; P063P190147; P063P210147; P063P220147; P063P230147; P063Q210147; P063Q220147; P268K230147; P268K240147; P033A211583; P033A231583 - 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Per the Code of Federal Regulations, 34 CFR 673.5, students may not be awarded need based aid in excess of their calculated need. In addition, 34 CFR 685.203(j) states that in no case may a loan amount exceed the student's estimated cost of attendance for the period of enrollment for which the loan is intended less the student's estimated financial assistance for that period and in the case of Direct Subsidized Loans, the borrower's expected family contribution for that period.

Condition: Students were over-awarded and disbursed funds that the students were not eligible for.

Questioned costs: \$12,121.

Context: In our testing of 40 students, it was noted 3 students were over-awarded and disbursed PLUS loans funds and 1 student was over-awarded and disbursed Pell and SEOG funds.

Cause: Management incorrectly awarded these students based on their financial need and cost of attendance.

Effect: Students were given funding that they were not eligible for.

Repeat Finding: No.

Recommendation: We recommend the University implement policies to review all student award packages at the start of the academic year to ensure no over awarding exist.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 015 – Exit Counseling

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Direct Student Loan

Assistance Listing Number: 84.268

Federal Award Identification Number and Year: P268K230147; P268K240147 - 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Per the Code of Federal Regulations, 34 CFR 685.304(b), if a student borrower withdraws or graduates from school, exit counseling must be provided either electronically, by mailing, or by email to the student borrower.

Condition: Students who withdrew or graduated from the University did not receive exit counseling information.

Questioned costs: None.

Context: During our testing, it was noted that out of the 4 students selected who were required to receive exit counseling information did not receive it.

Cause: The University's processes and controls did not ensure that exit counseling was completed or did not retain proper support to indicate this process took place.

Effect: Students are not receiving the proper loan counseling which may contribute to not repaying loans to the Department of Education on time.

Repeat Finding: Yes, 2022-008.

Recommendation: We recommend the University review its policies and procedures around sending exit counseling information to students to ensure students are receiving proper counseling.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 016 – Return of Title IV Calculation

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Supplemental Educational Opportunity Grant Program; Federal Pell Grant Program; Federal Direct Student Loan; Federal Work Study Program

Assistance Listing Number: 84.007; 84.063; 84.268; 84.033

Federal Award Identification Number and Year: P007A171583; P007A231583; P063P190147; P063P210147; P063P220147; P063P230147; P063Q210147; P063Q220147; P268K230147; P268K240147; P033A211583; P033A231583 - 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (34 CFR 668.22(a)(1) through (a)(5)).

Condition: Students who withdrew from the University did not have calculations of Title IV completed to determine the amount to be returned to the Department of Education.

Questioned costs: None.

Context: During our testing of 5 students who withdrew, 2 students were determined to need a calculation of how much aid show be refunded and such calculations were not performed.

Cause: The University did not have a control in place to determine which students who withdrew from the University would need a calculation of Title IV aid to be returned.

Effect: The University is not returning the proper amounts to the Department of Education.

Repeat Finding: No.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 016 – Return of Title IV Calculation (Continued)

Recommendation: We recommend management review policies around determining students who withdrew and if a return of Title IV funds calculation is necessary.

Views of responsible officials: There is no disagreement with the audit finding.

2023 – 017 – Cash Management

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Supplemental Educational Opportunity Grant Program; Federal Pell Grant Program; Federal Direct Student Loan; Federal Work Study Program

Assistance Listing Number: 84.007; 84.063; 84.268; 84.033

Federal Award Identification Number and Year: P007A171583; P007A231583; P063P190147; P063P210147; P063P220147; P063P230147; P063Q210147; P063Q220147; P268K230147; P268K240147; P033A211583; P033A231583 - 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Schools must establish and maintain financial records of Title IV transactions, and accounting and internal control systems for Title IV funds. Cash management includes the drawdown and maintenance of Title IV funds destined for student recipients. Certain standards are defined by regulation to ensure proper accountability for these public funds.

Condition: The University was unable to provide support for one of the eight cash drawdowns sampled during cash management testing.

Questioned costs: None.

Context: CLA notes one out of eight cash draws selected, the University was unable to substantiate related support such as drawdown request and form of approval.

Cause: The University did not follow policies and procedures in place surrounding maintaining support and approval of transaction.

Effect: The University may not be adhering to compliance requirements around when to draw funds down from the government.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 017 – Cash Management (Continued)

Repeat Finding: No.

Recommendation: We recommend management maintain proper recordkeeping and follow policies and procedures that are in effect at the University.

Views of responsible officials: There is no disagreement with the audit finding.

2023 – 018 – Enrollment Reporting to the National Student Loan Database System (NSLDS)

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Pell Grant Program; Federal Direct Student Loan

Assistance Listing Number: 84.063; 84.268

Federal Award Identification Number and Year: P063P190147; P063P210147; P063P220147; P063P230147; P063Q210147; P063Q220147; P268K230147; P268K240147- 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Per U.S. Department of Education (ED) regulations, all schools participating (or approved to participate) in the Federal Student Aid programs must have an arrangement to report student enrollment data to the NSLDS through a roster file.

The school is required to report enrollment status at both the school and program level. The school is required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. An academic program is defined as the combination of the school's Office of Postsecondary Education Identification (OPEID) number and the program's Classification of Instructional Program (CIP) code, credential level, and published program length. ED requires the University to report changes in enrollment status and indicate the date that the changes occurred (34 CFR 685.309).

Changes in enrollment status must be reported within 30 days. However, if a roster file is expected within 60 days, you may provide the date on that roster file. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that don't pass the NSLDS enrollment reporting edits. ED requires the University to report changes in enrollment status within 30 or 60 days that the University determined the changes occurred (34 CFR 682.610).

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

**2023 – 018 – Enrollment Reporting to the National Student Loan Database System (NSLDS)
(Continued)**

Condition: Certain students' enrollment information was not reported accurately or timely to the NSLDS.

Questioned costs: None.

Context: The below was noted during testing:

- 4 students out of a sample of 16 students had an enrollment effective date in the campus-level and program-level records in the NSLDS that did not match what was reflected in the University's records.
- 1 student out of a sample of 16 students had an enrollment status in the campus-level and program-level records in the NSLDS that did not match what was reflected in the University's records.
- 16 students out of a sample of 16 students tested were not reported to the campus-level record in the NSLDS in a timely manner.
- 16 students out of a sample of 16 students tested were not certified at a minimum every 60 days to the campus-level record in the NSLDS in a timely manner.
- 2 students out of a sample of 16 students tested had an enrollment status effective date in the campus-level of the NSLDS that did not match the program-level of the NSLDS.

Cause: Management's procedures to report accurate and timely information to the NSLDS were not operating effectively.

Effect: Inaccurate reporting to the NSLDS can impact when students enter repayment periods or affect their interest rates.

Repeat Finding: Yes, 2022-010 and 2022-012.

Recommendation: We recommend the University evaluate its procedures and review policies in overseeing submissions to the NSLDS completed by the third-party servicer. Additionally, we recommend the University review its policies and procedures on reporting enrollment information to the NSLDS to ensure that all relevant information is being captured and reported timely in accordance with applicable regulations.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 019 – Federal Perkins Loan Program Record Retention

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Perkins Loan Program

Assistance Listing Number: 84.038

Federal Award Identification Number and Year: N/A

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 674.19.(e), states an institution must retain promissory and master promissory notes (MPN), and repayment records for each Perkins Loan program loan made. The original promissory notes and repayment schedules must be kept until the loans are satisfied. An institution shall retain disbursement and electronic authentication and signature records for each loan made using an MPN for at least three years from the date the loan is canceled, repaid, or otherwise satisfied.

Condition: Certain loan MPNs were not retained for the three-year retention period.

Questioned costs: None.

Context: During our testing, 2 out of 5 open loans tested and 1 out of 40 of the loans assigned tested, the University was unable to locate the original promissory note and/or MPN.

Cause: The University does not have a review process in place to ensure the MPNs are kept for at least three years from the date the loan is cancelled, repaid, or otherwise satisfied.

Effect: Receivable balances are not supported by signed loan agreements.

Repeat Finding: No.

Recommendation: We recommend that the University keep MPNs for loans for the three-year retention period.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 020 – Direct Loan Reconciliation

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Direct Student Loan

Assistance Listing Number: 84.268

Federal Award Identification Number and Year: P268K230147; P268K240147- 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 685.300(b)(5), states though a school decides the frequency and methods it will use for internal reconciliation, Direct Loan reconciliation must occur at least monthly and should occur before the required monthly reconciliation to the Direct Loan SAS. School's must maintain documented results of its monthly reconciliation to provide to auditors and reviewers at their request.

Condition: Direct loan reconciliations between the COD, G5 and student accounts did not have evidence of being reviewed.

Questioned costs: None.

Context: During our testing, 1 out of 3 direct loan reconciliations tested did not have evidence of being reviewed.

Cause: The University did not adhere to controls in place for all reconciliations.

Effect: The University is not complying with internal policy.

Repeat Finding: No.

Recommendation: We recommend management maintain proper recordkeeping and retention of documentation and review of such documentation.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 021 – Federal Perkins Loan Program Third-Party Servicer

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Perkins Loan Program

Assistance Listing Number: 84.038

Federal Award Identification Number and Year: N/A

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 668.25(a), an institution may enter into a written contract with a third-party servicer for the administration of any aspect of the institution's participation in any Title IV, HEA program only to the extent that the servicer's eligibility to contract with the institution has not been limited, suspended, or terminated. When an institution uses a third-party servicer for its Perkins Loan program, the institution must perform due diligence to ensure that the third-party servicer is in compliance with the requirements for the functions the third-party servicer is performing for the institution. Such due diligence could include obtaining and reviewing the third-party servicer's most recent Title IV compliance audit.

Condition: There is no oversight or review of the controls at the third-party servicer by the University.

Questioned costs: None.

Context: During our testing, we noted that the University does not have a procedure or control to review the annual compliance attestation report regarding the service provider performing Perkins administration services.

Cause: The University did not have a control in place to ensure review of the attestation requirements of their Perkins administrator.

Effect: University does not have a procedure or control to review the annual compliance attestation report regarding the service provider performing Perkins administration services. The third-party servicer could have compliance findings that could directly impact the University.

Repeat Finding: No.

Recommendation: We recommend reviewing procedures and requirements regarding Perkins third party service providers and ensure compliance with regulations.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 022 – Federal Perkins Loan Program Reconciliation

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Perkins Loan Program

Assistance Listing Number: 84.038

Federal Award Identification Number and Year: N/A

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 668.25(a), an institution may enter into a written contract with a third-party servicer for the administration of any aspect of the institution's participation in any Title IV, HEA program only to the extent that the servicer's eligibility to contract with the institution has not been limited, suspended, or terminated. When an institution uses a third-party servicer for its Perkins Loan program, the institution must reconcile funds that are reported by the third-party servicer to the University's accounting records.

Condition: The University did not reconcile the Perkins Loan Program funds that are recorded on the University's accounting records to the third-party servicer's report. There was also no review of the process.

Questioned costs: None.

Context: During our testing, we noted that a control was not identified pertaining to reconciliation of Perkins loans from third party servicer report to the University's accounting records.

Cause: The University did not have a control in place to ensure the reconciliation of Perkins loans from third party servicer report to the University's accounting records.

Effect: The University accounting records did not reflect the current information.

Repeat Finding: No.

Recommendation: We recommend reviewing procedures around Perkins Loan Program funds and implementing reconciliations and review to the third-party servicer reports.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 023 – Fiscal Operations Report and Application to Participate (FISAP)

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Supplemental Educational Opportunity Grant Program, Federal Pell Grant Program; Federal Direct Student Loans; Federal Work Study Program; Federal Perkins Loan Program

Assistance Listing Number: 84.007; 84.063; 84.268; 84.033; 84.038

Federal Award Identification Number and Year: P007A171583; P007A231583; P063P190147; P063P210147; P063P220147; P063P230147; P063Q210147; P063Q220147; P268K230147; P268K240147; P033A211583; P033A231583 - 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 668.24, a school must keep fiscal records to demonstrate its proper use of FSA funds. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements.

Condition: The University did not maintain proper support for the FISAP.

Questioned costs: None.

Context: During our testing of the FISAP, the University could not provide documentation for the amounts reported on the FISAP.

Cause: The University could not provide any documentation supporting the amounts disclosed on the FISAP.

Effect: The University is not complying with regulations on maintaining audit trail documentation.

Repeat Finding: No.

Recommendation: We recommend management maintain and safeguard all necessary data and documentation to support the FISAP.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 024 – 240 Day Escheatment

Federal Agency: U.S. Department of Education

Federal Program Name: Federal Supplemental Educational Opportunity Grant Program, Federal Pell Grant Program; Federal Direct Student Loans; Federal Work Study Program

Assistance Listing Number: 84.007; 84.063; 84.268; 84.033

Federal Award Identification Number and Year: P007A171583; P007A231583; P063P190147; P063P210147; P063P220147; P063P230147; P063Q210147; P063Q220147; P268K230147; P268K240147; P033A211583; P033A231583 - 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 668.164(h)(2) states that an institution that attempts to disburse funds by check and the check is not cashed, the institution must return the funds to the Department of Education no later than 240 days after the date it issued that check.

Condition: During our testing of refund checks, we noted student refunds of Title IV federal financial aid were outstanding more than 240 days.

Questioned costs: \$96,158.

Context: During the testing of student refund checks, it was noted that 39 student refund checks were not returned to the Department of Education within the 240-day deadline.

Cause: The University did not have a process in place to return Title IV refund checks outstanding over 240 days.

Effect: The University is not in compliance with Department of Education requirements that all student refund checks that are outstanding for more than 240 days be returned to the Department of Education.

Repeat Finding: No.

Recommendation: We recommend the University review its policies and procedures related to outstanding student refund checks to ensure they are being returned to the Department of Education after 240 days.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 025 – Procurement Policy

Federal Agency: Various

Federal Program Name: Research and Development Cluster

Assistance Listing Number: Various

Federal Award Identification Number and Year: Various

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Uniform guidance requires auditees to follow procurement standards set forth. sections of the Uniform Guidance set forth five permissible procurement methods for non-Federal entities expending Federal financial assistance: (1) micro-purchases (§ 200.320(a)(1)); (2) small purchases (§ 200.320(a)(2)); (3) sealed bids (§ 200.320(b)(1)); (4) proposals (§ 200.320(b)(2)); and (5) noncompetitive procurement (§ 200.320(c)(1)-(5)).

Condition: The University's procurement policy does not currently match requirements of the Uniform Guidance.

Questioned costs: None.

Context: The University's procurement policy does not currently match requirements of the Uniform Guidance related to defining the required levels of procurement and when competitive bids are required.

Cause: The University did not have a process in place to ensure the procurement policy met Uniform Guidance.

Effect: The University is not in compliance with Uniform Guidance for procurement.

Repeat Finding: No.

Recommendation: We recommend the University review its procurement policy to insure it meets federal regulations.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 026 – Suspension and Debarment

Federal Agency: Various

Federal Program Name: Research and Development Cluster

Assistance Listing Number: Various

Federal Award Identification Number and Year: Various

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Recipients and subrecipients are subject to the nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, as well as 2 CFR part 180. The regulations in 2 CFR part 180 restrict making Federal awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from receiving or participating in Federal awards.

Condition: The University did not maintain records obtained from applying suspension and debarment procedures.

Questioned costs: None.

Context: The University did not maintain records obtained from applying suspension and debarment procedures. As such, 1 of 6 vendors tested did not have support around suspension and debarment.

Cause: The University did not maintain records obtained from applying suspension and debarment procedures.

Effect: The University is not in compliance with Uniform Guidance for suspension and debarment.

Repeat Finding: No.

Recommendation: We recommend the University review its policies relating to the retention of records to ensure support regarding the debarment status of vendors is maintained.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 027 – Supporting Documentation

Federal Agency: Various

Federal Program Name: Research and Development Cluster

Assistance Listing Number: Various

Federal Award Identification Number and Year: Various

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: 2 CFR part 200.403(g) states costs must meet criteria to be allowable under federal awards including be adequately documented.

Condition: Credit card statements and receipts for transactions in which credit cards were used were not retained.

Questioned costs: None.

Context: During our testing, it was noted that 1 out of the 40 tested that the University did not maintain proper support for the expenditure.

Cause: The University did not maintain documentation to support the expenditure.

Effect: The University did not follow the policies and procedures in place to maintain supporting documentation for expenditures.

Repeat Finding: No.

Recommendation: We recommend the University develop a procedure for ensuring all expenditures made via corporate credit card receive appropriate approval. We also recommend management maintain proper recordkeeping and retention of documentation.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 028 – Property and Equipment Management

Federal Agency: Various

Federal Program Name: Research and Development Cluster

Assistance Listing Number: Various

Federal Award Identification Number and Year: Various

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Regardless of whether equipment is acquired in part or its entirety under the Federal award, the recipient or subrecipient must manage equipment. A physical inventory of the property must be conducted, and the results must be reconciled with the property records at least once every two years and a control system must be in place to ensure safeguards for preventing property loss, damage, or theft. Any loss, damage, or theft of equipment must be investigated. The recipient or subrecipient must notify the Federal agency or pass-through entity of any loss, damage, or theft of equipment that will have an impact on the program. (2 CFR 200.313 (d) (2) and (3)).

Condition: The University did not have documentation of inventory of federal funding being completed every 2 years as well as documentation supporting the safeguard of assets.

Questioned costs: None.

Context: During testing of property and equipment it was noted that none of the eleven selection samples tested had been inventoried and no physical documentation supporting the property is appropriately safeguarded and maintained.

Cause: The University did not have controls in place that comply with the federal regulations around inventory taking and safeguard keeping.

Effect: The University is not in compliance with federal regulations around inventory taking and safeguard keeping.

Repeat Finding: No.

Recommendation: We recommend management implement procedures for physical inventory to be taken within a two year time frame as well as maintain evidence of assets possession such as photos of the property and equipment.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 028 – Property and Equipment Management (Continued)

Views of responsible officials: There is no disagreement with the audit finding.

2023 – 029 – Supporting Documentation

Federal Agency: Department of Agriculture

Federal Program Name: Supplemental Nutritional Assistance Program (SNAP)

Assistance Listing Number: 10.561

Federal Award Identification Number and Year: 235KY414Q3903 - 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: 2 CFR part 200.403(g) states costs must meet criteria to be allowable under federal awards including be adequately documented.

Condition: Credit card statements and receipts for transactions in which credit cards were used were not retained.

Questioned costs: None.

Context: During our testing, it was noted that 1 out of the 17 tested that the University did not maintain proper support for the expenditure.

Cause: The University did not maintain documentation to support the expenditure.

Effect: The University did not follow the policies and procedures in place to maintain supporting documentation for expenditures.

Repeat Finding: No.

Recommendation: We recommend the University develop a procedure for ensuring all expenditures made via corporate credit card receive appropriate approval. We also recommend management maintain proper recordkeeping and retention of documentation.

Views of responsible officials: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 030 – Annual and Quarterly Reporting

Federal Agency: Department of Education

Federal Program Name: Education Stabilization Fund

Assistance Listing Number: 84.425

Federal Award Identification Number and Year: P425J200025 - 2023

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: The CARES Act 18004(e) and the CRRSAA 314(e) requires an institution receiving funds under Higher Education Emergency Relief Fund (HEERF) I and HEERF II to submit a report to the secretary, at such time in such a manner as the secretary may require. Quarterly public reporting for institutional requires a new, separate form to be posted covering aggregate amounts spent for HEERF I, HEERF II, and HEERF III funds each quarterly reporting period due no later than 10 days after the end of each calendar quarter.

HEERF III funds required the spending of funds in use of implementing evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines and conducting direct outreach to financial aid applicants. Spending under these categories indicates whether an institution has spent funds under a required use of funds established under the ARP. If an institution indicates zero-dollar amount spending for either or both categories, examine earlier annual reports to determine the institution had spending at some point on these two funding categories consistent with ARP FAQ Question 21.

Condition: Annual and quarterly reports were not adhering to compliance requirements.

Questioned costs: None.

Context: During our testing of annual report, it was noted that the University did not spend funds under the categories of implementing evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines and conducting direct outreach to financial aid applicants.

During our testing of quarterly reports, 1 of the 2 reports tested was not posted on the University's website within 10 days of the end of the quarter and 2 of the 2 reports tested did not have supporting documentation of the dollar amounts reported in the report.

Cause: The University did not have the controls in place to ensure reporting requirements under the CARES Act 18004(e) and the CRRSAA 314(e) were being followed and met.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 030 – Annual and Quarterly Reporting (Continued)

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

Repeat Finding: Yes, 2022-014.

Recommendation: We recommend the University should implement and maintain an effective system of internal controls over the administration of HEERF funds to ensure funds are reported accurately and timely, in accordance with grant requirements.

2023 – 031 – Single Audit Report Submission

Federal Agency: Various

Federal Program Name: Research and Development Cluster, Education Stabilization Fund, Supplemental Nutritional Assistance Program (SNAP), Federal Supplemental Educational Opportunity Grant Program, Federal Pell Grant Program; Federal Direct Student Loans; Federal Work Study Program, Federal Perkins Loan Program

Assistance Listing Number: Various

Federal Award Identification Number and Year: Various

Award Period: July 1, 2022 – June 30, 2023

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

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

Condition: The University did not submit the single audit report package by the required time.

Questioned costs: None.

Context: Single audit report was due 3/31/24 and was not submitted until calendar year 2025.

Cause: The audit report on the financial statements for the year ended June 30, 2023, was issued after the March 31, 2024, deadline.

Effect: The University is not in compliance with the provisions of 2 CFR Section 200.512(a) for the year ended June 30, 2023.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2023 – 031 – Single Audit Report Submission (Continued)

Repeat Finding: Yes, 2022-019.

Recommendation: We recommend the University should implement and maintain an effective system of internal controls over timely submission of the single audit reporting package.



**KENTUCKY STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

Cognizant Agency: Department of Health and Human Services

Kentucky State University respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2023.

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2022 – 001 Preparation of Financial Statements

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

Status: See current year finding 2023-001.

Reason for finding's recurrence: Turnover in the finance area, along with inherited challenges in processes, controls, accounting, and documentation, resulted in a recurring finding.

Corrective Action: See the University's 2023 Corrective Action Plan.

2022 – 002 Bank Reconciliations

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

Status: See current year finding 2023-002.

Reason for finding's recurrence: Turnover in the finance area, along with inherited challenges in processes, controls, accounting, and documentation, resulted in a recurring finding.

Corrective Action: See the University's 2023 Corrective Action Plan.

2022 – 003 Financial Policies and Procedures Manual

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

Status: Corrective action taken.

2022 – 004 Administration of Corporate Credit Cards

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

Status: See current year finding 2023-010.

Reason for finding's recurrence: Turnover in the finance area, along with inherited challenges in processes, controls, accounting, and documentation, resulted in a recurring finding.

Corrective Action: See the University's 2023 Corrective Action Plan.

2022 – 005 University President's Expenditures

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

Status: Corrective action taken.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2022 – 006 Student Account Credit Balance Reimbursement

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

Status: Corrective action was taken.

2022 – 007 Academic Probation Notifications

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

Status: Corrective action was taken.

2022 – 008 Exit Counseling Notification for Withdrawn Students

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

Status: See current year finding 2023-015.

Reason for finding's recurrence: Turnover in student financial aid, along with inherited challenges in processes, controls, accounting, and documentation, resulted in a recurring finding.

Corrective Action: See the University's 2023 Corrective Action Plan.

2022 – 009 Incomplete Summary Level Report of Title IV Funds Not Returned

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

Status: Corrective action was taken.

2022 – 010 NSLDS Notification of Withdrawn Status

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

Status: See current year finding 2023-018.

Reason for finding's recurrence: Turnover in student financial aid, along with inherited challenges in processes, controls, accounting, and documentation, resulted in a recurring finding.

Corrective Action: See the University's 2023 Corrective Action Plan.

2022 – 011 Exit Counseling Notification for Graduated Students

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

Status: Corrective action was taken.

2022 – 012 NSLDS Notification of Graduated Status

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

Status: See current year finding 2023-018.

Reason for finding's recurrence: Turnover in the finance area, along with inherited challenges in processes, controls, accounting, and documentation, resulted in a recurring finding.

Corrective Action: See the University's 2023 Corrective Action Plan.

2022 – 013 Right to Cancel Notifications

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

Status: Corrective action was taken.

2022 – 014 Improper Reporting of HEERF Funds

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

Status: See current year finding 2023-030.

Reason for finding's recurrence: Turnover in the finance area, along with inherited challenges in processes, controls, accounting, and documentation, resulted in a recurring finding.

Corrective Action: See the University's 2023 Corrective Action Plan.

2022 – 015 Lost Revenue

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

Reason why audit finding is no longer valid or does not warrant further action: The University did not claim lost revenue on its 2023 SEFA.

2022 – 016 Exit Counseling Notification for Withdrawn Students

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

Status: Corrective action was taken.

2022 – 017 SNAP-Ed Unallowable Expenditures

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

Status: Corrective action was taken.

2022 – 018 SNAP-Ed Record Retention

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

Status: Corrective action was taken.

2022 – 019 Single Audit Submission Deadline

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

Status: See current year finding 2023-031.

Reason for finding's recurrence: Turnover in the finance area, along with inherited challenges in processes, controls, accounting, and documentation, resulted in a recurring finding.

Corrective Action: See the University's 2023 Corrective Action Plan.

If the Department of Health and Human Services has questions regarding this schedule, please contact Melissa Hicks, Interim Chief Financial Officer at 502-597-6429.

