

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

**KENTUCKY STATE UNIVERSITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

| | |
|--|-----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 |
| BASIC FINANCIAL STATEMENTS | |
| KENTUCKY STATE UNIVERSITY | |
| STATEMENT OF NET POSITION | 14 |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | 15 |
| STATEMENT OF CASH FLOWS | 16 |
| KENTUCKY STATE UNIVERSITY FOUNDATION | |
| STATEMENT OF FINANCIAL POSITION | 18 |
| STATEMENT OF ACTIVITIES | 19 |
| NOTES TO FINANCIAL STATEMENTS | 20 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| KENTUCKY EMPLOYEES' RETIREMENT SYSTEM | |
| SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY | 80 |
| SCHEDULE OF THE UNIVERSITY'S PENSION CONTRIBUTIONS | 81 |
| SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY | 82 |
| SCHEDULE OF THE UNIVERSITY'S OPEB CONTRIBUTIONS | 83 |
| KENTUCKY TEACHERS' RETIREMENT SYSTEM | |
| SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY | 84 |
| SCHEDULE OF THE UNIVERSITY'S PENSION CONTRIBUTIONS | 85 |
| SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY | 86 |
| SCHEDULE OF THE UNIVERSITY'S OPEB CONTRIBUTIONS | 87 |

**KENTUCKY STATE UNIVERSITY
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

SUPPLEMENTARY INFORMATION

| | |
|--|------------|
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 89 |
| NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 92 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 93 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE | 95 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 100 |



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, 2024, 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, 2024, 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, 2024. 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
Commonwealth of Kentucky

Emphasis-of-Matter

As discussed in Note 14 to the financial statements, the University has deficiencies in working capital and there is uncertainty regarding the stabilization funding. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 14. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 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.

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

Secretary of Finance and
Administration Cabinet of the
Commonwealth of Kentucky

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

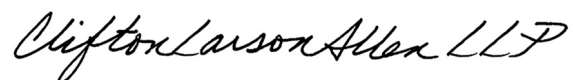
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 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.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
December 4, 2025

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024
(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, 2024, with comparative information for the year ended June 30, 2023. 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, 2024 (2023), the University's financial position reflected total assets and deferred outflows of \$220.3 million (\$199.2 million), and total liabilities and deferred inflows of \$188.0 million (\$187.5 million), resulting in a total net position of \$32.3 million (\$11.7 million).

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

Total assets and deferred outflows as of June 30, 2024, increased by \$21.2 million (10.7%) when compared to June 30, 2023. The increase was primarily due to cash and cash equivalents restricted for capital assets. Total liabilities and deferred inflows increased by \$0.5 million (0.4%) primarily due to increases 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, 2024 (2023), the University reported a deficit of \$59.0 million (\$77.0 million) in unrestricted net position, representing a \$18.0 million increase 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, 2024 (2023), the University reported nonexpendable restricted net position of \$8.7 million (\$8.7 million) and expendable restricted net position of \$13.3 million (\$10.4 million).

For the year ended June 30, 2024 (2023), operating revenues were \$52.1 million (\$43.5 million) and operating expenditures were \$77.0 million (\$71.3 million), resulting in a loss from operations of \$24.9 million (\$27.9 million). Net nonoperating revenues were \$36.3 million (\$33.4 million) for the year ended June 30, 2024 (2023). State appropriations totaled \$28.4 million (\$27.9 million) for June 30, 2024 (2023). For the year ended June 30, 2024 (2023), total net position increased by \$20.6 million (\$8.2 million).

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*.

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, 2024, total assets and deferred outflows amounted to \$220.3 million. Of this amount, investment in capital assets (net of depreciation) was \$142.8 million, or 64.90% of total assets and deferred outflows of resources. Investments amounted to \$22.5 million, or 10.22%, of total assets and deferred outflows of resources. During the year, total assets and deferred outflows increased by \$21.2 million, primarily due to an increase in restricted cash and cash equivalents.

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

Liabilities and Deferred Inflows: As of June 30, 2024, total liabilities and deferred inflows amounted to \$188.0 million. Net Pension and Other Postemployment Benefits (OPEB) liabilities amounted to \$57.9 million. As of June 30, 2024, long-term debt totaled \$93.9 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, 2024, total liabilities and deferred inflows increased by \$0.5 million, primarily due to increases in the deferred inflows related to pension and other postemployment benefits.

Net Position: Net position was \$32.3 million at June 30, 2024, and was reported in three categories: net investment in capital assets of \$69.3 million, restricted nonexpendable of \$8.7 million, restricted expendable of \$13.3 million, and an unrestricted deficit of (\$59.0) million.

Condensed Statement of Net Position

| | 2024 | 2023 |
|---------------------------------------|---------------|---------------|
| ASSETS | | |
| Current | \$ 15,983,613 | \$ 11,571,484 |
| Noncurrent | 51,251,616 | 27,207,001 |
| Capital Assets, Net | 142,844,038 | 145,642,754 |
| Total Assets | 210,079,267 | 184,421,239 |
| DEFERRED OUTFLOWS OF RESOURCES | 10,263,563 | 14,759,583 |
| LIABILITIES | | |
| Current | 25,635,083 | 12,490,321 |
| Noncurrent | 151,108,833 | 164,465,711 |
| Total Liabilities | 176,743,916 | 176,956,032 |
| DEFERRED INFLOWS OF RESOURCES | 11,285,818 | 10,533,213 |
| NET POSITION | | |
| Net Investment in Capital Assets | 69,304,432 | 69,600,865 |
| Restricted | 22,009,845 | 19,120,815 |
| Unrestricted Deficit | (59,001,181) | (77,030,103) |
| Total Net Position | \$ 32,313,096 | \$ 11,691,577 |

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.

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

The following presents a comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2024, and 2023:

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

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------------|-----------------------------|
| REVENUES | | |
| Student Tuition and Fees, Net | \$ 7,772,530 | \$ 7,008,004 |
| Grants and Contracts | 32,702,568 | 27,652,236 |
| Auxiliary Enterprises | 9,904,544 | 7,055,422 |
| Other Operating Revenue | 1,765,269 | 1,755,001 |
| Total Operating Revenues | <u>52,144,911</u> | <u>43,470,663</u> |
| EXPENSES | | |
| Educational and General | 73,662,662 | 64,363,084 |
| Auxiliary Enterprises | 3,378,074 | 6,969,702 |
| Total Operating Expenses | <u>77,040,736</u> | <u>71,332,786</u> |
| OPERATING LOSS | (24,895,825) | (27,862,123) |
| NONOPERATING REVENUES (EXPENSES) | | |
| State Appropriations | 28,468,739 | 27,880,600 |
| Federal Grants and Contracts | 8,079,784 | 7,636,939 |
| Investment Income, Net | 2,285,500 | 1,182,412 |
| Other Nonoperating Revenue | - | 24,095 |
| Loss on Disposal of Capital Assets | (146,182) | (966,249) |
| Interest on Capital Assets - Related Debt | (2,356,242) | (2,364,396) |
| Total Nonoperating Revenues | <u>36,331,599</u> | <u>33,393,401</u> |
| INCOME BEFORE OTHER REVENUES AND EXPENSES | 11,435,774 | 5,531,278 |
| CAPITAL GRANTS | <u>9,185,745</u> | <u>2,619,162</u> |
| CHANGE IN NET POSITION | 20,621,519 | 8,150,440 |
| Net Position - Beginning of Year | <u>11,691,577</u> | <u>3,541,137</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 32,313,096</u></u> | <u><u>\$ 11,691,577</u></u> |

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

Operating Revenue

Total operating revenues were \$52.1 million for the year ended June 30, 2024, as compared with \$43.5 million in fiscal year 2023. The primary components of operating revenue were federal, state, and local grants and contracts of \$32.7 million (62.8%), student tuition and fees (net of scholarships) of \$7.8 million (12.8%), and auxiliary services and other revenues of \$9.9 million (14.9%). Fiscal year 2024 net student tuition and fees revenue increased by \$0.8 million compared to fiscal year 2023. Fiscal year 2024 grants and contracts revenue increased \$5.1 million compared to fiscal year 2023 due to an increase in state, local, and other grants. Fiscal year 2024 auxiliary services and other revenue increased by \$2.8 million compared to fiscal year 2023.

Operating Expenses

Operating expenses totaled \$77.0 million, a \$5.8 million increase from \$71.3 million in fiscal year 2023. Of this amount, \$50.8 million (66%) was expended for the primary mission of the University, including instruction (14.75%), research (20.47%), student services (10.33%), student aid (3.51%), and public service (16.90%). Research is the main component of primary mission expense amounting to \$15.8 million in fiscal year 2024.

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 University invests in student aid and support services to provide students with opportunities to be successful. For the year ended June 30, 2024, student aid expense totaled \$2.7 million and scholarship allowance totaled \$11.3 million. Compared to the fiscal year ended June 30, 2023, student aid decreased by \$2.9 million and scholarship allowances increased by \$1.1 million.

The net loss from operations was \$(24.9) million for the fiscal year ended June 30, 2024. Nonoperating revenues, net of expenses, totaled \$36.3 million and capital grants totaled \$9.2 million, resulting in an increase in net position of \$20.3 million. Nonoperating revenues include state appropriations of \$28.5 million and nonoperating federal grants and contracts of \$8.1 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, 2024
(UNAUDITED)

The following presents a summarized Statement of Cash Flows for the fiscal years ended June 30, 2024 and 2023:

Condensed Statement of Cash Flows

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------------|----------------------------|
| Cash (Used) Provided By: | | |
| Operating Activities | \$ (11,558,311) | \$ (34,838,981) |
| Noncapital Financing Activities | 36,681,790 | 35,540,471 |
| Capital and Related Financing Activities | (2,397,486) | (24,068,465) |
| Investing Activities | 37,437 | (233,991) |
| Cash and Cash Equivalents - Beginning of Year | <u>8,190,494</u> | <u>31,791,460</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 30,953,924</u></u> | <u><u>\$ 8,190,494</u></u> |

Cash and Investments

Major sources of cash received from operating activities include student tuition and fees of \$6.5 million and grants and contracts of \$43.1 million. Major uses of cash for operating activities include payments for salaries and benefits of \$42.2 million and for equipment, supplies, and services of \$28.1 million.

Noncapital financing activities include state appropriations of \$28.5 million.

Capital and related financing activities include purchases and payments of \$11.6 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 29.2% 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, 2024, and 2023:

| | <u>2024</u> | <u>2023</u> |
|-----------------------------|-----------------------------|-----------------------------|
| Commonwealth Appropriations | <u><u>\$ 28,468,739</u></u> | <u><u>\$ 27,880,600</u></u> |

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

Grant and Contract Revenue

The following table details the University's grant and contract revenue for fiscal years ended June 30, 2024 and 2023.

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Federal Grants and Contracts, Operating | \$ 26,271,501 | \$ 20,390,179 |
| Federal Grants and Contracts, Nonoperating | 8,079,784 | 7,636,939 |
| State Grants and Contracts | 15,336,285 | 7,262,057 |
| Capital Grants | 9,185,745 | 2,619,162 |
| Total Grants and Contracts | <u>\$ 58,873,315</u> | <u>\$ 37,908,337</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.

Capital Asset

Capital assets, net of accumulated depreciation, totaled \$142.8 million at June 30, 2024, a decrease of \$2.8 million. Capital assets as of June 30, 2024, and significant changes in capital assets during the year are as follows:

| | 2023 | Net Additions (Reductions) FY23-24 | 2024 |
|--|-----------------------|--|-----------------------|
| Land and Land Improvement | \$ 7,753,969 | \$ 230,697 | \$ 7,984,666 |
| Buildings, Fixed Equipment, and Infrastructure | 224,126,383 | (17,336) | 224,109,047 |
| Equipment, Vehicles, and Capitalized Software | 46,626,955 | 1,027,163 | 47,654,118 |
| Library Materials and Art | 281,586 | (112,809) | 168,777 |
| Construction In Progress | 3,884,269 | 3,042,062 | 6,926,331 |
| Right-to-use Lease Assets | 1,075,540 | - | 1,075,540 |
| Right-to-use Subscription Assets | 3,682,351 | 746,629 | 4,428,980 |
| Accumulated Depreciation | (141,788,299) | (7,715,122) | (149,503,421) |
| Total | <u>\$ 145,642,754</u> | <u>\$ (2,798,716)</u> | <u>\$ 142,844,038</u> |

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

Long-Term Debt

Bonds and leases payable are summarized below:

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Certificates of Participation | \$ 49,190,000 | \$ 49,190,000 |
| Certificates of Participation - Premium | 7,005,647 | 7,739,086 |
| Finance Purchase | 13,782,080 | 14,742,118 |
| General Receipts Bonds | 935,000 | 1,225,000 |
| Bond Discount | (18,409) | (18,409) |
| HB 250 Stabilization Funding | 23,000,000 | 23,000,000 |
| Subscription Liability | 2,136,133 | 2,660,834 |
| Lease Liability | 86,582 | 503,261 |
| Total | <u>\$ 96,117,033</u> | <u>\$ 99,041,890</u> |

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.

The University has fully implemented phase two of the strategic new program offerings. Beginning in the fall of 2025, Kentucky State University accepted enrollment in the Master of Social Work (MSW) and Master of Arts in Criminal Justice through the online campus. In addition to the graduate programs, KSU added a bachelor degree in Social Work, Criminal Justice, and Cybersecurity. The Master of Social Work program has a fall 2025 enrollment of 24, with the Bachelor of Social Work enrollment at 11 for fall 2025. The Bachelor of Science in Cybersecurity fall 2025 enrollment is 13.

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

On the residential side, the Bachelor of Science in Manufacturing Engineering Technology (MFG) has an enrollment of 29 students, the Master of Science in Biological and Agricultural Engineering (MSBAE) has an initial cohort of 5, and the Bachelor of Science BAE program has 2 transfer students.

Phase III of the strategic new program offerings include developing and implementing workforce development areas in the Department of Health Sciences. The Master of Science in Sport Analytics was developed and submitted for SACSCOC approval effective December 2025. The remaining new program for SACSCOC review this cycle is the Master of Science in Public Health.

Three programs are under review at the Council for Post-Secondary Education including the Master of Science in Public Health, the Bachelor of Arts in Public Policy, and the Bachelor of Science in Aquatic Sciences. The bachelor programs under review by CPE do not require SACSCOC approval and will not require additional faculty employment. The remaining goal for the 2025-2026 year is to submit the Bachelor of Science in Health Sciences for CPE review and approval.

Due to the growth in enrollment in the School of Engineering and Technology, two of the three programs scheduled for closure (Bachelor of Science in Chemistry and Bachelor of Science in Mathematics) were reopened, providing needed content for engineering majors.

- 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 \$28.7 million for fiscal year 2024. 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 the fiscal year ending June 30, 2024. The University is required to provide a 15% match, or \$1.2 million for the fiscal year ending June 30, 2024.

KENTUCKY STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2024
(UNAUDITED)

Throughout fiscal year 2024, the University continued 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, 2024. For questions or to request additional financial information, please contact Dr. Heather Bigard, 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, 2024

ASSETS

| | |
|---|--------------------|
| Current Assets: | |
| Cash and Cash Equivalents | \$ 3,171,778 |
| Accounts Receivable, Net | 2,790,226 |
| Prepaid Expenses, Current | 235,606 |
| Grants Receivable, Net | 9,786,003 |
| Total Current Assets | <u>15,983,613</u> |
| Noncurrent Assets: | |
| Restricted Cash and Cash Equivalents | 27,782,146 |
| Investments | 22,486,513 |
| Capital Assets Not Being Depreciated | 10,032,951 |
| Capital Assets, Being Depreciated or Amortized, Net | 132,811,087 |
| Net OPEB Asset | 176,652 |
| Prepaid Expenses, Noncurrent | 806,305 |
| Total Noncurrent Assets | <u>194,095,654</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------------|-------------------|
| Related to Pension | 6,692,542 |
| Related to OPEB | 3,571,021 |
| Total Deferred Outflows of Resources | <u>10,263,563</u> |

LIABILITIES

| | |
|--|--------------------|
| Current Liabilities: | |
| Accounts Payable and Accrued Liabilities | 5,430,964 |
| Accrued Compensated Absences | 721,127 |
| Unearned Revenue | 14,033,884 |
| Deposits and Other Current Liabilities | 300,983 |
| Claims and Judgements Payable | 243,109 |
| Accrued Interest Payable | 761,166 |
| Lease Liability, Current Portion | 80,851 |
| Subscription Liability, Current Portion | 1,349,651 |
| Long-Term Debt, Current Portion | 2,713,348 |
| Total Current Liabilities | <u>25,635,083</u> |
| Noncurrent Liabilities: | |
| Net Pension Liability | 51,896,439 |
| Net OPEB Liability | 6,004,939 |
| Accrued Compensated Absences | 720,727 |
| Lease Liability | 5,731 |
| Subscription Liability | 786,482 |
| Long-Term Debt, Noncurrent Portion | 91,180,970 |
| Federal Grants Refundable | 513,545 |
| Total Noncurrent Liabilities | <u>151,108,833</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|-------------------|
| Related to Pension | 4,476,146 |
| Related to OPEB | 6,809,672 |
| Total Deferred Inflows of Resources | <u>11,285,818</u> |

NET POSITION

| | |
|----------------------------------|----------------------|
| Net Investment in Capital Assets | 69,304,432 |
| Restricted: | |
| Nonexpendable - Endowment | 8,733,091 |
| Expendable | 13,276,754 |
| Unrestricted Deficit | (59,001,181) |
| Total Net Position | <u>\$ 32,313,096</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, 2024

OPERATING REVENUES

| | |
|--|-------------------|
| Operating Revenues | |
| Student Tuition and Fees, Net of Scholarship | |
| Allowance of \$11,278,826 | \$ 7,772,530 |
| Federal Grants and Contracts | 26,271,501 |
| State, Local and Other Grants and Contracts | 6,431,067 |
| Other Operating Revenue | 1,765,269 |
| Auxiliary Enterprises: | |
| Residence Halls | 6,064,958 |
| Dining | 3,403,680 |
| Other Auxiliaries | 435,906 |
| Total Operating Revenues | <u>52,144,911</u> |

OPERATING EXPENSES

| | |
|--------------------------|-------------------|
| Instruction | 11,363,767 |
| Research | 15,773,416 |
| Public Service | 13,018,910 |
| Academic Support | 911,037 |
| Student Services | 7,955,993 |
| Institutional Support | 21,939,144 |
| Student Aid | 2,700,395 |
| Auxiliary Enterprises | 3,378,074 |
| Total Operating Expenses | <u>77,040,736</u> |

OPERATING LOSS (24,895,825)

NONOPERATING REVENUES (EXPENSES)

| | |
|---|-------------------|
| State Appropriations | 28,468,739 |
| Federal Grants and Contracts | 8,079,784 |
| Investment Income, Net | 2,285,500 |
| Interest on Capital Assets - Related Debt | (2,356,242) |
| Loss on Disposal of Fixed Asset | (146,182) |
| Total Nonoperating Revenues (Expenses) | <u>36,331,599</u> |

INCOME BEFORE OTHER REVENUES AND EXPENSES 11,435,774

CAPITAL GRANTS 9,185,745

CHANGE IN NET POSITION 20,621,519

Net Position - Beginning of Year 11,691,577

NET POSITION - END OF YEAR \$ 32,313,096

KENTUCKY STATE UNIVERSITY
STATEMENT OF CASH FLOWS – PRIMARY INSTITUTION
YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---------------------------------------|---------------------|
| Tuition and Fees | \$ 6,516,763 |
| Grants, Contracts, and Gifts | 43,092,853 |
| Payments to Suppliers | (28,080,510) |
| Payments to Employees | (42,187,381) |
| Payments to Students | (2,569,849) |
| Federal Direct Lending Receipts | 10,112,392 |
| Federal Direct Lending Payments | (10,112,392) |
| Auxiliary Enterprises | 9,468,638 |
| Other Receipts | 2,201,175 |
| Net Cash Used by Operating Activities | <u>(11,558,311)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--|-------------------|
| State Appropriations | 28,468,739 |
| Grants and Contracts | 8,079,784 |
| Other Receipts | 133,267 |
| Net Cash Provided by Noncapital Financing Activities | <u>36,681,790</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|--------------------|
| Capital Grant | 9,185,745 |
| Purchases of Capital Assets | (5,300,525) |
| Principal Paid on Long-Term Debt | (1,250,038) |
| Principal Paid on Lease and SBITA Contracts | (1,688,009) |
| Interest Paid on Long-Term Debt, Leases, and SBITA Contracts | (3,344,659) |
| Net Cash Used by Capital and Related Financing Activities | <u>(2,397,486)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|---------------|
| Purchase of Investments | (1,256,049) |
| Interest on Investments | 296,299 |
| Proceeds from Sales and Maturities of Investments | 997,187 |
| Net Cash Provided by Investing Activities | <u>37,437</u> |

NET CHANGE IN CASH AND CASH EQUIVALENTS

22,763,430

Cash and Cash Equivalents - Beginning of Year

8,190,494

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 30,953,924

SHOWN IN THE FINANCIAL STATEMENTS AS:

| | |
|--------------------------------------|-----------------------------|
| Cash and Cash Equivalents | \$ 3,171,778 |
| Restricted Cash and Cash Equivalents | 27,782,146 |
| Total | <u><u>\$ 30,953,924</u></u> |

See accompanying Notes to Financial Statements

KENTUCKY STATE UNIVERSITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2024

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

| | |
|---|-------------------------------|
| Operating Loss | \$ (24,895,825) |
| Adjustments to Reconcile Operating Loss to Net Cash | |
| Used by Operating Activities: | |
| Depreciation/Amortization Expense | 8,626,954 |
| Bad Debt Credit | (649,339) |
| Changes in Assets and Liabilities: | |
| Accounts Receivable, Net | (545,705) |
| Grants Receivable, Net | (1,892,763) |
| Prepaid Expenses | (180,792) |
| Accounts Payable and Accrued Liabilities | 916,579 |
| Other Noncurrent Liabilities | (71,537) |
| Compensated Absences | (342,266) |
| Unearned Revenue | 12,222,325 |
| Claims and Judgements Payable | (314,255) |
| Deferred Outflows - Pension | 2,703,333 |
| Deferred Outflows - OPEB | 1,510,101 |
| Deferred Inflows - Pension | (1,730,510) |
| Deferred Inflows - OPEB | 2,765,702 |
| Net OPEB Asset | (176,652) |
| Net Pension Liability | (3,672,497) |
| Net OPEB Liability | (5,831,164) |
| Net Cash Used by Operating Activities | <u><u>\$ (11,558,311)</u></u> |

SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS

| | |
|--|----------------------------|
| Loss on Disposal of Assets | <u><u>\$ 146,182</u></u> |
| Capital Additions in Accounts Payable | <u><u>\$ 422,573</u></u> |
| Expenses Paid on Behalf of the University | <u><u>\$ 1,881,489</u></u> |
| Acquisition of Right-to-Use Assets Under Lease and SBITA Contracts | <u><u>\$ 746,629</u></u> |

**KENTUCKY STATE UNIVERSITY
KENTUCKY STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2024**

ASSETS

Current Assets:

| | |
|---------------------------|--------------|
| Cash and Cash Equivalents | \$ 1,061,777 |
|---------------------------|--------------|

| | |
|----------------------------|------------|
| Investments, at Fair Value | 12,536,382 |
|----------------------------|------------|

Property and Equipment

| | |
|-----------|---------|
| Equipment | 140,400 |
|-----------|---------|

| | |
|----------------------------|--------|
| Buildings and Improvements | 65,526 |
|----------------------------|--------|

| | |
|--------------------------|-----------|
| Accumulated Depreciation | (201,134) |
|--------------------------|-----------|

| | |
|-----------------------------------|--------------|
| Total Property and Equipment, Net | <u>4,792</u> |
|-----------------------------------|--------------|

| | |
|--------------|---------------|
| Other Assets | <u>35,156</u> |
|--------------|---------------|

| | |
|--------------|-----------------------------|
| Total Assets | <u><u>\$ 13,638,107</u></u> |
|--------------|-----------------------------|

LIABILITIES

Current Liabilities:

| | |
|------------------|--------|
| Accounts Payable | \$ 708 |
|------------------|--------|

| | |
|---------------------|--------------|
| Accrued Liabilities | <u>4,898</u> |
|---------------------|--------------|

| | |
|---------------------------|-------|
| Total Current Liabilities | 5,606 |
|---------------------------|-------|

NET ASSETS

Without Donor Restrictions:

| | |
|--------------|-----------|
| Undesignated | (101,138) |
|--------------|-----------|

| | |
|--------------------------------|------------------|
| Board-Designated for Endowment | <u>1,515,676</u> |
|--------------------------------|------------------|

| | |
|----------------------------------|-----------|
| Total Without Donor Restrictions | 1,414,538 |
|----------------------------------|-----------|

With Donor Restrictions:

| | |
|---------------------|-----------|
| Purpose Restriction | 6,514,679 |
|---------------------|-----------|

| | |
|------------------------------------|--------|
| Time-Restricted for Future Periods | 82,000 |
|------------------------------------|--------|

| | |
|---------------------|------------------|
| Perpetual in Nature | <u>5,621,284</u> |
|---------------------|------------------|

| | |
|-------------------------------|-------------------|
| Total With Donor Restrictions | <u>12,217,963</u> |
|-------------------------------|-------------------|

| | |
|------------------|-------------------|
| Total Net Assets | <u>13,632,501</u> |
|------------------|-------------------|

| | |
|----------------------------------|-----------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 13,638,107</u></u> |
|----------------------------------|-----------------------------|

**KENTUCKY STATE UNIVERSITY
KENTUCKY STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2024**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|-----------------------------|-----------------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions | \$ 20,272 | \$ 364,507 | \$ 384,779 |
| Investment Income: | | | |
| Interest and Dividends | 89,550 | 221,968 | 311,518 |
| Realized and Unrealized Gains | 414,398 | 971,714 | 1,386,112 |
| Other, Net of Investment and Management Expense | 171,493 | - | 171,493 |
| Total Investment Income, Net | <u>675,441</u> | <u>1,193,682</u> | <u>1,869,123</u> |
| Releases from Restrictions | <u>731,727</u> | <u>(731,727)</u> | <u>-</u> |
| Total Revenues, Gain, and Other Support | 1,427,440 | 826,462 | 2,253,902 |
| EXPENSES | | | |
| Program Services Expenses: | | | |
| Student Support | 447,578 | - | 447,578 |
| University Support | <u>359,652</u> | <u>-</u> | <u>359,652</u> |
| Total Program Services Expenses | 807,230 | - | 807,230 |
| Management and General | <u>817,020</u> | <u>-</u> | <u>817,020</u> |
| Total Expenses | <u>1,624,250</u> | <u>-</u> | <u>1,624,250</u> |
| CHANGES IN NET ASSETS | (196,810) | 826,462 | 629,652 |
| Net Assets - Beginning of Year | <u>1,611,348</u> | <u>11,391,501</u> | <u>13,002,849</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 1,414,538</u></u> | <u><u>\$ 12,217,963</u></u> | <u><u>\$ 13,632,501</u></u> |

See accompanying Notes to Financial Statements

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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* (GASB 35). The University reports as a Business Type Activity (BTA), as defined by GASB 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, 2024**

**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 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, 2024

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 \$590,215 for the year ended June 30, 2024.

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, 2024**

**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 to 15 Years |
| Equipment | 5 to 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, 2024

**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, 2024, the liability for unused compensated absences was \$1,441,854.

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, 2024

**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, 2024

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, 2024, the Foundation made distributions of approximately \$359,652 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.

On June 24, 2024, the University's Board of Regents (the Board) voted to terminate the Memorandum of understanding between the University and the Foundation. The Board has sent notice to the Foundation that through this action, the relationship between the two entities is to terminate on September 30, 2024. The University requested that the Foundation transfer all assets established by the University, deposited by the University, and reserved for the benefit of the University, to the University.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, the University had \$1,317,013 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, 2024, was \$2,928,569 as compared with the bank balance of \$5,075,284. The difference is primarily caused by outstanding checks and items in transit. The University has cash held by the Commonwealth of Kentucky of \$26,465,133 as of June 30, 2024. At June 30, 2024, 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 | <u>4,825,284</u> |
| Total Unrestricted Cash and Cash Equivalents | 5,075,284 |
| Maintained by Commonwealth of Kentucky, Collateral Held by the Commonwealth in the Commonwealth's Name, Restricted for Capital | 26,465,133 |
| Cash Held by Trustee for Certificates of Participation Project | <u>1,317,013</u> |
| Total | <u><u>\$ 32,857,430</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, 2024**

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, 2024, are as follows:

| | Cash and Cash Equivalents |
|--|---------------------------------|
| Administrative Expense Fund | \$ 36,859 |
| Capitalized Interest Fund | 10,987 |
| Management, Operations, Maintenance, and Capital Reserve Fund | 1,269,167 |
| Total | <u><u>\$ 1,317,013</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, 2024:

| <u>Investment Type</u> | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---------------------------|-----------------------------|-----------------------------|----------------------------|--------------------|
| Exchange Traded Funds | \$ 16,141,376 | \$ 16,141,376 | \$ - | \$ - |
| Fixed Income | 6,103,957 | - | 6,103,957 | - |
| Cash and Cash Equivalents | 241,180 | 241,180 | - | - |
| Total | <u><u>\$ 22,486,513</u></u> | <u><u>\$ 16,382,556</u></u> | <u><u>\$ 6,103,957</u></u> | <u><u>\$ -</u></u> |

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, 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 | \$ 3,718,028 | \$ 690,848 | \$ 2,422,229 | \$ 604,951 | \$ - |
| Government Bonds | 2,385,929 | 177,028 | 1,388,208 | 820,693 | - |
| Total | <u>\$ 6,103,957</u> | <u>\$ 867,876</u> | <u>\$ 3,810,437</u> | <u>\$ 1,425,644</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, 2024

NOTE 3 ACCOUNTS, GRANTS, AND LOANS RECEIVABLE

Accounts, grants, and loans receivable consist of the following as of June 30, 2024:

| | Student Tuition and Fees | Student Loan | Grants and Contracts | Total |
|-----------|--------------------------------|-----------------|----------------------------|----------------------|
| Total | \$ 3,188,321 | \$ 733,847 | \$ 9,786,003 | \$ 13,708,171 |
| Allowance | (398,095) | (733,847) | - | (1,131,942) |
| Net Total | <u>\$ 2,790,226</u> | <u>\$ -</u> | <u>\$ 9,786,003</u> | <u>\$ 12,576,229</u> |

NOTE 4 CAPITAL ASSETS, NET

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

| | Beginning Balance | Additions | Transfers | Disposals | Ending Balance |
|---|-----------------------|-----------------------|------------------|---------------------|-----------------------|
| Capital Assets Not Being Depreciated or Amortized: | | | | | |
| Land and Improvements | \$ 3,078,370 | \$ - | \$ 28,250 | \$ - | \$ 3,106,620 |
| Construction in Progress | <u>3,884,269</u> | <u>3,301,992</u> | <u>(258,680)</u> | <u>(1,250)</u> | <u>6,926,331</u> |
| Total Capital Assets Not Being Depreciated or Amortized | 6,962,639 | 3,301,992 | (230,430) | (1,250) | 10,032,951 |
| Other Capital Assets: | | | | | |
| Land Improvements | 4,675,599 | - | 202,447 | - | 4,878,046 |
| Buildings | 224,126,383 | - | - | (17,336) | 224,109,047 |
| Equipment | 40,196,910 | 1,249,103 | 27,983 | (832,749) | 40,641,247 |
| Transportation Equipment | 4,804,457 | 654,680 | - | (67,725) | 5,391,412 |
| Library Holdings | 281,586 | 9,072 | - | (121,881) | 168,777 |
| Computer Software | 1,625,588 | 12,944 | - | (17,073) | 1,621,459 |
| Right to Use Lease Assets | 1,075,540 | - | - | - | 1,075,540 |
| Right to Use SBITA Assets | <u>3,682,351</u> | <u>746,629</u> | <u>-</u> | <u>-</u> | <u>4,428,980</u> |
| Total Other Capital Assets | 280,468,414 | 2,672,428 | 230,430 | (1,056,764) | 282,314,508 |
| Less: Accumulated Depreciation and Amortization for: | | | | | |
| Land Improvements | 3,833,494 | 246,779 | - | - | 4,080,273 |
| Buildings | 111,963,683 | 3,823,874 | - | (13,151) | 115,774,406 |
| Equipment | 18,521,463 | 2,646,838 | - | (692,331) | 20,475,970 |
| Transportation Equipment | 4,173,130 | 115,505 | - | (67,725) | 4,220,910 |
| Library Holdings | 213,077 | 18,842 | - | (121,881) | 110,038 |
| Computer Software | 1,583,783 | 12,122 | - | (16,744) | 1,579,161 |
| Right to Use Lease Assets | 591,673 | 402,837 | - | - | 994,510 |
| Right to Use SBITA Assets | <u>907,996</u> | <u>1,360,157</u> | <u>-</u> | <u>-</u> | <u>2,268,153</u> |
| Total Accumulated Depreciation/Amortization | 141,788,299 | 8,626,954 | - | (911,832) | 149,503,421 |
| Capital Assets, Net | <u>\$ 145,642,754</u> | <u>\$ (2,652,534)</u> | <u>\$ -</u> | <u>\$ (146,182)</u> | <u>\$ 142,844,038</u> |

At June 30, 2024, the remaining estimated contractual commitments of approximately \$15,553,000 million for capital expenditures.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 UNEARNED REVENUE

Unearned revenue consists of grants in the amount of \$13,613,093 and tuition of \$420,791 as of June 30, 2024.

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, 2024, is summarized as follows:

| | Balance July 1, 2023 | Increases | Decreases | Balance June 30, 2024 | Current Portion |
|------------------------------|-------------------------|--------------|----------------|--------------------------|--------------------|
| Accrued Compensated Absences | \$ 1,784,120 | \$ 1,137,736 | \$ (1,480,002) | \$ 1,441,854 | \$ 721,127 |

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, 2024. The estimated accumulated amount of unused sick leave at June 30, 2024, totals approximately \$6,133,000.

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2024, are summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|------------------------------------|----------------------|------------|--------------|-------------------|--------------------|
| <u>Bonds</u> | | | | | |
| General Receipts Bonds | \$ 1,225,000 | \$ - | \$ 290,000 | \$ 935,000 | \$ 300,000 |
| Bond Discount | (18,409) | - | - | (18,409) | (4,484) |
| Total Bonds | 1,206,591 | - | 290,000 | 916,591 | 295,516 |
| <u>Direct Borrowings</u> | | | | | |
| Finance Purchase | 14,742,118 | - | 960,038 | 13,782,080 | 986,222 |
| <u>Other Long-Term Liabilities</u> | | | | | |
| Series 2021 COP | 49,190,000 | - | - | 49,190,000 | 1,030,000 |
| Series 2021 COP-Premium | 7,739,086 | - | 733,439 | 7,005,647 | 401,610 |
| HB 250 Stabilization Funding | 23,000,000 | - | - | 23,000,000 | - |
| Total Long-Term Liabilities | 79,929,086 | - | 733,439 | 79,195,647 | 1,431,610 |
| Total Long-Term Debt | 95,877,795 | - | 1,983,477 | 93,894,318 | 2,713,348 |
| <u>Other</u> | | | | | |
| Lease Liabilities | 503,261 | - | 416,679 | 86,582 | 80,851 |
| Subscription Liabilities | 2,660,834 | 746,629 | 1,271,330 | 2,136,133 | 1,349,651 |
| Total Other | 3,164,095 | 746,629 | 1,688,009 | 2,222,715 | 1,430,502 |
| Total | \$ 99,041,890 | \$ 746,629 | \$ 3,671,486 | \$ 96,117,033 | \$ 4,143,850 |

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 (NOTE 14).

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, 2024

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, 2024, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|------------------|---------------------|
| 2025 | \$ 300,000 | \$ 36,231 | \$ 336,231 |
| 2026 | 310,000 | 24,606 | 334,606 |
| 2027 | 325,000 | 12,594 | 337,594 |
| Total | <u>\$ 935,000</u> | <u>\$ 73,431</u> | <u>\$ 1,008,431</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 \$3,709,694 as of June 30, 2024. 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, 2024, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 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 | 1,098,319 | 254,695 | 1,353,014 |
| 2030-2034 | 5,957,688 | 807,384 | 6,765,072 |
| 2035-2036 | 2,616,804 | 89,224 | 2,706,028 |
| Total | <u>\$ 13,782,080</u> | <u>\$ 2,454,090</u> | <u>\$ 16,236,170</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, 2024

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, 2024, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|----------------------|----------------------|
| 2025 | \$ 1,030,000 | \$ 2,020,400 | \$ 3,050,400 |
| 2026 | 1,060,000 | 1,968,150 | 3,028,150 |
| 2027 | 1,095,000 | 1,914,275 | 3,009,275 |
| 2028 | 1,125,000 | 1,858,775 | 2,983,775 |
| 2029 | 1,160,000 | 1,801,650 | 2,961,650 |
| 2030 - 2034 | 6,310,000 | 8,135,975 | 14,445,975 |
| 2035 - 2039 | 6,960,000 | 6,796,600 | 13,756,600 |
| 2040 - 2044 | 7,615,000 | 5,339,100 | 12,954,100 |
| 2045 - 2049 | 8,270,000 | 3,750,400 | 12,020,400 |
| 2050 - 2054 | 8,925,000 | 2,030,500 | 10,955,500 |
| 2055 - 2057 | 5,640,000 | 340,400 | 5,980,400 |
| Total | <u>\$ 49,190,000</u> | <u>\$ 35,956,225</u> | <u>\$ 85,146,225</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> |
|-----------------------------|--------------------------|---------------------|
| 2025 | \$ 25,932 | \$ 401,610 |
| 2026 | 25,932 | 522,026 |
| 2027 | 25,932 | 487,034 |
| 2028 | 25,932 | 452,494 |
| 2029 | 25,932 | 418,196 |
| 2030 - 2034 | 129,660 | 1,633,515 |
| 2035 - 2039 | 129,660 | 1,202,946 |
| 2040 - 2044 | 129,660 | 888,398 |
| 2045 - 2049 | 129,660 | 615,032 |
| 2050 - 2054 | 129,660 | 332,461 |
| 2055 - 2058 | 54,279 | 51,935 |
| Total | <u>\$ 832,239</u> | <u>\$ 7,005,647</u> |

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 \$994,510 as of June 30, 2024, respectively.

Principal and interest on lease obligations for the three fiscal years as of June 30, 2024, are as follows:

| <u>Year Ending June 30,</u> | <u>Payment</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|------------------|------------------|-----------------|
| 2025 | \$ 81,598 | \$ 80,851 | \$ 931 |
| 2026 | 5,820 | 5,731 | 116 |
| Total | <u>\$ 87,418</u> | <u>\$ 86,582</u> | <u>\$ 1,047</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 \$4,428,980 and \$2,268,153 as of June 30, 2024, respectively.

Principal and interest on the contract obligations for the four fiscal years as of June 30, 2024, are as follows:

| <u>Year Ending June 30,</u> | <u>Payment</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|---------------------|---------------------|-------------------|
| 2025 | \$ 1,432,040 | \$ 1,349,651 | \$ 82,389 |
| 2026 | 709,486 | 680,423 | 29,063 |
| 2027 | 106,740 | 106,059 | 681 |
| Total | <u>\$ 2,248,266</u> | <u>\$ 2,136,133</u> | <u>\$ 112,133</u> |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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. The information below summarizes the major retirement benefit provisions of KERS-Non-Hazardous and Hazardous plans:

| | 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% for those retiring without service for all months between 1/1998 and 1/1999; 2.00% for those retiring with service for all months between 1/1998 and 1/1999; 2.20% for those retiring with service between 1/1998-1/9999 and 1/2009 | 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, 2024

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, 2024**

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, 2024, 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, 2023, at 9.97% (7.82% to the pension fund and 2.15% to the insurance fund). The unfunded liability cost is an actuarially accrued liability contribution based upon the actuarial valuation for fiscal year 2023 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 0.232269% for the non-hazardous plan and .084914% for the hazardous plan, with 90% allocated to the pension fund and 10% allocated to the insurance fund. The University contributed \$2,380,791 to the nonhazardous retirement plan. \$2,142,712 of the contribution was allocated to the nonhazardous KERS pension fund and \$238,079 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, 2024**

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, 2024, the University reported a liability of \$28,612,584 for its proportionate share of the nonhazardous net pension liability and \$359,175 for hazardous.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled-forward for June 30, 2023. The University's proportionate share of the Nonhazardous net pension liability is 0.232269%, which is a decrease of 0.007269% from the prior year allocation of 0.239538%. The University's proportionate share of the Hazardous net pension liability is 0.084914%, which is an decrease of 0.028264% from the prior year allocation of 0.113178%. 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, 2023.

For the year ended June 30, 2024, the University's actuarially calculated reduction to pension expense was \$831,725 for nonhazardous and a decrease of pension expense of \$1,147 for hazardous. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Nonhazardous: | | |
| Difference Between Expected and Actual Experience | \$ 353,754 | \$ 346 |
| Net Difference Between Projected and Actual Earnings | | |
| on Investments | 483,388 | 454,287 |
| Changes of Assumptions | - | 786,212 |
| Changes in Proportion and Differences Between | | |
| Employer Contributions and Proportionate Share | | |
| of Contributions | - | 488,441 |
| University Contributions Subsequent to | | |
| Measurement Date | 2,318,744 | - |
| Total | <u>\$ 3,155,886</u> | <u>\$ 1,729,286</u> |
| Hazardous: | | |
| Difference Between Expected and Actual Experience | \$ - | \$ 1,295 |
| Net Difference Between Projected and Actual Earnings | | |
| on Investments | 59,762 | 61,522 |
| Changes of Assumptions | - | 9,845 |
| Changes in Proportion and Differences Between | | |
| Employer Contributions and Proportionate Share | | |
| of Contributions | 2,261 | 68,287 |
| University Contributions Subsequent to | | |
| Measurement Date | 61,356 | - |
| Total | <u>\$ 123,379</u> | <u>\$ 140,949</u> |

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, the University reported \$2,380,100 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 2025. Deferred outflows and deferred inflows of resources at June 30, 2024, related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Nonhazardous</u> | <u>Hazardous</u> |
|-----------------------------|---------------------|--------------------|
| 2025 | \$ (944,023) | \$ (79,593) |
| 2026 | (53,133) | (8,525) |
| 2027 | 128,012 | 13,540 |
| 2028 | (23,000) | (4,348) |
| Total | <u>\$ (892,144)</u> | <u>\$ (78,926)</u> |

Actuarial Assumptions

The total pension liability for KERS was determined by applying procedures to the actuarial valuation as of June 30, 2022, 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, 2024

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

The long-term expected rate of return was determined 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, 2023, is based on the June 30, 2022, 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> | Hazardous | | Nonhazardous | |
|--------------------|----------------------|----------------------|----------------------|----------------------|
| | Target Allocation | Long-Term Nominal | Target Allocation | Long-Term Nominal |
| | | Rate of Return | | Rate of Return |
| Public Equity | 43.50 % | 5.90 % | 32.50 % | 5.90 % |
| Private Equity | 10.00 | 11.73 | 7.00 | 11.73 |
| Core Fixed Income | 10.00 | 2.45 | 20.50 | 2.45 |
| Specialty Credit | 15.00 | 3.65 | 15.00 | 3.65 |
| Cash | 1.50 | 1.39 | 5.00 | 1.39 |
| Real Estate | 10.00 | 4.99 | 10.00 | 4.99 |
| Real Return | 10.00 | 5.15 | 10.00 | 5.15 |
| Total | <u>100.00 %</u> | | <u>100.00 %</u> | |

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024:

| | 1% Decrease (4.25)% | Current Discount Rate (5.25%) | 1% Increase (6.25)% |
|--|---------------------------|-------------------------------------|---------------------------|
| Nonhazardous: | | | |
| Proportionate Share of the Collective Net Pension Liability | <u>\$ 32,887,187</u> | <u>\$ 28,612,584</u> | <u>\$ 25,070,231</u> |
| Hazardous: | | | |
| Proportionate Share of the Collective Net Pension Liability | <u>\$ 492,936</u> | <u>\$ 359,175</u> | <u>\$ 250,811</u> |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Plan Description (Continued)

| | | |
|----------------------------------|--|--|
| 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, 2024**

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, 2023, 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, 2023. The actuarially determined amount, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University's total contributions to KTRS for the year ended June 30, 2024, was \$1,555,981 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 \$1,723,393 for the year ended June 30, 2024.

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

At June 30, 2024, the University reported a liability for its proportionate share of the net pension liability that reflected a reduction for pension support provided to the University by the Commonwealth of Kentucky. The amount recognized by the University as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the University were as follows:

| | |
|--|-----------------------------|
| University's Proportionate Share of the Net Pension Liability | \$ 22,924,680 |
| Commonwealth of Kentucky's Proportionate Share of the Net Pension Liability Associated with the University | <u>25,498,427</u> |
| Total | <u><u>\$ 48,423,107</u></u> |

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The University's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period of July 1, 2022, through June 30, 2023. At June 30, 2024, the University's proportion was 3.0720% and the Commonwealth's proportion was 3.4169%.

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, the University was allocated pension expense of \$5,531,804 including \$2,912,913 for support provided by the Commonwealth. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net Difference Between Projected and Actual Earnings on Investments | \$ 572,014 | \$ - |
| Change in Assumptions | 1,104,237 | - |
| Differences Between Expected and Actual Experience | - | 280,861 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 181,045 | 2,325,050 |
| Contributions Subsequent to Measurement Date | 1,555,981 | - |
| Total | <u>\$ 3,413,277</u> | <u>\$ 2,605,911</u> |

At June 30, 2024, the University reported \$1,555,891 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, 2024, related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2025 | \$ (353,380) |
| 2026 | (1,326,035) |
| 2027 | 1,101,298 |
| 2028 | (170,498) |
| Total | <u>\$ (748,615)</u> |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------------|--|
| Valuation Date | June 30, 2022 |
| 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 | 3.66% |
| Single Equivalent Interest Rate | 7.10% |
| 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 Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The actuarial assumptions used in the June 30, 2022, 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, 2024

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, 2022, 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 | 35.40 % | 5.00 % |
| Small Cap U.S. Equity | 2.60 | 5.50 |
| Developed International Equity | 15.70 | 5.50 |
| Emerging Markets Equity | 5.30 | 6.10 |
| Fixed Income | 15.00 | 1.90 |
| High Yield Bonds | 5.00 | 3.80 |
| Other Additional Categories | 5.00 | 3.60 |
| Real Estate | 7.00 | 3.20 |
| Private Equity | 7.00 | 8.00 |
| Cash | 2.00 | 1.60 |
| Total | <u>100.00 %</u> | |

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022, 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, 2023, 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, 2024**

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, 2024, 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>\$ 29,485,155</u> | <u>\$ 22,924,680</u> | <u>\$ 17,500,768</u> |

Summary Pension Plan Information

| | KERS Hazardous/ Nonhazardous | KTRS | Total |
|--------------------------------|------------------------------------|---------------|---------------|
| Net Pension Liability | \$ 28,971,759 | \$ 22,924,680 | \$ 51,896,439 |
| Deferred Outflows of Resources | 3,279,265 | 3,413,277 | 6,692,542 |
| Deferred Inflows of Resources | 1,870,235 | 2,605,911 | 4,476,146 |
| Pension Expense (Income) | (832,873) | 2,069,190 | 1,236,317 |

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, 2024, totals approximately \$1,167,000, consisting of approximately \$608,000 from the University and \$559,000 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, 2024**

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, 2024**

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, 2024, at 9.97% (7.82% to the pension fund and 2.15% 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 0.206724% for the non-hazardous plan, with 90% allocated to the pension fund and 10% allocated to the insurance fund, and .084931% for the hazardous plan. The University contributed \$277,005 to the nonhazardous retirement plan. \$1,985,932 of the contribution was allocated to the nonhazardous KERS pension fund and \$477,239 to the nonhazardous KERS insurance fund. There were no contributions for the KERS hazardous plan.

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, 2024**

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, 2022 |
| Measurement Date | June 30, 2023 |
| 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 6.30% 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, 2024**

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 5.94%, which was increased from the 5.72% discount rate used in the prior year. The discount rate used to measure the total Hazardous OPEB liability was 5.94%, which was increased from the 5.59% 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 3.86% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023.
- 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 % | 5.90 % |
| Private Equity | 10.00 | 11.73 |
| Specialty Credit | 15.00 | 3.65 |
| Core Fixed Income | 10.00 | 2.45 |
| Real Estate | 10.00 | 4.99 |
| Real Return | 10.00 | 5.15 |
| Cash | 1.50 | 1.39 |
| 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, 2024

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 5.94%, 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 (4.94%) or 1-percentage-point higher (6.94%) than the current rate for Nonhazardous:

| | 1% Decrease (4.94)% | Current Discount Rate (5.94%) | 1% Increase (6.94)% |
|---|---------------------------|-------------------------------------|---------------------------|
| The University's Net OPEB Liability - Nonhazardous | <u>\$ 2,181,370</u> | <u>\$ 1,621,939</u> | <u>\$ 1,151,502</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>\$ 1,188,993</u> | <u>\$ 1,621,939</u> | <u>\$ 2,146,034</u> |

Hazardous

The following presents The University's allocated portion of the Hazardous net OPEB (asset) liability of the System, calculated using the discount rate of 5.94%, 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 (4.94%) or 1-percentage-point higher (6.94%) than the current rate for Hazardous:

| | 1% Decrease (4.94)% | Current Discount Rate (5.94%) | 1% Increase (6.94)% |
|--|---------------------------|-------------------------------------|---------------------------|
| The University's Net OPEB Asset - Hazardous | <u>\$ (132,366)</u> | <u>\$ (176,652)</u> | <u>\$ (213,256)</u> |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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 (asset) 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>\$ (203,589)</u> | <u>\$ (176,652)</u> | <u>\$ (143,783)</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 \$1,621,939, or 0.206724%, which is a decrease of 0.057615% from the prior year allocation of 0.264339%. The University's proportionate share of the Hazardous net OPEB asset, as indicated in the prior table, is \$176,652, or 0.084931%, which is a decrease of 0.028249% from the prior year allocation of 0.113180%. The net OPEB liability (asset) 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, 2023.

OPEB Expense

The University was allocated OPEB expense of \$(1,111,666) related to the KERS Nonhazardous and \$(40,082) related to the KERS Hazardous for the year ended June 30, 2024.

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, 2024

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 | \$ - | \$ 2,205,711 |
| Changes of Assumptions | 158,704 | 179,048 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 109,224 | 1,193,632 |
| Difference Between Expected and Actual Investment Earnings on Plan Investments | 295 | - |
| Contributions Subsequent to the Measurement Date | 259,946 | - |
| Total | <u>\$ 528,169</u> | <u>\$ 3,578,391</u> |
| Hazardous: | | |
| Difference Between Expected and Actual Experience | \$ 2,931 | \$ 146,019 |
| Changes of Assumptions | 19,952 | 23,727 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 9,535 | 12,578 |
| Difference Between Expected and Actual Investment Earnings on Plan Investments | - | 4,957 |
| Contributions Subsequent to the Measurement Date | 587 | - |
| Total | <u>\$ 33,005</u> | <u>\$ 187,281</u> |

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$260,533, which excludes the implicit subsidy reported of \$56,149, will be recognized as a reduction of net OPEB expense in the year ending June 30, 2025.

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 |
|-----------------------------|-----------------------|---------------------|
| 2025 | \$ (1,568,591) | \$ (41,530) |
| 2026 | (1,286,656) | (52,741) |
| 2027 | (435,890) | (37,834) |
| 2028 | (19,031) | (22,758) |
| Total | <u>\$ (3,310,168)</u> | <u>\$ (154,863)</u> |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, the University contributed \$339,580 to the KTRS medical insurance plan.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, the University reported a liability of \$4,285,000 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, 2023, 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, 2024, the University's proportion was 0.175917%, a decrease of 0.060209% from the prior year proportion of 0.236126%, and the Commonwealth of Kentucky's proportionate share was 0.083435%, an increase of 0.068604% from the prior year proportion of 0.014831%.

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 | \$ 4,285,000 |
| State's Proportionate Share of the Net OPEB Liability Associated with the University | <u>2,032,000</u> |
| Total | <u><u>\$ 6,317,000</u></u> |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, the University recognized OPEB expense of \$25,000 and revenue of \$25,000 for support provided by the State. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net Difference Between Projected and Actual | | |
| Earnings on OPEB Plan Investments | \$ 80,000 | \$ - |
| Change in Assumptions | 974,000 | - |
| Differences Between Expected and Actual Experience | - | 1,452,000 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 1,584,000 | 1,555,000 |
| University's Contributions Subsequent to Measurement Date | 339,580 | - |
| Total | <u>\$ 2,977,580</u> | <u>\$ 3,007,000</u> |

Of the total amount reported as deferred outflows of resources related to OPEB, \$339,580 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, 2025. 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> |
|-----------------------------|---------------------|
| 2025 | \$ (158,000) |
| 2026 | (132,000) |
| 2027 | 110,000 |
| 2028 | 54,000 |
| 2029 | (97,000) |
| Thereafter | (146,000) |
| Total | <u>\$ (369,000)</u> |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------|---|
| Valuation Date | June 30, 2022 |
| Measurement Date | June 30, 2023 |
| 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 | |
| Medical Trend | 6.75% for FYE 2023 Decreasing to an Ultimate Rate of 4.50% by FY 2032 |
| Medicare Part B Premiums | 1.55% for FYE 2023 with an Ultimate Rate of 4.50% by 2034 |
| Municipal Bond Index Rate | 3.66% |
| 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, 2024**

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>Long Term Expected Real Rate of Return</u> |
|--------------------------------|------------------------------|---|
| Large Cap U.S. Equity | 35.40 % | 5.00 % |
| Small Cap U.S. Equity | 2.60 | 5.50 |
| Developed International Equity | 15.00 | 5.50 |
| Emerging Markets Equity | 5.00 | 6.10 |
| Fixed Income | 9.00 | 1.90 |
| High Yield Bonds | 8.00 | 3.80 |
| Other Additional Categories | 9.00 | 3.70 |
| Real Estate | 6.50 | 3.20 |
| Private Equity | 8.50 | 8.00 |
| Cash | 1.00 | 1.60 |
| Total | <u>100.00 %</u> | |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate 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.

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>\$ 5,511,000</u> | <u>\$ 4,285,000</u> | <u>\$ 3,271,000</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>\$ 3,085,000</u> | <u>\$ 4,285,000</u> | <u>\$ 5,779,000</u> |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Kentucky Teachers' Retirement System OPEB Plan (Continued)

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, 2023, the University contributed \$9,786 to the KTRS life insurance plan.

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

At June 30, 2024, the University reported a liability of \$98,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2023, 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, 2023, the University's proportion was 0.348635%, a decrease of 0.030236% from the prior year proportion of 0.378871%.

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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)

For the year ended June 30, 2024, the University recognized actuarially determined OPEB expense of \$5,000. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | \$ 17,000 | \$ - |
| Net Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 4,000 | 15,000 |
| Change in Assumptions | - | 11,000 |
| Differences Between Expected and Actual Experience | 1,000 | 11,000 |
| University's Contributions Subsequent to the Measurement Date | 10,267 | - |
| Total | <u>\$ 32,267</u> | <u>\$ 37,000</u> |

Of the total amount reported as deferred outflows of resources related to OPEB, \$10,267 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, 2025. 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> |
|-----------------------------|--------------------|
| 2025 | \$ (5,000) |
| 2026 | (4,000) |
| 2027 | 5,000 |
| 2028 | (9,000) |
| 2029 | (1,000) |
| Thereafter | (1,000) |
| Total | <u>\$ (15,000)</u> |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Life Insurance Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2023, 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 | 3.50-7.20% Including Inflation |
| Inflation Rate | 3.00% |
| Real Wage Growth | 5.00% |
| Wage Inflation | 3.50% |
| Municipal Bond Index Rate | 3.50% |
| Discount Rate | 7.10% |
| Single Equivalent Interest Rate | 7.50% Net of OPEB Plan Investment Expense, Including Inflation |

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 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.

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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

Kentucky Teachers' Retirement System OPEB Plan (Continued)

Life Insurance Plan (Continued)

Actuarial Assumptions

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 % | 5.20 % |
| Developed International Equity | 15.00 | 5.50 |
| Emerging Market Equity | 5.00 | 6.10 |
| Fixed Income | 21.00 | 1.90 |
| Other Additional Categories | 5.00 | 4.00 |
| Real Estate | 7.00 | 3.20 |
| Private Equity | 5.00 | 8.00 |
| Cash | 2.00 | 1.60 |
| 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, 2024

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 | \$ 158,000 | \$ 98,000 | \$ 50,000 |

Summary OPEB Information

| | KERS | KTRS | Total |
|-------------------------------------|--------------|--------------|--------------|
| Net OPEB Liability | \$ 1,798,591 | \$ 4,383,000 | \$ 6,181,591 |
| Deferred Outflows of Resources | 561,174 | 3,009,847 | 3,571,021 |
| Deferred Inflows of Resources | 3,765,672 | 3,044,000 | 6,809,672 |
| Actuarially Determined OPEB Expense | 1,151,748 | (30,000) | 1,121,748 |

NOTE 11 COMMITMENTS AND CONTINGENCIES

The University is a party to various lawsuits and other claims in the ordinary course of business. 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, 2024, 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, 2024

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, 2024, are as follows:

| | |
|--|-------------------------|
| Liability - Beginning of Year | \$ 302,330 |
| Accruals for Current Year Claims and Changes in Estimate | 723,203 |
| Claims Paid | <u>(1,014,335)</u> |
| Liability - End of Year | <u><u>\$ 11,198</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 2024. 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 | \$ 7,170,556 | \$ 1,686,370 | \$ - | \$ 1,217,654 | \$ 1,289,187 | \$ 11,363,767 |
| Research | 7,999,933 | 4,293,876 | - | 1,690,159 | 1,789,448 | 15,773,416 |
| Public Service | 7,520,498 | 2,626,447 | - | 1,395,008 | 1,476,957 | 13,018,910 |
| Academic Support | 580,661 | 129,402 | - | 97,619 | 103,355 | 911,037 |
| Student Services | 3,974,991 | 2,225,914 | - | 852,504 | 902,584 | 7,955,993 |
| Institutional Support | 5,666,155 | 11,433,225 | - | 2,350,832 | 2,488,932 | 21,939,144 |
| O&M Plant | 1,586,773 | 5,827,592 | - | 1,019,331 | (8,433,696) | - |
| Auxiliary Enterprises | 2,783,334 | 211,507 | - | - | 383,233 | 3,378,074 |
| Student Financial Aid | 130,528 | 18 | 2,569,849 | - | - | 2,700,395 |
| Total Operating Expenses | <u><u>\$ 37,413,429</u></u> | <u><u>\$ 28,434,351</u></u> | <u><u>\$ 2,569,849</u></u> | <u><u>\$ 8,623,107</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 77,040,736</u></u> |

KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 appropriated \$5.0 million and \$10.0 million to the Council to provide to the University for fiscal years ending June 30, 2023 and June 30, 2024, respectively. As a condition of receiving the funds, the University entered into a management improvement plan. The final report on the University's progress under the management improvement plan was issued in November 2025 and included three recommendations as follows:

1. Require the creation of a financial sustainability plan.
2. Continue quarterly fiscal monitoring.
3. Forgive the financial sustainability loan.

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 15 KENTUCKY STATE UNIVERSITY FOUNDATION, INC.

Description of the Organization

Kentucky State University Foundation, Inc. (the Foundation) is a Kentucky not-for-profit corporation formed to receive, invest, and expend funds to promote and implement educational and developmental activities at Kentucky State University (the University). The Foundation is managed by a Board of Trustees 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 and changes therein 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-imposed restrictions are temporary in time, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the restricted has been fulfilled, or both. The investment return on net assets with donor restriction may be restricted or unrestricted according to the donors wishes.

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

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Income Taxes

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

Investments

Investments as of June 30, 2024, are summarized as follows:

| | |
|--------------------------|-----------------------------|
| Equity Securities | \$ 9,493,599 |
| Debt Securities | 2,590,676 |
| US Government Securities | 452,107 |
| Total Investments | <u><u>\$ 12,536,382</u></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, 2024.

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

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

Mutual Funds

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

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Mutual Funds (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with 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, 2024, are as follows:

| <u>Investment Type</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------------|---------------------|---------------------|----------------|----------------------|
| Common Stocks | \$ 5,614,770 | \$ - | \$ - | \$ 5,614,770 |
| Mutual Funds | 2,632,721 | - | - | 2,632,721 |
| Equity Exchange Traded Funds | 1,246,108 | - | - | 1,246,108 |
| Municipal Bonds | - | 229,581 | - | 229,581 |
| Corporate Bonds | - | 2,361,095 | - | 2,361,095 |
| U.S. Government Securities | - | 452,107 | - | 452,107 |
| Total Assets at Fair Value | <u>\$ 9,493,599</u> | <u>\$ 3,042,783</u> | <u>\$ -</u> | <u>\$ 12,536,382</u> |

Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2024, are restricted for the following purpose:

| | |
|---|----------------------|
| Subject to Expenditure for Specified Purpose: | |
| Instruction and Institutional Support | \$ 2,228,930 |
| Scholarships | <u>1,429,372</u> |
| Total Subject to Expenditure for Specified Purpose | 3,658,302 |
| Subject to the Passage of Time | 82,000 |
| Subject to Endowment Spending Policy and Appropriation: | |
| Investments in Perpetuity (Including Amounts Above the Original Gift Amount of \$5,621,284) Which, Once Appropriated, are Expendable to Support the Following Programs: | |
| Instruction and Institutional Support | 1,748,746 |
| Scholarships | <u>6,728,915</u> |
| Total Subject to Endowment Spending Policy and Appropriation | <u>8,477,661</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 12,217,963</u> |

**KENTUCKY STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Net Assets Released from Restriction

For the year ended June 30, 2024, net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restrictions specified by donors as follows:

| | |
|---------------------------------|-------------------|
| Endowment Spending Allocation | \$ 140,371 |
| University Support | 281,748 |
| Scholarships | 18,861 |
| Operating and Other Expenses | 153,614 |
| Student Support | 135,968 |
| Travel and Other Expenses | 1,165 |
| Total Release from Restrictions | <u>\$ 731,727</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, 2024, 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 making determination 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, 2024

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

Endowment Composition (Continued)

Endowment net asset composition by type of fund as of June 30, 2024, is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Net Endowment Assets |
|--|----------------------------------|-------------------------------|----------------------------------|
| Board-Designated Endowment Fund | \$ 1,515,676 | \$ - | \$ 1,515,676 |
| Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor | - | 5,621,284 | 5,621,284 |
| Accumulated Investment Gains | - | 2,856,377 | 2,856,377 |
| Total | <u>\$ 1,515,676</u> | <u>\$ 8,477,661</u> | <u>\$ 9,993,337</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, 2024.

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, 2024, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Net Endowment Assets |
|---|----------------------------------|-------------------------------|----------------------------------|
| Endowment Net Assets, Beginning of Year | \$ 1,619,920 | \$ 7,752,300 | \$ 9,372,220 |
| Contributions | - | 82,645 | 82,645 |
| Interest and Dividends | 92,135 | 169,946 | 262,081 |
| Realized and Unrealized Gains | 422,561 | 746,876 | 1,169,437 |
| Other, Net of Investment | - | (48,230) | (48,230) |
| Amounts Appropriated for Expenditure | (138,940) | (140,371) | (279,311) |
| Reclassifications | (480,000) | (85,505) | (565,505) |
| Total | <u>\$ 1,515,676</u> | <u>\$ 8,477,661</u> | <u>\$ 9,993,337</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, 2024
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

| <u>Nonhazardous</u> | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Proportion of the Net Pension Liability | \$ 28,613 | \$ 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 % | 0.23 % | 0.24 % | 0.32 % | 0.30 % | 0.23 % | 0.24 % | 0.26 % | 0.29 % | 0.32 % |
| Covered Payroll | \$ 2,428 | \$ 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 | 1178.46% | 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 | 28.74 % | 18.51 % | 18.48 % | 14.01 % | 13.66 % | 12.84 % | 13.30 % | 14.80 % | 18.83 % | 22.32 % |
| <u>Hazardous</u> | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | | | |
| Proportion of the Net Pension Liability | \$ 359 | \$ 574 | \$ 454 | \$ 340 | \$ 393 | \$ 939 | \$ 237 | | | |
| Proportionate Share of the Net Pension Liability | 0.08 % | 0.08 % | 0.11 % | 0.06 % | 0.07 % | 0.19 % | 0.05 % | | | |
| Covered Payroll | \$ 193 | \$ 205 | \$ 179 | \$ 106 | \$ 114 | \$ 309 | \$ 79 | | | |
| Proportionate Share of the Net Pension Liability as a Share of its Covered Payroll | 186.01% | 280.00% | 253.63% | 320.75% | 344.74% | 303.88% | 300.00% | | | |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 211.24 % | 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, 2024
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

| <u>Nonhazardous</u> | <u>2024</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 | \$ 2,319 | \$ 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 | \$ 2,319 | \$ 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 | \$ 2,428 | \$ 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 | 95.51% | 61.58% | 66.52 % | 41.07 % | 41.05 % | 41.05 % | 41.05 % | 38.99 % | 30.36 % | 28.11 % | 26.79 % |
| <u>Hazardous</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | | | | |
| Contractually Required Contribution | \$ 61 | \$ 58 | \$ 68 | \$ 65 | \$ 32 | \$ 35 | \$ 61 | | | | |
| Contributions in Relation to the Contractually Required Contribution | \$ 61 | \$ 58 | \$ 68 | \$ 65 | \$ 32 | \$ 35 | \$ 61 | | | | |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | | | |
| Covered Payroll | \$ 193 | \$ 182 | \$ 205 | \$ 179 | \$ 106 | \$ 114 | \$ 309 | | | | |
| Contributions as a Percentage of Covered Payroll | 31.61% | 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, 2024
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

| <u>Nonhazardous</u> | <u>2024</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 | \$ 1,622 | \$ 5,847 | \$ 5,727 | \$ 8,099 | \$ 6,622 | \$ 5,389 | \$ 6,178 |
| Proportionate Share of the Net OPEB Liability | 0.23 % | 0.23 % | 0.25 % | 0.32 % | 0.30 % | 0.23 % | 0.24 % |
| Covered Payroll | \$ 2,428 | \$ 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 | 66.80% | 181.30% | 142.59 % | 178.08 % | 151.95 % | 150.66 % | 158.90 % |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 66.14 % | 38.15 % | 38.38 % | 29.00 % | 30.92 % | 27.32 % | 24.40 % |
| <u>Hazardous</u> | <u>2024</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) | \$ (177) | \$ 9 | \$ (12) | \$ 26 | \$ (19) | \$ (62) | \$ 3 |
| Proportionate Share of the Net OPEB Liability | 0.08 % | 0.08 % | 0.10 % | 0.06 % | 0.07 % | 0.19 % | 0.05 % |
| Covered Payroll | \$ 193 | \$ 205 | \$ 179 | \$ 106 | \$ 114 | \$ 309 | \$ 79 |
| Proportionate Share of the Net OPEB Liability as a Share of Covered Payroll | (0.92)% | 4.39% | -6.70% | 24.53% | (16.67)% | (20.06)% | 3.80 % |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 149.84 % | 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 5.72% to 5.94% in 2024 for the KERS nonhazardous plan and from 5.59% to 5.94% in 2024 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, 2024
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

| <u>Nonhazardous</u> | <u>2024</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 | \$ 260 | \$ 477 | \$ 323 | \$ 337 | \$ 394 | \$ 375 | \$ 301 | \$ 314 |
| Contributions in Relation to the Contractually Required Contribution | \$ 260 | \$ 477 | \$ 323 | \$ 337 | \$ 394 | \$ 375 | \$ 301 | \$ 314 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 2,428 | \$ 3,225 | \$ 3,707 | \$ 4,016 | \$ 4,548 | \$ 4,358 | \$ 3,583 | \$ 3,734 |
| Contributions as a Percentage of Covered Payroll | 10.71% | 14.79% | 8.71 % | 8.39 % | 8.66 % | 8.60 % | 8.40 % | 8.41 % |
| <u>Hazardous</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | |
| Contractually Required Contribution | \$ 0.5 | \$ - | \$ - | \$ - | \$ 7 | \$ 7 | \$ 12 | |
| Contributions in Relation to the Contractually Required Contribution | \$ 0.5 | \$ - | \$ - | \$ - | \$ 7 | \$ 7 | \$ 12 | |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Covered Payroll | \$ 193 | \$ 182 | \$ 205 | \$ 179 | \$ 106 | \$ 114 | \$ 309 | |
| Contributions as a Percentage of Covered Payroll | 0.26% | - % | - % | - % | 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, 2024
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

| | <u>2024</u> | <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 | \$ 22,925 | \$ 23,214 | \$ 22,178 | \$ 24,786 | \$ 22,159 | \$ 22,617 | \$ 40,538 |
| State's Proportionate Share of Collective Net Pension Liability | 25,498 | 30,167 | 23,414 | 26,067 | 24,011 | 16,827 | 32,308 |
| Total | <u>\$ 48,423</u> | <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 | 0.13 % | 0.13 % | 0.17 % | 0.17 % | 0.30 % | 0.16 % | 0.16 % |
| Covered Payroll | \$ 12,810 | \$ 11,744 | \$ 13,060 | \$ 12,222 | \$ 11,429 | \$ 10,894 | \$ 11,832 |
| Proportionate Share of the Net Pension Liability as a Share of Covered Payroll | 178.96% | 197.67% | 169.82% | 202.80% | 193.88% | 207.61% | 342.61% |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 57.68% | 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, 2023.

KENTUCKY STATE UNIVERSITY
SCHEDULE OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
JUNE 30, 2024
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Contractually Required Contribution | \$ 1,556 | \$ 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 | \$ 1,556 | \$ 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 | \$ 12,810 | \$ 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 | 12.15% | 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, 2024
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Proportion of the Net OPEB Liability | \$ 4,383 | \$ 5,980 | \$ 3,674 | \$ 4,350 | \$ 5,053 | \$ 5,626 | \$ 5,880 |
| State's Proportionate Share of the Net OPEB Liability | 2,032 | 368 | 1,627 | 1,918 | 2,198 | 2,700 | 2,630 |
| Total | <u>\$ 6,415</u> | <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 % | 0.13 % | 0.17 % | 0.17 % | 0.30 % | 0.16 % | 0.16 % |
| Covered Payroll | \$ 12,810 | \$ 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 | 34.22% | 50.92% | 28.13 % | 35.59 % | 44.21 % | 51.64 % | 49.70 % |
| Plan Fiduciary Net Position as a Percentage of Total | | | | | | | |
| OPEB Liability | 53.52% | 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, 2024
(AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT)

| | <u>2024</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 | \$ 340 | \$ 313 | \$ 236 | \$ 307 | \$ 298 | \$ 297 | \$ 287 | \$ 307 |
| Contributions in Relation to the Contractually Required Contribution | \$ 340 | \$ 313 | \$ 236 | \$ 307 | \$ 298 | \$ 297 | \$ 287 | \$ 307 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 12,810 | \$ 12,504 | \$ 11,744 | \$ 13,060 | \$ 12,222 | \$ 11,429 | \$ 10,894 | \$ 11,832 |
| Contributions as a Percentage of Covered Payroll | 2.65% | 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.

SUPPLEMENTARY INFORMATION

KENTUCKY STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

| 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 | | | | |
| Passed Through Texas A&M University | | | | |
| Evaluation of Lauric Acid | 10.001 | Not Available | \$ 7,938 | \$ 10,949 |
| Direct | | | | |
| Agriculture Discovery 2023 | 10.025 | | - | 801 |
| Agriculture Discovery 2021 | 10.025 | | - | 779 |
| Shrimp Survey | 10.025 | | - | 101,086 |
| Passed through Animal and Plant Health Inspection Service | | | | |
| Agriculture Discovery 2024 | 10.025 | AP24OAOCDI0C005 | - | 54,210 |
| Total 10.025 | | | - | 156,876 |
| Direct | | | | |
| McIntire Stennis Fiscal Year 2023 | 10.202 | | - | 88,315 |
| McIntire Stennis Fiscal Year 2022 | 10.202 | | - | 97,243 |
| McIntire Stennis Fiscal Year 2021 | 10.202 | | - | 76,213 |
| McIntire Stennis Fiscal Year 2020 | 10.202 | | - | (3,540) |
| Total 10.202 | | | - | 258,231 |
| Passed Through National Institute of Food and Agriculture | | | | |
| Evans Allen Research Fiscal Year 2024 | 10.205 | NI241445XXXXG001 | - | 865,142 |
| Direct | | | | |
| Evans Allen Research Fiscal Year 2022 | 10.205 | | - | 1,345,022 |
| Evans Allen Research Fiscal Year 2023 | 10.205 | | - | 4,789,492 |
| Total 10.205 | | | - | 6,999,656 |
| Passed through from the University of Georgia Research Foundation | | | | |
| SARE Program Assistant | 10.215 | SUB00003367 | | 19,354 |
| Direct | | | | |
| National Institute of Food and Agriculture | | | | |
| 1890 Institution Capacity Building Grant | | | | |
| Sustainable Aquaculture Education | 10.216 | | - | 4,578 |
| Molecular Biology/Biotech Core Lab | 10.216 | | - | (11,236) |
| Integrated Agriculture | 10.216 | | - | 40,770 |
| CBG Electronic Extension App | 10.216 | | 58,808 | 133,534 |
| Collaborative Eval of Saffron | 10.216 | | - | 120,800 |
| Shrimp Aquaponics | 10.216 | | - | 28,650 |
| Enhancing Ag and Education Opportunity | 10.216 | | - | 12,326 |
| Training to Develop Capacities | 10.216 | | - | (4,266) |
| EcoSysServ Appalachia | 10.216 | | 81,825 | 219,330 |
| Undergrad Cert Program & Fermentation | 10.216 | | - | 85,158 |
| Honey Bee Stressors and Apiary Mgmt. | 10.216 | | - | 164,247 |
| Support Socially Disadvantaged Farm | 10.216 | | - | 76,719 |
| Engaging Underrepresented Students | 10.216 | | - | 53,299 |
| Strengthening Agricultural Intelligence | 10.216 | | - | 51,525 |
| Expanding Aquaculture and Health | 10.216 | | - | 64,963 |
| Enhancing Design Floating Raceway | 10.216 | | 20,345 | 152,718 |
| Extension Approaches to Help KY | 10.216 | | 3,000 | 48,575 |
| Agroforestry-Food Production KY | 10.216 | | 11,798 | 131,871 |
| Nutrition Outreach for over 65 | 10.216 | | - | 4,362 |
| Optimizing Soybean Nitrogen | 10.216 | | - | 171,322 |
| Fertile Crocus Breeding Lines | 10.216 | | - | 1,074 |
| Passed through from North Carolina A&T | | | | |
| Agr through HBCU Innovation Center | 10.216 | 241003B | - | 258 |
| Passed through from VAPB | | | | |
| Extension Training in Aquaculture | 10.216 | 2023-38821-40369-2 | - | 38,969 |
| Total 10.216 | | | 175,776 | 1,589,546 |
| Direct | | | | |
| High School STEM | 10.226 | | - | 1,251 |
| Passed through from the 1890's Foundation | | | | |
| Successful Kentucky Immunization Teaching | 10.229 | Not Available | - | 154,867 |
| Passed through from University of Maryland Eastern Shore | | | | |
| Generating the Next Generation | 10.237 | 01-5208630 | - | 105,772 |
| Direct | | | | |
| Small Farms Conference | 10.310 | | - | 27,425 |
| AFRI Geotech Small Farms 2019 | 10.310 | | - | 16,950 |
| Organic and Urban Agriculture Food | 10.310 | | - | 81,906 |
| Hemp Effect Project: Budget 1 | 10.310 | | - | 43,872 |
| Improving Phosphorus Recovery | 10.310 | | 19,141 | 222,054 |
| Sushi Hemp | 10.310 | | - | 67,629 |
| Mitigating Health Disparities EKY | 10.310 | | - | 50,361 |
| Passed through from North Carolina A&T | | | | |
| YEA NCAT Subaward | 10.310 | 2023-68018-39177 | 6,860 | 29,109 |
| Total 10.310 | | | 26,001 | 539,306 |
| Direct | | | | |
| Building Soil Building Equity | 10.XXX | | - | 118,066 |
| Total U.S. Department of Agriculture | | | 209,715 | 9,953,874 |

See accompanying Notes to Schedule of Expenditures of Federal Awards

KENTUCKY STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2024

| 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 (Continued): | | | | |
| U.S. Department of Defense | | | | |
| Direct | | | | |
| Cybersecurity Core Curriculum | 12.905 | | \$ - | \$ 28,089 |
| Cybersecurity Core Curriculum | 12.905 | | - | 28,257 |
| Total 12.905 and U.S. Department of Defense | | | - | 56,346 |
| National Science Foundation (NSF) | | | | |
| Division of Human Resource Development | | | | |
| NSF TIP STEM 2019 | 47.076 | | - | 4,737 |
| Next Generation STEM Professional | 47.076 | | - | 368,778 |
| 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 | 3200002015-19-122 | - | 40,044 |
| Total 47.076 | | | - | 413,559 |
| EPSCOR | 47.083 | | - | (1,218) |
| Total National Science Foundation | | | - | 412,341 |
| U.S. Department of Energy | | | | |
| Direct | | | | |
| Mapping Soil Contamination | 81.089 | | 13,465 | 41,056 |
| U.S. Department of Health and Human Services | | | | |
| Passed through from the University of Louisville | | | | |
| IDeA Biomedical Research | 93.859 | Not Available | - | 10,567 |
| IDeA Biomedical Research | 93.859 | Not Available | - | 21,929 |
| Geriatrics Workforce Enhancement | 93.969 | Not Available | - | 10,000 |
| Total U.S. Department of Health and Human Services | | | - | 42,496 |
| Total Research and Development Cluster | | | 223,180 | 10,506,113 |
| Other Programs: | | | | |
| U.S. Department of Agriculture | | | | |
| Passed through Alcorn State University | | | | |
| Kentucky Heirs Property Training | 10.147 | ASU330292-06 | - | 42,846 |
| Direct | | | | |
| Helping SSDG Improve Water | 10.175 | | - | 82,888 |
| Dual Credit Thorobred Academy | 10.216 | | - | 171,463 |
| Beginning Farmer and Rancher Development Program | | | | |
| Farming for Cash Program | 10.311 | | - | 16,617 |
| Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers | | | | |
| Outreach and Assistance Program SDVFR 2021 | 10.443 | | - | 139,844 |
| Cooperative Extension Service | | | | |
| The 1890 Facilities Grants Program | 10.500 | | - | 107,486 |
| Children, Youth, and Families at Risk Fiscal Year 2020 | 10.500 | | - | 29,066 |
| Total 10.500 | | | - | 136,552 |
| Agriculture Extension at 1890 Land-grant Institutions | | | | |
| Cooperative Extension Fiscal Year 2020 | 10.512 | | - | (972) |
| Cooperative Extension Fiscal Year 2021 | 10.512 | | - | 12,212 |
| Cooperative Extension Fiscal Year 2022 | 10.512 | | - | 3,281,144 |
| Cooperative Extension Fiscal Year 2023 | 10.512 | | - | 823,316 |
| Total 10.512 | | | - | 4,115,700 |
| Expanded Food and Nutrition Education Program (EFNEP) | | | | |
| Expanded Food and Nutrition Education | 10.514 | | - | 44,807 |
| Expanded Food and Nutrition Education | 10.514 | | - | 6,295 |
| Total 10.514 | | | - | 51,102 |
| Renewable Resources Extension Act | | | | |
| RREA Fiscal Year 2022 | 10.515 | | - | 1,623 |
| RREA Fiscal Year 2023 | 10.515 | | - | 5,335 |
| Total 10.515 | | | - | 6,958 |
| Passed through from University of Maryland Eastern Shore | | | | |
| Enhancing International Competence | 10.523 | Not Available | 22,456 | 27,935 |
| Science Into Perspective | 10.523 | CEIED5208520KSU-JH | - | 27,231 |
| Meat and Poultry Workforce Dev | 10.523 | SUS-SUAGCENTER-2023-10-0034 | - | 4,991 |
| Technology Transfer and Adapt | 10.523 | 2021-38427-34838 | - | 42,989 |
| Total 10.523 | | | 22,456 | 103,146 |

See accompanying Notes to Schedule of Expenditures of Federal Awards

KENTUCKY STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2024

| 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 Agriculture (Continued): | | | | |
| Scholarships for Students at 1890 Institutions (B) | | | | |
| 1890 Scholarships Program | 10.524 | | \$ - | \$ 1,514,406 |
| 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 | - | 14,668 |
| Total SNAP Cluster | | | - | 14,668 |
| Total U.S. Department of Agriculture | | | 22,456 | 6,396,190 |
| U.S. Department of Education | | | | |
| Student Financial Assistance — Cluster | | | | |
| Federal Supplemental Educational Opportunity Grants (FSEOG) | 84.007 | | - | 144,896 |
| Federal Work-Study Program (FWSP) | 84.033 | | - | 130,545 |
| Federal Pell Grant Program | 84.063 | | - | 5,380,058 |
| Federal Perkins Loan Program | 84.038 | | - | 342,661 |
| Federal Direct Student Loans | 84.268 | | - | 10,181,884 |
| Total Student Financial Assistance Cluster | | | - | 16,180,044 |
| TRIO Cluster | | | | |
| TRIO Student Support Services | | | | |
| Student Support Services | 84.042 | | - | 127 |
| Student Support Services | 84.042 | | - | 182,255 |
| Student Support Services | 84.042 A | | - | 60,354 |
| Total 84.042 | | | - | 242,736 |
| TRIO Upward Bound | | | | |
| Engaged and Empowered UB Year 5 | 84.047 | | - | 186,993 |
| Upward Bound Program | 84.047 A | | - | 3,232 |
| Total 84.047 | | | - | 190,225 |
| Total TRIO Cluster | | | - | 432,961 |
| Higher Education Institutional Aid | | | | |
| HBCU TIII, Part B YR2 | 84.031B | | - | 98,048 |
| HBCU TIII, Part B YR2 Bldg. Reno | 84.031B | | - | 295,430 |
| HBCU TIII Part B YR2 Leadership | 84.031B | | - | 30,058 |
| T3 Part B YR2 Program Administration | 84.031B | | - | 351,532 |
| T3 Part B YR2 Student Success | 84.031B | | - | 352,671 |
| TIII, Part B YR2 Student Wellness | 84.031B | | - | 196,761 |
| Nursing - HBCU Title III Part F YR4 | 84.031E | | - | 251,831 |
| IT-Library - HBCU Title III Part F | 84.031E | | - | 234,209 |
| HBCU Future Act 20/25 Yr 1 | 84.031E | | - | 248,774 |
| Title III SAFRA YR5 2020 | 84.031 | | - | 442,698 |
| HBCU Future Act 20/25 Yr 2 | 84.031 | | - | 34,922 |
| HBCU TIII, Part B YR 4, CF | 84.031 | | - | 73,611 |
| HBCU Title III, Part F - Year 3, Nu | 84.031 | | - | 292,574 |
| HBCU TIII, PART B YR1 | 84.031 | | - | 909,897 |
| Total 84.031 | | | - | 3,813,016 |
| Strengthening Minority-Serving Institutions | | | | |
| HBCU Graduate (Masters) | 84.382G | | - | 621,112 |
| Title III - HBCU Masters 2023-2029 | 84.382G | | - | 388,732 |
| Total 84.382G | | | - | 1,009,844 |
| Education Stabilization Fund | | | | |
| COVID-19 - HEERF HBCUs | 84.425J | | - | 2,699,727 |
| COVID-19 -HEERF Student Portion | 84.425E | | - | 218,689 |
| Total 84.425 | | | - | 2,918,416 |
| Total U.S. Department of Education | | | - | 24,354,281 |
| U.S. Department of Health and Human Services | | | | |
| Foster Care Title IV-E | | | | |
| Public Child Welfare Cert Program | 93.969 | | - | 2,198 |
| 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 | - | 219,372 |
| Total Federal Expenditures | | | \$ 245,636 | \$ 41,478,154 |

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, 2024

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, 2024. 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, 2023, 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 \$342,661 with an allowance for doubtful accounts at June 30, 2024.



**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, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 4, 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
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 2024-001 through 2024-004 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2024-005 to be a significant deficiency.

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
December 4, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS 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, 2024. 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, 2024.

Qualified Opinion on the Agricultural Extension at 1890 Land-Grant Institutions

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 Agricultural Extension at 1890 Land-Grant Institutions for the year ended June 30, 2024.

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, 2024.

Members of the Board of Regents
Kentucky State University

Secretary of Finance and Administration Cabinet
Commonwealth of Kentucky

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.

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.

Matters 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. 84.063 Federal Pell Grant, and 84.268 Direct Loan as described in finding number 2024-013 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.

Matters Giving Rise to Qualified Opinion on the Agricultural Extension at 1890 Land-Grant Institutions

As described in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding Assistance Listing No. 10.512 Agricultural Extension at 1890 Land-Grant Institutions as described in finding number 2024-010 for Equipment and Real Property Management.

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.
- 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 2024-006 – 2024-009, 2024-011 – 2024-012 and 2024-014 – 2024-20. 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-010 and 2023-013 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-006 – 2024-009, 2024-011 – 2024-012 and 2024-014 – 2024-20. 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.

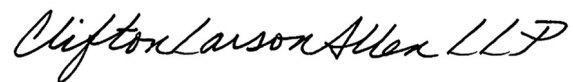
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Members of the Board of Regents
Kentucky State University

Secretary of Finance and Administration Cabinet
Commonwealth of Kentucky

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of the University as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We have issued our report thereon, dated December 4, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
January 15, 2026

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

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? Yes X 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 (ALN 84.063, 84.268)

Agricultural Extension at 1890 Land-Grant Institutions (ALN 10.512)

Unmodified for the Following Programs:

Education Stabilization Fund (ALN 84.425E, 84.425J)

Scholarships for Students at 1890 Institutions (ALN 10.524)
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, 2024**

Section I – Summary of Auditors' Results (Continued)

Identification of Major Federal Programs

| Assistance Listing Number(s) | Name of Federal Program or Cluster |
|-------------------------------------|--|
| 10.512 | Agricultural Extension at 1890 Land-Grant Institutions |
| 10.524 | Scholarships for Students at 1890 Institutions |
| | Student Financial Aid Cluster: |
| 84.007 | FSEOG Grant Program |
| 84.033 | Federal Work Study |
| 84.038 | Federal Perkins Loan Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans |
| 84.425E | HEERF Student Emergency Aid |
| 84.425J | HEERF HBCU Aid |

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

\$ 1,244,345

Auditee qualified as low-risk auditee?

 Yes

 X No

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

2024 – 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 2024.

Criteria or specific requirement: Internal controls are critical to ensure accurate and timely financial reporting. These would include, but not limited to, a closing policy that ensures all significant accounts are reconciled and adjusted on a timely basis.

Effect: The year end audit was not completed on a timely basis and deadlines related to continuing disclosure requirements were not met.

Cause: There are no formal policies and procedures to ensure timely fiscal year end close process.

Repeat Finding: Yes, 2023-001.

Recommendation: We recommend management perform 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.

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

2024 – 002 – Account Reconciliations and Documented Processes

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The University does not have a policy that requires that a close of financial records be completed monthly or quarterly during a fiscal year. The University does not have a comprehensive business procedures manual documenting the processes and controls for all significant financial cycles.

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, 2024**

Section II – Financial Statement Findings (Continued)

2024 – 002 – Account Reconciliations and Documented Processes (Continued)

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.

Cause: Formal policies and procedures requiring monthly or quarterly close procedures does not exist and a comprehensive business procedures manual has not been completed.

Repeat Finding: Yes, 2023-001.

Recommendation: We recommend management implement a monthly or quarterly close policy that identifies the accounts that are to be reconciled and adjusted during this process and finalize a business procedures manual.

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

2024 – 003 – Bank Reconciliations

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Bank reconciliations are not performed on a timely basis.

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include the performance and review of bank reconciliations shortly after the receipt of a bank statement each month.

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.

Cause: Certain cash accounts were not reconciled timely.

Repeat Finding: Yes, 2023-002.

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.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings (Continued)

2024 – 004 – 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 during the course of the fiscal year under audit.

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: Potential errors to grant revenues, receivables and unearned revenues not being identified on a timely basis. Significant time spent after fiscal year end reconciling these accounts.

Cause: The University did not have supporting subledgers supporting grants receivable and unearned revenues by invoice or grant until prepared after the end of the fiscal year on excel spreadsheets. 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 until after fiscal year end.

Repeat Finding: Yes, 2023-006.

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. We further recommend that grant revenues have a control in place to ensure allowable expenses are incurred prior to the recognition of revenue.

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

2024 – 005 – 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.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings (Continued)

2024 – 005 – Purchase Cards (Continued)

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, 2023-010.

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, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs

2024 – 006 – Suspension and Debarment

Federal Agency: U.S. Department of Agriculture

Federal Program Name: Extension Services at 1890 Colleges and the Education Stabilization Fund

Assistance Listing Number: 10.512; 84.425

Federal Award Identification Number and Year: NI201444XXXXG008-0005; P425J200025 - 2024

Award Period: July 1, 2023 – June 30, 2024

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Per 2 CFR 180 and 2 CFR 200.213, nonfederal entities must ensure that vendors are not suspended or debarred from federal programs. Verification can be performed by checking the SAM.gov 'Exclusions' list, collecting a certification from the vendor, or including a clause in the contract requiring compliance.

Condition: Documentation supporting the University's suspension and debarment checks for sampled vendors was not maintained.

Questioned costs: None.

Context: During testing of Suspension and Debarment compliance, we noted that three out of three sampled procurement transactions tested for Program 10.512, as well as two out of two sampled transactions tested for Program 84.425, did not include documentation demonstrating that vendors were verified as not suspended or debarred prior to award.

Cause: The University did not maintain records of suspension and debarment checks for sampled transactions.

Effect: Without documented verification, there is an increased risk that federal funds could be expended with ineligible vendors, resulting in potential noncompliance with Uniform Guidance and exposure to questioned costs.

Repeat Finding: No.

Recommendation: We recommend the University implement and enforce procedures to verify vendor status through SAM.gov or other acceptable methods prior to award, retain documentation of the verification in procurement files, and train staff on suspension and debarment requirements under Uniform Guidance.

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, 2024**

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

2024 – 007 – Verification

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 - 2024

Award Period: July 1, 2023 – June 30, 2024

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 twenty-two students to test for proper documentation of verification. Three of the twenty-two students tested had instances of noncompliance as the institution did not retain statements of educational purpose, as required.

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: Yes, 2023-012

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, 2024**

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

2024 – 008 – Exit Counseling

Federal Agency: US Department of Education

Federal Program Name: Federal Direct Student Loans

Assistance Listing Number: 84.268

Federal Award Identification Number and Year: P268K230147; P268K240147 - 2024

Award Period: July 1, 2023 – June 30, 2024

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 eight out of the twenty-nine students 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 DoE on time.

Repeat Finding: Yes, 2023-015

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, 2024**

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

2024 – 009 – Perkins Loan Record Retention

Federal Agency: US 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, 2023 – June 30, 2024

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, Twenty-two out of forty open loans tested and forty out of forty 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: The University does not have a proper internal control system for the Federal Perkins Loan Program.

Repeat Finding: Yes, 2023-19

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, 2024**

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

2024 – 010 – Capital Asset Inventory Documentation

Federal Agency: US Department of Agriculture

Federal Program Name: Extension Services at 1890 Colleges

Assistance Listing Number: 10.512

Federal Award Identification Number and Year: NI201444XXXXG008-0005

Award Period: July 1, 2023 – June 30, 2024

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Material Noncompliance (Modified Opinion)

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. Additionally, reconciliation to property records and safeguarding of equipment are requirements under (2 CFR 200.313 (d)(2) and (3)).

Condition: The University did not have documentation of inventory of federal funding being completed every two years as well as documentation supporting the safeguard of assets, nor was the auditor able to reconcile to property records or physically inspect the equipment.

Questioned costs: None

Context: During testing of property and equipment it was noted that none of the eight sample selections 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. Failure to perform these procedures increases the risk of inaccurate property records, misstatement of federal award expenditures, and potential loss or misuse of federally funded equipment.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

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

2024 – 010 – Inventory Documentation (Continued)

Repeat Finding: No

Recommendation: We recommend management implement procedures for physical inventory to be taken within a two-year timeframe as well as maintain evidence of assets possession such as photos of the property and equipment.

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

2024 – 011 – Procurement

Federal Agency: US Department of Agriculture, US Department of Education

Federal Program Name: Extension Services at 1890 Colleges, Education Stabilization Fund

Assistance Listing Number: 10.512, 84.425

Federal Award Identification Number and Year: NI201444XXXXG008-0005, P425J200025 - 2024

Award Period: July 1, 2023 – June 30, 2024

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Uniform guidance requires auditees to follow procurement standards. Sections of the Uniform Guidance set forth five permissible procurement methods for nonfederal 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 all requirements of the Uniform Guidance, and CliftonLarsonAllen LLP (CLA) was unable to sight evidence of their key control being performed.

Questioned costs: None

Context: The University's procurement policy does not currently match all requirements of the uniform guidance related to defining the required levels of procurement and when competitive bids are required, and CLA was unable to sight evidence of a key control being performed for five of six sample selections for the Extension Services at 1890 Colleges grant.

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.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

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

2024 – 011 – Procurement Policy (Continued)

Repeat Finding: Yes, 2023-025

Recommendation: We recommend the University review its procurement policy to ensure it meets federal regulations and ensure they retain documentation of quotes received and final approval forms.

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

2024 – 012 – Return of Title IV Funds (R2T4)

Federal Agency: US 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 - 2024

Award Period: July 1, 2023 – June 30, 2024

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: Student who withdrew from the University did not have accurate calculation of Title IV completed to determine the amount to be returned to the Department of Education.

Questioned costs: None.

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

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

2024 – 012 – Return of Title IV Funds (R2T4) (Continued)

Context: During our testing of seven students who withdrew, one student was determined to be refunded \$3,704 of Parent Plus, while the University determined and refunded an amount of \$3,954.

Cause: The University did not have a control in place to calculate refunds accurately for students who withdrew from the University and needed a calculation of Title IV aid to be returned.

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

Repeat Finding: Yes, 2023-016

Recommendation: We recommend the calculation logic be reviewed and corrected to align with approved methodology.

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

2024 – 013 – National Student Loan Database System (NSLDS)

Federal Agency: US Department of Education

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

Assistance Listing Number: 84.063; 84.268

Federal Award Identification Number and Year: P063P190147; P063P210147; P063P220147; P063P230147; P063Q210147; P063Q220147; P268K230147; P268K240147 - 2024

Award Period: July 1, 2023 – June 30, 2024

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Material Noncompliance (Modified Opinion)

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).

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

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

2024 – 013 – National Student Loan Database System (NSLDS) (Continued)

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).

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

Questioned costs: None

Context: Fifteen students out of a sample of sixty students had status of 'NO RECORD FOUND' on both program and campus enrollment detail, despite having changes in status and receiving federal aid

Forty-five students out of a sample of sixty students change in status were not reported within the maximum timeline of sixty days to the campus-level record within NSLDS.

Fourteen students out of a sample of sixty students had enrollment status dates of which were not matching between campus and program enrollment detail.

Forty-five students out of a sample of sixty students did not have enrollment certification occurring at a minimum of every sixty days.

Nineteen students out of a sample of sixty students had enrollment status dates on their transcripts of which did not match what was being reported within the enrollment detail in 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, 2023-018

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, 2024**

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

2024 – 014 – Direct Loan Reconciliations

Federal Agency: US Department of Education

Federal Program Name: Federal Direct Student Loans

Assistance Listing Number: 84.268

Federal Award Identification Number and Year: P268K230147; P268K240147 - 2024

Award Period: July 1, 2023 – June 30, 2024

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

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. Schools 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, two out of three 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: Yes, 2023-020

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, 2024**

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

2024 – 015 – Perkins Compliance Attestation Requirements Review

Federal Agency: US 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, 2023 – June 30, 2024

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

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: Yes, 2023-021

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

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

2024 – 015 – Perkins Compliance Attestation Requirements Review (Continued)

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.

2024 – 016 – Perkins Reconciliation

Federal Agency: US 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, 2023 – June 30, 2024

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

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: Yes, 2023-022

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

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

2024 – 016 – Perkins Reconciliation (Continued)

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.

2024 – 017 – HEERF Annual and Quarterly Reporting

Federal Agency: US Department of Education

Federal Program Name: Education Stabilization Fund

Assistance Listing Number: 84.425

Federal Award Identification Number and Year: P425J200025 - 2024

Award Period: July 1, 2023 – June 30, 2024

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 ten days after the end of each calendar quarter.

Condition: Annual and quarterly reports were not adhering to compliance requirements.

Questioned costs: None

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

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

2024 – 017 – HEERF Annual and Quarterly Reporting (Continued)

Context: During our testing of quarterly reports, one of the three reports tested was not posted on the University's website within ten days of the end of the quarter.

During our testing of quarterly reports, three reports tested did not have a supervisor review documented.

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.

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

Repeat Finding: Yes, 2023-030

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.

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, 2024**

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

2024 – 018 – HEERF Cash Management

Federal Agency: Department of Education

Federal Program Name: Education Stabilization Fund

Assistance Listing Number: 84.425

Federal Award Identification Number and Year: P425J200025 - 2024

Award Period: July 1, 2023 – June 30, 2024

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: 2 CFR §200.305 – Federal Payment: Requires that payment methods minimize the time elapsing between the transfer of funds from the Federal agency and the disbursement of funds by the recipient. Advance payments must be limited to the minimum amounts needed and timed to meet actual, immediate cash requirements for program costs.

HEERF Program Guidance: Institutions must not draw down funds in excess of immediate needs and should avoid accumulating excess cash on hand. Interest earned on excess cash over \$250 per year must be remitted to the federal government.

Condition: The University drew down Higher Education Emergency Relief Fund (HEERF) funds before incurring the related program expenditures. Federal regulations require that these drawdowns align with actual, immediate cash requirements to prevent excess federal cash on hand. Holding funds for extended periods before spending them can result in noncompliance.

Questioned costs: None

Context: During our testing of cash receipts, it was noted that the University was drawing down funds prior to incurring the related program expenditures.

Cause: The University's cash management process did not adequately align drawdown timing with actual disbursement needs. The drawdown was initiated based on anticipated expenses rather than immediate cash requirements.

Effect: Drawing down funds prior to incurring expenditure creates risk of noncompliance with federal cash management regulations and may result in interest liability for excess cash held.

Repeat Finding: No

**KENTUCKY STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

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

2024 – 018 – HEERF Cash Management (Continued)

Recommendation: The University should revise its cash management procedures to ensure that HEERF drawdowns are based on actual, immediate cash needs rather than anticipated expenditures. Draw requests should be timed as closely as administratively feasible to the disbursement of funds for allowable program costs. Additionally, management should implement monitoring controls to prevent excess cash accumulation and ensure compliance with 2 CFR §200.305 and HEERF guidance.

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

2024 – 019 – Single Audit Report Submission

Federal Agency: Various

Federal Program Name: Extension Services at 1890 Colleges, Scholarships for Students at 1890 Institutions, Education Stabilization Fund, 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, 2023 – June 30, 2024

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 3/31/25 and was not submitted until January 2026.

Cause: The audit report on the financial statements for the year ended June 30, 2024, was issued after the March 31, 2025, deadline.

Effect: The University is not in compliance with the provisions of 2 CFR Section 200.512(a) for the year ended June 30, 2024.

Repeat Finding: Yes, 2023-031.

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

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

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

2024 – 020 – HEERF Earmarking

Federal Agency: US Department of Education

Federal Program Name: Education Stabilization Fund

Assistance Listing Number: 84.425

Federal Award Identification Number and Year: P425J200025 – 2024

Award Period: July 1, 2023 – June 30, 2024

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: 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: No spending of HEERF funds for implementing evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines and conducting direct outreach to financial aid applicants.

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.

Cause: The University did not have the controls in place to ensure earmarking requirements under the CRRSAA 314(e) were being followed and met.

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

Repeat Finding: No.

Recommendation: We recommend the University should implement and maintain an effective system of internal controls over the administration of HEERF funds to ensure earmarking requirements are met.

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



Cognizant Agency: Department of Health and Human Services

Kentucky State University respectfully submits the following corrective action plan for the year ended June 30, 2024. The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT
MATERIAL WEAKNESSES

2024-001

Financial Reporting

Recommendation: We recommend management perform 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.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The University developed and is now following a month-end close process. The University has also developed a fiscal year-end close process. This process includes a fiscal year-end close calendar for accounting and audit as well as a closing calendar for employees throughout the university who provide information and transactions that pertain to closing.

Name(s) of the contact person(s) responsible for corrective action: Melissa Hicks, Controller

Planned completion date for corrective action plan: Complete

2024-002

Account Reconciliations and Documented Processes

Recommendation: We recommend management implement a monthly or quarterly close policy that identifies the accounts that are to be reconciled and adjusted during this process and finalize a business procedures manual.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The University developed and is now following a month-end close process. The University continues to implement additional procedures to improve the accuracy of financial information, including identifying accounts that are to be reconciled monthly and finalizing a business procedures manual. The University has also taken steps to recruit and hire capable individuals to fill open positions.

Name(s) of the contact person(s) responsible for corrective action: Melissa Hicks, Controller

Planned completion date for corrective action plan: June 30, 2026

**KENTUCKY STATE UNIVERSITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

2024-003 Bank Reconciliations

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.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: As part of the audit preparation process for the fiscal year-ended June 30, 2024, the University utilized a consulting firm to complete its bank reconciliations. The University's accounting staff completed bank reconciliations during the fiscal year-ended June 30, 2025, however, staff were unable to successfully research and resolve transactions with dates prior to FYE June 30, 2025. The University plans to utilize a consulting firm to finalize bank reconciliations for the fiscal year-ended June 30, 2025. The University has also taken steps to recruit and hire capable individuals to fill open positions.

Name(s) of the contact person(s) responsible for corrective action: Melissa Hicks, Controller

Planned completion date for corrective action plan: June 30, 2026

2024-004 Grant Accounting

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. We further recommend that grant revenues have a control in place to ensure allowable expenses are incurred prior to the recognition of revenue.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

The University currently maintains an excel spreadsheet that identifies balances by funding agency, award, and invoice. The University will implement procedures to strengthen grant accounting controls by reconciling its excel spreadsheet to the general ledger grants receivable and unearned revenue on a monthly basis with review and approval documented by the Grant Accounting Manager and the CFO.

In addition, the University will implement controls to ensure that grant revenue is recognized only after allowable expenses have been incurred. This control will require Grant Accountants to verify and document that all revenue entries are supported by eligible expenditures in accordance with sponsor and regulatory requirements, with supervisory review prior to posting. The University has also taken steps to recruit and hire capable individuals to fill open positions.

Name(s) of the contact person(s) responsible for corrective action: Melissa Hicks, Controller and Dorothy Daley, Director of Grants

Planned completion date for corrective action plan: June 30, 2026

**KENTUCKY STATE UNIVERSITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

SIGNIFICANT DEFICIENCY

2024-005 Purchase Cards

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.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: There are written procedures that detail requirements for the use of credit card purchases, including supervisory review of purchases and required documentation. The University will implement a monitoring process to ensure the procedures are being followed.

Name(s) of the contact person(s) responsible for corrective action: Eileen Butts, Director of Purchasing

Planned completion date for corrective action plan: March 31, 2026

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2024-006 Suspension and Debarment

Federal Agency: U.S. Department of Agriculture

Federal Program Name: Extension Services at 1890 Colleges and the Education Stabilization Fund

Assistance Listing No.: 10.512; 84.425

Recommendation: We recommend the University implement and enforce procedures to verify vendor status through SAM.gov or other acceptable methods prior to award, retain documentation of the verification in procurement files, and train staff on suspension and debarment requirements under Uniform Guidance.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Procedures were implemented in FY26 to maintain documentation in Banner. The University has implemented additional procedures and buyers have been trained in checking SAM.gov for each federally funded Purchase Order.

Name(s) of the contact person(s) responsible for corrective action: Eileen Butts, Director of Purchasing

Planned completion date for corrective action plan: January 31, 2026

**KENTUCKY STATE UNIVERSITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

2024-007 Verification

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 No.: 84.007; 84.063; 84.268; 84.033

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

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Procedures were implemented in FY25 to maintain documentation in Banner to ensure that student statements are properly processed and retained.

Name(s) of the contact person(s) responsible for corrective action: Varah Barnett, Director of Financial Aid

Planned completion date for corrective action plan: Complete

2024-008 Exit Counseling

Federal Agency: US Department of Education

Federal Program Name: Federal Direct Student Loans

Assistance Listing No.: 84.268

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

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The University now utilizes Banner System to provide a message alert within the Student Portal (Wired) when a withdrawal date is entered. This message serves as a reminder for the student to complete exit counseling. An email is also sent to students who graduate/withdraw every semester about completing Exit Counseling. These processes were implemented in FY25.

Name(s) of the contact person(s) responsible for corrective action: Varah Barnett, Director of Financial Aid

Planned completion date for corrective action plan: Complete

**KENTUCKY STATE UNIVERSITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

2024-009 Perkins Loan Records Retention

Federal Agency: US Department of Education

Federal Program Name: Federal Perkins Loan Program

Assistance Listing No.: 84.038

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

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The University will review its files and take steps to ensure that files are complete with respect to MPNs.

Name(s) of the contact person(s) responsible for corrective action: Danyel Tolbert, Bursar and Melissa Hicks, Controller

Planned completion date for corrective action plan: March 31, 2026

2024-010 Capital Asset Inventory Documentation

Federal Agency: US Department of Agriculture

Federal Program Name: Extension Services at 1890 Colleges

Assistance Listing No.: 10.512

Recommendation: We recommend management implement procedures for physical inventory to be taken within a two-year timeframe as well as maintain evidence of assets possession such as photos of the property and equipment.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: In October 2025, the University purchased software to facilitate managing inventory within the Facilities Department. Staff have been trained on the software in preparation for implementation. Beginning in January 2026, all purchases will be inventoried on a daily basis and input into the software. Inventory will be maintained and updated daily. Monthly reports will be submitted to the CFO.

Name(s) of the contact person(s) responsible for corrective action: Dr. Heather Bigard, Chief Financial Officer and Director of Facilities.

Planned completion date for corrective action plan: June 30, 2026

**KENTUCKY STATE UNIVERSITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

2024-011 Procurement

Federal Agency: US Department of Agriculture, US Department of Education

Federal Program Name: Extension Services at 1890 Colleges

Assistance Listing No.: 10.512 and 84.425

Recommendation: We recommend the University review its procurement policy to ensure it meets federal regulations and ensure they retain documentation of quotes received and final approval forms.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: KSU is revising its procurement policies to ensure compliance with uniform guidance requirements.

Name(s) of the contact person(s) responsible for corrective action: Eileen Butts, Director of Purchasing

Planned completion date for corrective action plan: March 31, 2026

2024-012 Return of Title IV Funds (R2T4)

Federal Agency: US Department of Education

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

Assistance Listing No.: 84.007; 84.063; 84.268; 84.033

Recommendation: We recommend the calculation logic be reviewed and corrected to align with approved methodology.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: In FY25, the University began utilizing Banner to perform calculations to ensure alignment with federal methodology. The Financial Aid office also began monitoring calculations on a monthly basis. Going forward, the University will verify registrar withdrawal dates are consistent and ensure that academic attendance records are captured correctly. The University will work with faculty to confirm the last date of attendance for unofficial withdrawals.

Name(s) of the contact person(s) responsible for corrective action: Dr. Michael Dailey, Provost; Varah Barnett, Director of Financial Aid; and Yolanda Benson, Registrar.

Planned completion date for corrective action plan: July 1, 2026

**KENTUCKY STATE UNIVERSITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

2024-013 National Student Loan Database System (NSLDS)

Federal Agency: US Department of Education

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

Assistance Listing No.: 84.063; 84.268

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 reporting timely in accordance with applicable regulations.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The University will resolve issues within 10 days of receiving notification.

Name(s) of the contact person(s) responsible for corrective action: Yolanda Benson, Registrar

Planned completion date for corrective action plan: July 1, 2026

2024-014 Direct Loan Reconciliations

Federal Agency: US Department of Education

Federal Program Name: Federal Direct Student Loans

Assistance Listing No.: 84.268

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

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The University implemented new procedures related to reconciling drawdown requests and approvals in FY25. The Director of Financial Aid meets monthly with Finance and Grants Accounting to review reconciliations. Finance now submits drawdown requests to the CFO for prior-approval and documentation is maintained in the Accounting department.

Name(s) of the contact person(s) responsible for corrective action: Melissa Hicks, Controller

Planned completion date for corrective action plan: Complete

**KENTUCKY STATE UNIVERSITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

2024-015 Perkins Compliance Attestation Requirements Review

Federal Agency: US Department of Education

Federal Program Name: Federal Perkins Loan Program

Assistance Listing No.: 84.038

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

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The university has implemented policies and procedures regarding reconciliations for Perkins loan services managed by a 3rd party supplier.

Name(s) of the contact person(s) responsible for corrective action: Danyel Tolbert, Bursar

Planned completion date for corrective action plan: Complete

2024-016 Perkins Reconciliation

Federal Agency: US Department of Education

Federal Program Name: Federal Perkins Loan Program

Assistance Listing No.: 84.038

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

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The university has implemented policies and procedures regarding reconciliations for Perkins loan services managed by a 3rd party supplier.

Name(s) of the contact person(s) responsible for corrective action: Danyel Tolbert, Bursar

Planned completion date for corrective action plan: Complete

2024-017 HEERF Annual and Quarterly Reporting

Federal Agency: Department of Education

Federal Program Name: Education Stabilization Fund

Assistance Listing No.: 84.425

Recommendation: We recommend the University 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.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

Action taken in response to finding: KSU Grants Accounting will maintain proper documentation for HEERF reporting. Grants Accounting will monitor HEERF funds to ensure compliance with guidelines. KSU will assign responsibility for Direct Outreach to appropriate employees in Student Financial Aid and provide training on job duties. Grants Accounting will follow-up to verify corrections needed for previous reports, correct reports, and submit corrected reports.

Name(s) of the contact person(s) responsible for corrective action: Dorothy Daley, Director of Grants; Varah Barnett, Financial Aid Director

Planned completion date for corrective action plan: Complete

2024-018 HEERF Cash Management

Federal Agency: Department of Education

Federal Program Name: Education Stabilization Fund

Assistance Listing No.: 84.425

Recommendation: The University should revise its cash management procedures to ensure that HEERF drawdowns are based on actual, immediate cash needs rather than anticipated expenditures. Draw requests should be timed as closely as administratively feasible to the disbursement of funds for allowable program costs. Additionally, management should implement monitoring controls to prevent excess cash accumulation and ensure compliance with 2 CFR 200.305 and HEERF guidance.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The University finished issuing student disbursements on 7/8/24. This expended all remaining HEERF monies. This account has ended and has been closed out.

Name(s) of the contact person(s) responsible for corrective action: Dorothy Daley, Director of Sponsored Projects

Planned completion date for corrective action plan: Complete

2024-019 Single Audit Report Submission

Federal Agency: Various

Federal Program Name: Extension Services at 1890 Colleges, Scholarships for Students at 1890 Institutions, Education Stabilization Fund, Federal Supplemental Educational Opportunity Grant Program, Federal Pell Grant Program; Federal Direct Student Loans; Federal Work Study Program; Federal Perkins Loan Program

Assistance Listing No.: Various

Recommendation: We recommend the University implement and maintain an effective system of internal controls over timely submission of the single audit reporting package.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

**KENTUCKY STATE UNIVERSITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

Action taken in response to finding: As a result of staffing turnover in the Finance area, the University engaged consulting support to assist in readying for financial statement preparation and the audit of fiscal years ending 6.30.23 and 6.30.24, with oversight from the University management. The University has developed a fiscal year-end close process that includes submission of the single audit report.

Name(s) of the contact person(s) responsible for corrective action: Melissa Hicks, Controller

Planned completion date for corrective action plan: Complete

2024-020 HEERF Earmarking

Federal Agency: Department of Education

Federal Program Name: Education Stabilization Fund

Assistance Listing No.: 84.425

Recommendation: We recommend the University should implement and maintain an effective system of internal controls over the administration of HEERF funds to ensure earmarking requirements are met.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: KSU Grants Accounting will maintain proper documentation for HEERF reporting. Grants Accounting will monitor HEERF funds to ensure compliance with guidelines. KSU will assign responsibility for Direct Outreach to appropriate employees in Student Financial Aid and provide training on job duties. Grants Accounting will follow-up to verify corrections needed for previous reports, correct reports, and submit corrected reports.

Name(s) of the contact person(s) responsible for corrective action: Dorothy Daley, Director of Sponsored Projects

Planned completion date for corrective action plan: Complete

If the Department of Health and Human Services has questions regarding this plan, please call Dr. Heather Bigard, Vice-President of Finance and



**KENTUCKY STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024**

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, 2024.

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

2023-001 Financial Reporting

Condition: During fiscal year 2023, 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 findings 2024-001 and 2024-002.

Reason for finding's recurrence: Turnover in the finance area, along with inherited challenges in processes, controls, accounting, and documentation, resulted in delays in the completion of audits as well as a recurring finding.

Corrective Action: See the University's 2024 Corrective Action Plan.

2023-002 Bank Reconciliations

Condition: The University did not reconcile the bank statements to the general ledger in a timely manner.

Status: See current year finding 2024-003.

Reason for finding's recurrence: Turnover in the finance area, along with inherited challenges in processes, controls, accounting, and documentation, resulted in delays in the completion of audits as well as a recurring finding.

Corrective Action: See the University's 2024 Corrective Action Plan.

2023-003 Debt and Lease Accounting

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.

Status: Corrective action was taken.

2023-004 Capital Assets

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.

Status: Corrective action was taken.

2023-005 Allowance for Doubtful Accounts

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

Status: Corrective action was taken.

2023-006 Grant Accounting

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.

Status: See current year finding 2024-004.

Reason for finding's recurrence: Turnover in the finance area, along with inherited challenges in processes, controls, accounting, and documentation, resulted in delays in the completion of audits as well as a recurring finding.

Corrective Action: See the University's 2024 Corrective Action Plan.

2023-007 Net Position

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.

Status: Corrective action was taken.

2023-008 Postemployment Benefits

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.

Status: Corrective action was taken.

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

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

Status: Corrective action was taken.

2023-010 Purchase Cards/ Administration of Corporate Credit Cards

Condition: During the audit of fiscal year 2023 financial statements, it was noted that a significant number of transactions selected were not supported by receipts or management approval. 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 2024-005.

Reason for finding's recurrence: Turnover in the finance area, along with inherited challenges in processes, controls, accounting, and documentation, resulted in delays in the completion of audits as well as a recurring finding.

Corrective Action: See the University's 2024 Corrective Action Plan.

2023-011 Accrued Payroll

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

Status: Corrective action was taken.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2023-012 Verification

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

Status: See current year finding 2024-07

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 2024 Corrective Action Plan.

2023-013 Awarding of Pell Grant

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

Status: Corrective action was taken.

2023-014 Awarding of Title IV Aid

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

Status: Corrective action was taken.

2023-015 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 2024-008.

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 2024 Corrective Action Plan.

2023-016 Return of Title IV Calculation

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.

Status: See current finding 2024-012.

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 2024 Corrective Action Plan.

2023-017 Cash Management

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

Status: Corrective action was taken.

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

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

Status: See current year finding 2024-013

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 2024 Corrective Action Plan.

2023-019 Federal Perkins Loan Program Record Retention

Condition: Certain loan master promissory notes (MPN) were not retained for the three-year retention period.

Status: See current year finding 2024-009

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 2024 Corrective Action Plan.

2023-020 Direct Loan Reconciliation

Condition: Direct loan reconciliations between the Common Origin and Disbursement website (COD), G5, and student accounts did not have evidence of being reviewed.

Status: See current year finding 2024-014

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 2024 Corrective Action Plan.

2023-021 Federal Perkins Loan Program Third-Party Servicer

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

Status: See current year finding 2024-015

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 2024 Corrective Action Plan.

2023-022 Federal Perkins Loan Program Reconciliation

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.

Status: See current year finding 2024-016

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 2024 Corrective Action Plan.

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

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

Status: Corrective action was taken.

2023-024 240 Day Escheatment

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

Status: Corrective action plan is in-progress. Expected Completion Date: March 31, 2026.

2023-025 Procurement Policy

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

Status: See current year finding 2024-011

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 2024 Corrective Action Plan.

2023-026 Suspension and Debarment

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

Status: Corrective action was taken.

2023-027 Supporting Documentation

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

Status: Corrective action was taken.

2023-028 Property and Equipment Management

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.

Status: See current year finding 2024-010

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 2024 Corrective Action Plan.

2023-029 Supporting Documentation

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

Status: Corrective action was taken.

2023-030 Annual and Quarterly Reporting

Condition: Annual and quarterly reports were not adhering to compliance requirements.

Status: See current year finding 2024-017

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 2024 Corrective Action Plan.

2023-031 Single Audit Report Submission

Condition: The University did not submit the single audit report package by the required time.

Status: See current year finding 2024-019

Reason for finding's recurrence: Turnover in student financial aid and finance, along with inherited challenges in processes, controls, accounting, and documentation, resulted in a recurring finding.

Corrective Action: See the University's 2024 Corrective Action Plan.

If the Department of Health and Human Services has questions regarding this schedule, please contact Dr. Heather Bigard, Vice-President of Finance and Administration at 502-597-5075.