

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
Richmond, Kentucky

FINANCIAL STATEMENTS
June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Eastern Kentucky University
Richmond, Kentucky

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of WEKU-FM Radio (the "Station"), a public broadcasting entity operated by Eastern Kentucky University, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Station, as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Eastern Kentucky University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Eastern Kentucky University as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America. 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.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, 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 Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7, the Schedule of the Station's Proportionate Share of the Net Pension Liability on page 48, the Schedule of the Station's Pension Contributions on page 49, the Schedule of the Station's Proportionate Share of the Net OPEB Liability on page 53 and the Schedule of the Station's OPEB Contributions on page 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Crowe LLP

Lexington, Kentucky
February 12, 2024

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

Introduction

Management's Discussion and Analysis ("MD&A") of the financial condition of WEKU-FM Radio (the "Station") provides an overview of the financial performance of the Station for the years ended June 30, 2023, with selected comparative information for the years ended June 30, 2022 and 2021. Management has prepared this discussion, along with the financial statements and related notes, to provide summary financial information. The amounts in the MD&A have been rounded to the nearest thousand, and the MD&A should be read in conjunction with the accompanying financial statements and notes.

Financial Highlights

The financial statements indicate a mixed financial year as reflected in the financial statements.

Assets and deferred outflows were \$2,084,000 at June 30, 2023 compared to \$1,858,000 and \$1,684,000 at June 30, 2022 and 2021, respectively. The increase in total assets in 2023 was driven by an increase of \$290,000 in cash balances at June 30, 2023 compared to June 30, 2022. Liabilities and deferred inflows were \$1,251,000 at June 30, 2023, compared to \$1,135,000 and \$2,696,000 at June 30, 2022 and 2021, respectively. This was primarily the result of a increase of approximately \$28,000 in unearned revenue, \$200,000 in the KTRS/KERS pension and OPEB liability, \$35,000 in accounts payable, and a decrease of approximately \$148,000 in the deferred inflows related to KERS/KTRS pension and OPEB.

Operating revenues from contracts and grants for the year ended June 30, 2023 of \$229,000 were \$77,000 lower than the previous year.

Operating expenses were \$1,754,000 at June 30, 2023 compared to \$473,000 at June 30, 2022 and \$2,423,000 at June 30, 2021. The significant change is a result of non-cash adjustments related to KERS/KTRS pension and OPEB activity. The loss from operations for the year ended June 30, 2023 was \$1,525,000 compared to \$168,000 at June 30, 2022 and \$2,219,000 loss from operations at June 30, 2021. Nonoperating revenues of \$1,635,000 for the year ended June 30, 2023 decreased \$268,000 compared to \$1,903,000 for year ended June 30, 2022 and \$1,674,000 for the year ended June 30, 2021. This decrease is primarily the result of a decrease in the indirect administrative support from Eastern Kentucky University and underwriting revenue for the year.

Total net position increased \$110,000 from the combination of the loss from operations. Net position for the year ended June 30, 2023 was \$833,000 compared to \$723,000 for the year ended June 30, 2022 and \$(1,012,000) for the year ended June 30, 2021.

Using this Annual Report

The financial statements consist of the Statements of Net Position as of June 30, 2023 and 2022, and the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows for the fiscal years then ended. These statements reflect both the financial position of the Station at the end of the fiscal years noted, as well as the results in operating and nonoperating activities and cash flows.

(Continued)

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

Statements of Net Position

The Statements of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared using accrual basis accounting, whereby revenues are recognized when earned and expenses when incurred, regardless of when cash is exchanged. The Station's net position (the difference between assets, deferred outflows, liabilities, and deferred inflows) are one indicator of the Station's financial health. Over time, increases or decreases in net position can indicate improvement or erosion of the Station's financial health. Changes in net position should be considered in conjunction with non-financial factors, such as condition of facilities.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets	\$ 1,835,000	\$ 1,606,000	\$ 1,437,000
Capital assets – net	<u>36,000</u>	<u>69,000</u>	<u>106,000</u>
Total assets	<u>1,871,000</u>	<u>1,675,000</u>	<u>1,543,000</u>
Deferred outflows	<u>213,000</u>	<u>183,000</u>	<u>141,000</u>
Total assets and deferred outflows	<u>2,084,000</u>	<u>1,858,000</u>	<u>1,684,000</u>
Liabilities			
Current liabilities	388,000	323,000	368,000
Noncurrent liabilities	<u>753,000</u>	<u>553,000</u>	<u>1,530,000</u>
Total liabilities	<u>1,141,000</u>	<u>876,000</u>	<u>1,898,000</u>
Deferred inflows	<u>110,000</u>	<u>259,000</u>	<u>798,000</u>
Total liabilities and deferred inflows	<u>1,251,000</u>	<u>1,135,000</u>	<u>2,696,000</u>
Net position:			
Net investment in capital assets	36,000	68,000	106,000
Unrestricted	<u>797,000</u>	<u>655,000</u>	<u>(1,118,000)</u>
Total net position	<u>\$ 833,000</u>	<u>\$ 723,000</u>	<u>\$ (1,012,000)</u>

- **Assets** - As of June 30, 2023, the Station's total assets amounted to \$1,871,000. Cash of \$1,723,000 represented the Station's largest asset or 92% of total assets. For the year ended June 30, 2022, cash represented 86% of total assets. For the year ended June 30, 2021, cash represented 87% of total assets.
- **Deferred Outflows** - The deferred outflows for the Station for the year ended June 30, 2023 totaled \$213,000 and represent contributions to the KERS and KTRS pension and OPEB. The balance was \$183,000 and \$141,000 for the years ended June 30, 2022 and 2021, respectively.
- **Liabilities** – As of June 30, 2023, the Station's liabilities amounted to \$1,141,000. Pension and OPEB liabilities comprised 66% of total liabilities. Liabilities totaled \$876,000 and \$1,898,000 for the years ended June 30, 2022 and 2021, respectively. Pension liability comprised 65% for the year ended June 30, 2022 and 71% for the year ended June 30, 2021.

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EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

Statements of Net Position (Continued)

- **Deferred Inflows** – The deferred inflows for the Station for the year ended June 30, 2023, totaled \$110,000 and represent the KERS and KTRS pension and OPEB. The balance was \$259,000 and \$798,000 for the years ended June 30, 2022 and 2021.
- **Net Position** – Total net position was \$833,000 at June 30, 2023, an increase of \$110,000 from June 30, 2022. Net position includes \$36,000 of net investment in capital assets and \$797,000 classified as unrestricted.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. The University appropriations and other income are classified as nonoperating revenues. Accordingly, the Station will typically generate an operating loss prior to the addition of nonoperating revenues. A more meaningful measure is the change in net position. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Statements of Revenues, Expenses, and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues:			
Federal grants and contracts	\$ <u>229,000</u>	\$ <u>305,000</u>	\$ <u>204,000</u>
Operating expenses:			
Program services	861,000	724,000	628,000
Supporting services	840,000	1,140,000	782,000
Depreciation	32,000	38,000	54,000
Pension expense adjustments	15,000	(1,148,000)	718,000
OPEB expense adjustment	<u>6,000</u>	<u>(281,000)</u>	<u>241,000</u>
Total operating expenses	<u>1,754,000</u>	<u>473,000</u>	<u>2,423,000</u>
Operating income (loss)	(1,525,000)	(168,000)	(2,219,000)
Nonoperating revenues	<u>1,635,000</u>	<u>1,903,000</u>	<u>1,674,000</u>
Change in net position	110,000	1,735,000	(545,000)
Net position – beginning of year	<u>723,000</u>	<u>(1,012,000)</u>	<u>(467,000)</u>
Net position – end of year	<u>\$ 833,000</u>	<u>\$ 723,000</u>	<u>\$ (1,012,000)</u>

Revenue – Total operating revenues were \$229,000 for the year ended June 30, 2023, compared to \$305,000 and \$204,000 for the years ended June 30, 2022 and 2021, which consisted of Federal grants and contracts and contributions.

(Continued)

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

Expenses – Operating expenses net of pension and OPEB expense adjustments totaled \$1,754,000 for the year ended June 30, 2023. Of this amount, \$488,000 or 28% was used for programming and expenses related to production; \$373,000 or 22% was used for broadcasting expenses; \$516,000 or 30% for management and general expenses; \$230,000 or 13% for fundraising; \$94,000 or 5% for underwriting; and \$32,000 or 2% for depreciation. The related proportions of operating expenses for the year ended June 30, 2022 were 20%, 18%, 45%, 11%, 4% and 2%, respectively.

Nonoperating Revenues – Nonoperating revenues for the year ended June 30, 2023 amounted to \$1,635,000 compared to \$1,903,000 for the year ended June 30, 2022, and \$1,674,000 for the year ended June 30, 2021. Of this amount, \$377,000 was for general appropriations from the University and \$343,000 for indirect administrative support from the University. It also included \$610,000 of private contributions and \$298,000 from other income, which is from underwriting from corporate support.

Pension Expense – Pension expense for the year ended June 30, 2023 amounted to \$15,000 compared to \$(1,148,000) for the year ended June 30, 2022, and \$718,000 for the year ended June 30, 2021.

OPEB Expense – For the year ended June 30, 2023, the Station recorded \$6,000 of OPEB expense. For the year ended June 30, 2022, the Station recorded \$(281,000) of OPEB expense. For the year ended June 30, 2021, the Station recorded \$241,000 of OPEB expense.

Statements of Cash Flows

Another important factor to consider when evaluating financial viability is the Station's ability to meet financial obligations as they mature. The Statements of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing and investing activities. The Statements of Cash Flows also helps financial statement readers assess the Station's ability to generate future net cash flows and the Station's need for external financing.

Statement of Cash Flows			
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash provided by (used in):			
Operating activities	\$ (997,000)	\$ (1,108,000)	\$ (737,000)
Noncapital financing activities	1,287,000	1,206,000	1,426,000
Capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	290,000	98,000	689,000
Cash – beginning of year	<u>1,433,000</u>	<u>1,335,000</u>	<u>646,000</u>
Cash – end of year	<u>\$ 1,723,000</u>	<u>\$ 1,433,000</u>	<u>\$ 1,335,000</u>

Major sources of funds included in operating activities were Federal grants and contracts of \$323,000 for the year ended June 30, 2023, compared to \$152,000 and \$306,000 for the years ended June 30, 2022 and 2021. The largest cash payments for operating activities in 2023 were \$794,000 to employees and \$526,000 to suppliers. Comparative amounts for the years ended June 30, 2022 and 2021 were \$732,000 and \$651,000 to employees and \$542,000 and \$391,000 to suppliers respectively.

For the year ended June 30, 2023, the largest cash inflow is contributions received of \$610,000 compared to \$599,000 and \$571,000 in 2022 and 2021, respectively.

(Continued)

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023 and 2022

Factors Impacting Future Periods

WEKU's sources of revenue have become more balanced reducing concerns that a reduction in any one revenue line will have significant impact on the radio station. However, external economic forces could still impact WEKU's future performance including a potential economic recession, reduction or elimination of federal funding and a potential reduction in state higher education funds to ECU, which in turn could affect direct university support to WEKU.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
STATEMENTS OF NET POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash	\$ 1,722,663	\$ 1,432,876
Investments	77,765	72,466
Accounts receivable, net	30,988	97,533
Prepaid expense	3,829	3,992
Total current assets	<u>1,835,245</u>	<u>1,606,867</u>
Capital assets, net	36,143	68,550
Deferred outflows		
KERS/KTRS pension	142,580	156,967
KERS/KTRS OPEB	70,459	25,591
Total deferred outflows	<u>213,039</u>	<u>182,558</u>
Total assets and deferred outflows	<u>\$ 2,084,427</u>	<u>\$ 1,857,975</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 69,191	\$ 34,029
Accrued salaries and benefits	22,817	20,375
Unearned revenue	296,147	268,660
Total current liabilities	<u>388,155</u>	<u>323,064</u>
Noncurrent liabilities		
Net pension liability	643,622	487,457
Net OPEB liability	109,446	65,681
Total noncurrent liabilities	<u>753,068</u>	<u>553,138</u>
Total liabilities	<u>1,141,223</u>	<u>876,202</u>
Deferred inflows		
KERS/KTRS pension	51,439	206,899
KERS/KTRS OPEB	58,692	51,509
Total deferred inflows	<u>110,131</u>	<u>258,408</u>
Total liabilities and deferred inflows	<u>1,251,354</u>	<u>1,134,610</u>
Net position		
Investment in capital assets	36,143	68,550
Unrestricted	796,930	654,815
Total net position	<u>833,073</u>	<u>723,365</u>
Total liabilities, deferred inflows and net position	<u>\$ 2,084,427</u>	<u>\$ 1,857,975</u>

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Federal grants and contracts	\$ 228,617	\$ 305,545
OPERATING EXPENSES		
Program services		
Programming and production	487,970	376,210
Broadcasting	373,111	347,427
Supporting services		
Management and general	515,151	851,124
Fundraising and membership development	230,273	211,565
Underwriting and grant solicitation	93,955	77,824
Depreciation	32,407	37,657
Pension expense adjustment	15,092	(1,147,319)
OPEB expense adjustment	6,080	(281,006)
Total operating expenses	<u>1,754,039</u>	<u>473,482</u>
Operating income (loss)	(1,525,422)	(167,937)
NONOPERATING REVENUES		
General appropriation from Eastern Kentucky University	377,223	233,487
Indirect administrative support	342,670	567,323
Contributions	609,624	599,267
Other income	298,020	370,998
Interest income	2,294	2,187
Extinguishment/forgiveness of debt	-	130,044
Unrealized gain (loss) on investments	5,299	-
Total net nonoperating revenues	<u>1,635,130</u>	<u>1,903,306</u>
Increase (decrease) in net position	109,708	1,735,369
Net position, beginning of year	<u>723,365</u>	<u>(1,012,004)</u>
Net position, end of year	<u>\$ 833,073</u>	<u>\$ 723,365</u>

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
STATEMENTS OF CASH FLOWS
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Grants and contracts received	\$ 322,649	\$ 151,671
Payments to suppliers	(526,257)	(541,929)
Payments for salaries and benefits	(793,766)	(731,738)
Loss from investments	-	14,066
Net cash flows used in operating activities	<u>(997,374)</u>	<u>(1,107,930)</u>
Cash flows from noncapital financing activities		
General appropriation from Eastern Kentucky University and other income	377,223	233,487
Contributions received	609,624	599,267
Other	300,314	373,185
Net cash from noncapital financing activities	<u>1,287,161</u>	<u>1,205,939</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	-	-
Change in cash	289,787	98,009
Cash, beginning of year	<u>1,432,876</u>	<u>1,334,867</u>
Cash, end of year	<u>\$ 1,722,663</u>	<u>\$ 1,432,876</u>
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating income (loss)	\$ (1,525,422)	\$ (167,937)
Indirect administrative support	342,670	567,323
Depreciation	32,407	37,657
Interest Expense	-	629
Loss on investments	-	14,066
Changes in operating assets and liabilities:		
Accounts receivable	66,545	(85,082)
Accounts payable	35,162	18,887
Prepaid expenses	163	(1,219)
Accrued salaries and benefits	2,442	4,864
Unearned revenue	27,487	(68,792)
Net pension liability	156,165	(685,771)
Net OPEB liability	43,765	(161,725)
Deferred inflows	(148,277)	(539,687)
Deferred outflows	<u>(30,481)</u>	<u>(41,143)</u>
Net cash flows used in operating activities	<u>\$ (997,374)</u>	<u>\$ (1,107,930)</u>

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation: WEKU-FM Radio (the “Station”) is a radio station operated by Eastern Kentucky University (the “University”).

Basis of Accounting and Financial Statement Presentation: The Station prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

The financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Eastern Kentucky University and Eastern Kentucky University Foundation, Inc. (the “Foundation”) that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of the University or the Foundation as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Operating revenues and expenses include exchange transactions and program-specific, government mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific, such as University appropriations, indirect administrative support, contributions and investment income are included in nonoperating revenues. The Station first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

Cash: For administrative purposes, cash balances of the Station are included in bank accounts maintained by the University and Eastern Kentucky University Foundation, Inc. Details of accounting transactions affecting cash are maintained by each entity.

The University currently uses commercial banks and the Commonwealth as depositories. Deposits with commercial banks are covered by Federal depository insurance or collateral held by the University’s agent in the University’s name. At the Commonwealth level, the University’s accounts are pooled with other agencies of the Commonwealth. These Commonwealth pooled deposits are substantially covered by Federal depository insurance or by collateral held by the Commonwealth in the Commonwealth’s name.

Investments: Station investments are held by the Foundation. Assets held by the Foundation are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

Accounts Receivable: Accounts receivable consist primarily of grants, contracts and underwriting. Accounts receivable are recorded net of estimated uncollectible amounts of \$6,850 and \$25,403 as of June 30, 2023 and 2022, respectively. Estimated uncollectible amounts are determined by considering a number of factors, including the length of time accounts receivable are past due, previous loss history and the condition of the general economy and the industry as a whole.

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EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

Capital Assets: Capital assets are stated at cost at the date of acquisition or, in the case of gifts, at acquisition value at the date of the gift. Capital assets with a unit cost of \$5,000 or greater are capitalized. Renovations to buildings, 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, 5–50 years for buildings, antenna, and tower and 5–15 years for equipment and furniture.

Unearned Revenues: Unearned revenues include amounts received from grants, contracts and underwriting that have not yet been earned.

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

Deferred Outflows and Inflows of Resources: Deferred outflows represent the consumption of resources that are applicable to a future reporting period, but do not require any further exchange of goods or services. Deferred outflows of resources in the Station's financial statements consist of the unamortized deferred refunding loss balance, pension and OPEB contributions made after the measurement date and KTRS and KERS pension and OPEB related unamortized balances. Deferred inflows consist of the KTRS and KERS pension and OPEB related unamortized balances.

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

Investment in Capital Assets – Capital assets, net accumulated depreciation and any outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Unrestricted – Net position that does not meet the definitions of net investment in capital assets or restricted.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: Funds restricted by the donor, grantor, or other outside party for particular operating purposes are reported as revenues when any applicable conditions or stipulations are met and reported as restricted net position until spent. Unrestricted pledges are reported as revenues when unconditionally pledged or received.

(Continued)

EASTERN KENTUCKY UNIVERSITY
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June 30, 2023 and 2022

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

In-Kind Contributions and Contributed Services: The estimated fair value of contributed services and property are recorded as revenues and expenses in the period received.

Functional Allocation of Expenses: The costs, other than depreciation, of providing the various programs and other activities have been summarized on a functional basis in the Statements of Revenues, Expenses, and Changes in Net Position. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

Adoption of New Accounting Pronouncements: During fiscal year 2023, the Station adopted the following accounting pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021. There was no impact on the Station's financial statements as a result of the implementation of this standard.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods beginning after June 15, 2022. There was no impact on the Station's financial statements as a result of the implementation of this standard.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for periods beginning after June 15, 2022. This Statement establishes standards of accounting and financial reporting for SBITAs by a government end user. This Statement requires the recognition of certain SBITA assets and liabilities for contracts that convey control of the right to use another party's IT software as specified in the contract for a period greater than one year. There was no impact on the Station's financial statements as a result of the implementation of this standard.
- GASB Statement No. 99, *Omnibus 2022*, effective for periods beginning after June 15, 2022. There was no impact on the Station's financial statements as a result of the implementation of this standard.

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

- GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, effective for periods beginning after June 15, 2023.
- GASB Statement No. 101, *Compensated Absences*, effective for periods beginning after December 15, 2023.
- GASB Statement No. 102, *Certain Risk Disclosures*, effective for periods beginning after June 15, 2024.

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

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EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

COVID-19 Federal Funding: In February 2021, the Station applied for and received a Paycheck Protection Program (PPP) Loan from the Small Business Administration (SBA) in the amount of \$129,415. The transaction is a non-exchange financial guarantee under GASB Statement No. 70, which establishes the loan should be recognized as a liability until the obligor is legally released from the obligation. The Station has recognized the PPP loan as a liability on the statement of net position as of June 30, 2021. On August 3, 2021, the State received notification of formal forgiveness from the SBA.

In April 2021, the Station received a one-time, Stabilization Grant, in the amount of \$223,922 through the American Rescue Plan Act (ARPA) to maintain the Station's programming and services impacted by coronavirus. For the year ended June 30, 2023, the Station expended and recognized \$3,629 of the grant award. the Station expended and recognized \$61,705 and \$67,412 of the grant award during the years ended June 30, 2022, and 2021, respectively.

Subsequent Events: In preparing these financial statements, the Station has evaluated events and transactions for potential recognition or disclosure through February 12, 2024, the date the financial statements were available to be issued.

NOTE 2 – TAX STATUS

The Station is operated by the University and is exempt from Federal and Kentucky income taxes and from property taxes levied by any taxing body as part of a governmental entity.

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EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	July 1, <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	June 30, <u>2023</u>
Assets:				
Buildings, antenna and tower	\$ 374,730	\$ -	\$ -	\$ 374,730
Studio, broadcasting equipment and furniture	<u>212,706</u>	<u>-</u>	<u>-</u>	<u>212,706</u>
	<u>587,436</u>	<u>-</u>	<u>-</u>	<u>587,436</u>
Less accumulated depreciation:				
Buildings, antenna and tower	(306,180)	(32,407)	-	(338,587)
Studio, broadcasting equipment and furniture	<u>(212,706)</u>	<u>-</u>	<u>-</u>	<u>(212,706)</u>
	<u>(518,886)</u>	<u>(32,407)</u>	<u>-</u>	<u>(551,293)</u>
Capital assets – net	<u>\$ 68,550</u>	<u>\$ (32,407)</u>	<u>\$ -</u>	<u>\$ 36,143</u>

Capital asset activity for the year ended June 30, 2022 is as follows:

	July 1, <u>2021</u>	<u>Additions</u>	<u>Disposals</u>	June 30, <u>2022</u>
Assets:				
Buildings, antenna and tower	\$ 374,730	\$ -	\$ -	\$ 374,730
Studio, broadcasting equipment and furniture	<u>212,706</u>	<u>-</u>	<u>-</u>	<u>212,706</u>
	<u>587,436</u>	<u>-</u>	<u>-</u>	<u>587,436</u>
Less accumulated depreciation:				
Buildings, antenna and tower	(268,523)	(37,657)	-	(306,180)
Studio, broadcasting equipment and furniture	<u>(212,706)</u>	<u>-</u>	<u>-</u>	<u>(212,706)</u>
	<u>(481,229)</u>	<u>(37,657)</u>	<u>-</u>	<u>(518,886)</u>
Capital assets – net	<u>\$ 106,207</u>	<u>\$ (37,657)</u>	<u>\$ -</u>	<u>\$ 68,550</u>

(Continued)

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4 – COMPENSATED ABSENCES

University employees, including Station employees, begin to accumulate annual vacation allocations from the beginning date of employment; however, accrued vacation is not granted until three months of employment have been completed. The maximum accumulation of vacation leave is limited to the number of days that can be accumulated in two years, based on the length of service. Employees are paid their accumulated vacation upon termination, subject to certain limitations.

University policy permits most employees to accumulate vacation that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized when vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay in effect and related benefit costs at the Statement of Net Position date. The balance at June 30, 2023 and 2022 was approximately \$20,900 and \$18,300, respectively, and is recorded as part of the accrued salaries and benefits.

NOTE 5 – RELATED PARTIES

The Station receives support from the University in the form of a variety of provided services. For the years ended June 30, 2023 and 2022, these amounts totaled approximately \$720,000 and \$801,000, respectively. Continuation of University support is fundamental to the operations of WEKU.

NOTE 6 – RISK MANAGEMENT

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

NOTE 7 – CONTINGENCIES

The Station is subject to certain claims and lawsuits that arise in the normal course of business. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Station in connection with its legal proceedings will not have a material adverse effect on the financial position or the results of operations of the Station.

(Continued)

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Kentucky Teachers' Retirement System

All Station employees are employees of the University and participate in certain State pension plans. The Station calculates its share of the net pension and OPEB liabilities, associated deferred outflows of resources and deferred inflows of resources and pension and OPEB expense based on their employer contributions to the plan as a percentage of the total University contributions for each respective plan.

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

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

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

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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Pension Plan Information

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

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

(Continued)

EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

	Tier 3 Members on and after January 1, 2022
Condition for Retirement:	Attainment of age 57 and 10 years of service or attainment of age 65 and 5 years of service.
Amount of Allowance	
Foundational Benefit	The annual foundational benefit for non-university members is equal to service times a multiplier times final average salary. The multiplier for non-university members is shown in the following table:

	Years of Service			
Age	5-9.99	10-19.99	20-29.99	30 or more
57-60	-	1.70%	1.95%	2.20%
61	-	1.74%	1.99%	2.24%
62	-	1.78%	2.03%	2.28%
63	-	1.82%	2.07%	2.32%
64	-	1.86%	2.11%	2.36%
65 and over	1.90%	1.90%	2.15%	2.40%

The multiplier for university members is shown in the following table:

	Years of Service			
Age	5-9.99	10-19.99	20-29.99	30 or more
57-60	-	0.70%	0.95%	1.20%
61	-	0.74%	0.99%	1.24%
62	-	0.78%	1.03%	1.28%
63	-	0.82%	1.07%	1.32%
64	-	0.86%	1.11%	1.36%
65 and over	0.90%	0.90%	1.15%	1.40%

The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

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EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Supplemental Benefit	The annual supplemental benefit is equal to the account balance which includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later date.
Condition for Allowance	Totally and permanently incapable of being employed as a teacher and under age 60 but after completing 5 years of service.
Amount of Allowance	The disability allowance is equal to the greater of the service retirement allowance or 60% of the member's final average salary. The disability allowance is payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. After the disability entitlement period has expired and if the member remains disabled, he will be retired under service retirement. The service retirement allowance will be computed with service credit given for the period of disability retirement. The allowance will not be less than \$6,000 per year. The service retirement allowance will not be reduced for commencement of the allowance before age 60 or the completion of 27 years of service.
Benefits Payable on Separation from Service	Any member who ceases to be in service is entitled to receive his contributions with allowable interest. A member who has completed 5 years of creditable service and leaves his contributions with the System may be continued in the membership of the System after separation from service, and file application for service retirement after the attainment of age 60.
Life Insurance	A separate Life Insurance fund has been created as of June 30, 2000 to pay benefits on behalf of deceased TRS active and retired members.

Contributions - Benefit and contribution rates are established by state statute. Per Kentucky Revised Statutes 161.540, 161.550 and 161.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KTRS Board. For the fiscal year ended June 30, 2023 and 2022, University employees were required to contribute 8.185% to 9.775% of their annual covered salary for retirement benefits. The University was contractually required to contribute 15.87% (13.055% allocated to pension, 2.780% allocated to medical insurance and 0.03% allocated to life insurance) of covered payroll for the fiscal years ended June 30, 2023 and 2022. The actuarially determined amount, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The University has met 100% of the contribution funding requirement for the fiscal years ended June 30, 2023 and 2022. Total current year contributions recognized by the Plan were \$8,544,966 (\$7,178,708 related to pension and \$1,366,258 related to OPEB) for the year ended June 30, 2022. For the year ended June 30, 2021, contributions recognized by the Plan were \$8,778,093 (\$7,520,063 related to pension and \$1,258,030 related to OPEB). The OPEB contributions amount does not include the implicit subsidy. 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 \$9,517,242 and \$7,450,917, respectively, for the years ended June 30, 2023 and 2022. The Station's total contributions to KTRS for the years ended June 30, 2023 and 2022 were \$39,116 (\$34,666 related to pension and \$4,450 related to OPEB) and \$43,419 (\$38,479 related to pension and \$4,940 related to OPEB), respectively.

(Continued)

EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023 and 2022, the University reported a liability for its proportionate share of the net pension liability that reflected a reduction for pension support provided to the University by the Commonwealth of Kentucky. The amount recognized by the University as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the University were as follows:

	<u>2023</u>	<u>2022</u>
University's proportionate share of the net pension liability	\$ 99,234,802	\$ 86,071,894
Commonwealth of Kentucky's proportionate share of the net pension liability associated with the University	<u>128,957,429</u>	<u>90,868,704</u>
	<u>\$ 228,192,231</u>	<u>\$ 176,940,598</u>
Station's proportionate share of the University net pension liability	<u>\$ 561,704</u>	<u>\$ 487,457</u>

The net pension liability was measured as of June 30, 2022 and 2021. The University's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period. At June 30, 2023 and 2022, University's proportion was 0.56% and 0.69%, respectively, and the Commonwealth of Kentucky's proportion associated with the University was 0.73% and 0.63%, respectively. The Station's proportion of the University NPL was based on the Station employees' share of contributions to the pension plan relative to the contributions of all University employees. That proportion was 0.57% and 0.58% as of June 30, 2023 and 2022, respectively, and the Station's proportion of the total plan was 0.003% and 0.06%, respectively.

For the years ended June 30, 2023 and 2022, the University was allocated pension expense of \$(9,818,549) and \$(31,399,837) and revenue of \$2,734,437 and \$15,603,356, respectively. For the years ended June 30, 2023 and 2022, the Station recognized pension expense of \$(58,453) and \$(7,314) and revenue of \$15,478 and \$88,368.

At June 30, 2023 and 2022, the Station 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>
<u>2023</u>		
Net difference between projected and actual earnings on investments	\$ 35,795	\$ -
Change in assumptions	50,947	-
Differences between expected and actual experience	(19,502)	-
Changes in proportionate share of contributions	<u>27,542</u>	<u>51,130</u>
	94,782	51,130
Contributions subsequent to the measurement date	<u>39,116</u>	-
	<u>\$ 133,898</u>	<u>\$ 51,130</u>

(Continued)

EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2022</u>		
Net difference between projected and actual earnings on investments	\$ -	\$ 120,175
Change in assumptions	83,372	43,040
Differences between expected and actual experience	(9,183)	4,416
Changes in proportionate share of contributions	<u>44,299</u>	<u>39,268</u>
	118,488	206,899
Contributions subsequent to the measurement date	<u>38,479</u>	<u>-</u>
	<u>\$ 156,967</u>	<u>\$ 206,899</u>

At June 30, 2023 and 2022, the Station reported \$39,116 and \$38,479 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the following fiscal year. Deferred outflows and deferred inflows of resources at June 30, 2023, related to pensions will be recognized in pension expense as follows:

2024	\$ 12,762
2025	16,408
2026	(16,262)
2027	<u>30,744</u>
	<u>\$ (43,652)</u>

Actuarial assumptions - The total pension liability in the June 30, 2021 and 2020 measurement was determined by using the following actuarial valuations, applied to all periods included in the measurement:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25.4 years
Inflation	3.00%
Salary increases	3.50% - 7.30%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, Including inflation

The rates of mortality for the period after service retirement are according to the Pub2010 (Teachers Benefited-Weighted) Mortality Table projected generationally with adjustments for each of the groups: service, retirees, contingent annuitants, disabled retiree, and active members.

The actuarial assumptions used in the June 30, 2021 and 2020 valuation were based on the results of an actuarial experience study for the period June 30, 2020.

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EASTERN KENTUCKY UNIVERSITY
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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

<u>Asset Class</u>	<u>June 30, 2023</u>	
	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
U.S. Equity	40.00%	4.50%
Non U.S. Equity	22.00	5.35
Fixed Income	15.00	(0.10)
Additional Categories*	7.00	1.95
Real Estate	7.00	4.00
Private Equity	7.00	6.90
Cash	<u>2.00</u>	<u>(0.30)</u>
Total	<u>100.00%</u>	

<u>Asset Class</u>	<u>June 30, 2022</u>	
	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
U.S. Equity	40.00%	4.45%
Non U.S. Equity	22.00	5.35
Fixed Income	15.00	(0.10)
Additional Categories*	7.00	1.95
Real Estate	7.00	4.00
Private Equity	7.00	6.90
Cash	<u>2.00</u>	<u>(0.30)</u>
Total	<u>100.00%</u>	

* Includes hedge funds, high yield and non U.S. developed bonds and private credit strategies.

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – The total pension liability as of June 30, 2021 reflects the assumed municipal bond index rate decrease from 2.19 percent to 2.16 percent. The Single Equivalent Interest Rate (SEIR) decreased from 7.50 percent to 7.10 percent. The impact of this change in the discount rate is a change in assumption that is added to expected TPL to determine the final TPL at June 30, 2021. The total pension liability as of June 30, 2021 reflects the assumed municipal bond index rate decrease from 2.19% to 2.16%. The Single Equivalent Interest Rate (SEIR) decreased to 7.10 percent. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2021.

(Continued)

EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

Discount rate - The discount rate used to measure the TPL was 7.10 percent and 7.50 percent respectively at June 30, 2021 and 2020. 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 that employer contributions will be made at the actuarially determined contribution rates for all fiscal years in the future. Based on those assumptions, at the June 30, 2021 measurement date, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability of the Station as of June 30, 2023, calculated using the discount rate, as well as what the Station's net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
The Station's proportionate share of net pension liability (<i>in thousands</i>)	\$ 718	\$ 562	\$ 433

The following presents the Station's proportionate share of the net pension liability (in thousands) calculated using a discount rate 1% higher and 1% lower than the current rate as of June 30, 2022:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
The Station's proportionate share of net pension liability (<i>in thousands</i>)	\$ 660	\$ 487	\$ 346

Medical Insurance Plan

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

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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 - In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three-quarters percent (3.75%) is paid by member contributions and three quarters percent (0.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. For the years ended June 30, 2023 and 2022, the University contributed \$1,347,606 and \$1,241,600 to the KTRS medical insurance plan. The Station's contributions for the years ended June 30, 2023 and 2022 were \$5,233 and \$4,858, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2023 and 2022, the University reported a liability of \$26,486,000 and \$15,947,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the University. The collective net OPEB liability was measured as of June 30, 2021 and 2020. The University's proportion of the net OPEB liability was based on actual contributions to the OPEB plan during the measurement period. At June 30, 2023 and 2022, the University's proportion was 1.07% and 0.74% and the Commonwealth of Kentucky's proportion associated with the University was 0.07% and 0.33% respectively. The Station's proportion of the University's net OPEB liability was based on the Station employees' share of contributions of all University employees. That proportion was 0.37% and 0.41% as of June 30, 2023 and 2022, respectively. The Station's proportion of the total plan was 0.004% and 0.003% as of June 30, 2023 and 2022, respectively.

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:

	<u>2023</u>	<u>2022</u>
University's proportionate share of the net OPEB liability	\$ 26,486,000	\$ 15,947,000
State's proportionate share of the net OPEB liability associated with the University	<u>1,664,000</u>	<u>7,171,000</u>
Total	<u>\$ 28,150,000</u>	<u>\$ 23,118,000</u>
Station's proportionate share of the University net OPEB liability	<u>\$ 97,912</u>	<u>\$ 64,671</u>

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

For the years ended June 30, 2023 and 2022, the University was allocated OPEB expense of (\$961,006) and \$(2,274,745) and revenue of \$1,273,000 and \$283,000 for support provided by the State. For the years ended June 30, 2023 and 2022, the Station recognized OPEB expense of \$11,922 and \$35,492 and revenue of \$4,706 and \$(1,148).

The Station reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2023</u>		
Net difference between projected and actual earnings on OPEB plan investments	\$ 5,205	\$ -
Changes of assumption	19,885	-
Difference between expected and actual experience	-	41,160
Changes in proportion and differences between Station contributions and proportionate share of contributions	<u>33,896</u>	<u>3,197</u>
	58,986	44,357
Station contributions subsequent to the measurement date	<u>5,233</u>	-
Total	<u>\$ 64,219</u>	<u>\$ 44,357</u>
<u>2022</u>		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 6,898
Changes of assumption	16,915	-
Difference between expected and actual experience	-	38,457
Changes in proportion and differences between Station contributions and proportionate share of contributions	<u>3,609</u>	<u>5,329</u>
	20,524	50,684
Station contributions subsequent to the measurement date	<u>4,858</u>	-
Total	<u>\$ 25,382</u>	<u>\$ 50,684</u>

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$5,233 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$ (1,456)
2025	(384)
2026	710
2027	7,138
2028	6,185
Thereafter	<u>2,436</u>
	<u>\$ 14,629</u>

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

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Investment rate of return	7.10% net of OPEB plan investment expense, including inflation
Salary increases	3.50 – 7.20%, including inflation
Inflation rate	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Healthcare cost trend rate	Pre-65: 7.00% decreasing to ultimate trend rate of 4.50% by FY2031. Post-65: 5.00% decreasing to an ultimate trend rate of 4.50% by FY2024.
Medicare Part B premiums	4.40% decreasing to an ultimate rate of 4.50% by FY2034.
Municipal bond index rate	2.13% and 2.19%
Discount rate	7.10%
Single equivalent interest rate	7.10%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 and 2020 valuations were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The health care cost trend assumption was updated for the June 30, 2021 and 2020 valuations and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected 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.

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

	June 30, 2023		June 30, 2022	
	Target	30 Year	Target	30 Year
	<u>Allocation</u>	<u>Expected Real</u>	<u>Allocation</u>	<u>Expected Real</u>
		<u>Rate of Return</u>		<u>Rate of Return</u>
Global Equity	58.00%	5.10%	58.00%	5.10%
Fixed income	9.00	(0.10)	9.00	(0.10)
Real Estate	6.50	4.00	6.50	4.00
Private Equity	8.50	6.90	8.50	6.90
Additional Categories: High Yield	8.00	1.70	8.00	1.70
Other Additional Categories*	9.00	2.20	9.00	2.20
Cash (LIBOR)	<u>1.00</u>	<u>(0.30)</u>	<u>1.00</u>	<u>(0.30)</u>
Total	<u>100.00%</u>		<u>100.00%</u>	

KTRS Medical Plan Changes in Assumptions Since Prior Measurement Date – For the fiscal year ended June 30, 2021, the healthcare cost trend rate for Pre-65 decreased from 7.25 percent for fiscal year 2021 to 7.10 percent for fiscal year 2022 and Post-65 decreased from 5.25 percent for fiscal year 2021 to 5.00 percent for fiscal year 2022. Medicare Part B premiums decreased to 4.40 percent for fiscal year 2022 from 6.49 percent for fiscal year 2021. The municipal bond index rate decreased from 2.19 percent to 2.13 percent. For the fiscal year ended June 30, 2021, the healthcare cost trend rate for Pre-65 decreased from 7.50 percent for fiscal year 2020 to 7.25 percent for fiscal year 2021 and Post-65 decreased from 5.50 percent for fiscal year 2020 to 5.25 percent for fiscal year 2021. Medicare Part B premiums increased to 6.49 percent for fiscal year 2021 from 2.63 percent for fiscal year 2020. The municipal bond index rate decreased from 3.50 percent to 2.19 percent.

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 the employer contributions will contribute the Actuarially Determined Contribution (ADC) in accordance with the MIF's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies. Based on those assumptions, the 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.

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the Station's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, as well as what the Station'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 or 1-percentage-point higher than the current rate:

	June 30, 2023		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
The Station's proportionate share of net OPEB liability (MI) (<i>in thousands</i>)	\$ 123	\$ 98	\$ 77

	June 30, 2022		
	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
The Station's proportionate share of net OPEB liability (MI) (<i>in thousands</i>)	\$ 83	\$ 65	\$ 50

Sensitivity of the University's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the University's proportionate share of the collective net OPEB liability, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	June 30, 2023		
	1% Decrease	Current Trend Rate	1% Increase
The Station's proportionate share of net OPEB liability (MI) (<i>in thousands</i>)	\$ 73	\$ 98	\$ 128

	June 30, 2022		
	1% Decrease	Current Trend Rate	1% Increase
The Station's proportionate share of net OPEB liability (MI) (<i>in thousands</i>)	\$ 47	\$ 65	\$ 87

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

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Life Insurance Plan

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

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

Contributions - In order to fund the post-retirement life insurance benefit, 0.03% of the gross annual payroll of members is contributed by the state. In addition, the University contributes 0.04% of each participant covered compensation. For the years ended June 30, 2023 and 2022, the University contributed \$21,365 and \$16,599 to the KTRS life insurance plan. The Station's contributions were \$88 and \$82 for the years ended June 30, 2023 and 2022, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB At June 30, 2023 and 2022, the University reported a liability of \$506,000 and \$219,000 for its proportionate share of the collective net OPEB liability, respectively. The collective net OPEB liability was measured as of June 30, 2021. The University's proportion of the net OPEB liability was based on actual contributions to the OPEB plan during the measurement period. At June 30, 2023 and 2022, the University's proportion was 1.63% and 1.67%. The Station's proportion of the University's net OPEB liability was based on the Station employees' share of contributions to the Plan relative to the contributions of all University employees. That proportion was 0.23% and 0.27% for years ending June 30, 2023 and 2022, respectively. The Station's proportion of the total plan was 0.004% for both years.

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:

	<u>2023</u>	<u>2022</u>
University's proportionate share of the net OPEB liability	\$ 506,000	\$ 219,000
State's proportionate share of the net OPEB liability associated with the University	<u>-</u>	<u>-</u>
Total	<u>\$ 506,000</u>	<u>\$ 219,000</u>
Station's proportionate share of the University net OPEB liability	<u>\$ 1,154</u>	<u>\$ 1,010</u>

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

For the years ended June 30, 2023 and 2022, the University was allocated OPEB expense of \$(2,766) and \$109. For the years ended June 30, 2023 and 2022, the Station recognized OPEB expense of \$626 and \$(971). The Station reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2023</u>		
Net difference between projected and actual earnings on OPEB plan investments	\$ 319	\$ -
Changes of assumptions	-	157
Difference between expected and actual experience	21	141
Changes in proportion and differences between Station contributions and proportionate share of contributions	48	56
	<u>388</u>	<u>354</u>
Station contributions subsequent to the measurement date	88	-
Total	<u>\$ 476</u>	<u>\$ 354</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2022</u>		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 538
Changes of assumptions	-	225
Difference between expected and actual experience	27	16
Changes in proportion and differences between Station contributions and proportionate share of contributions	68	46
	<u>95</u>	<u>825</u>
Station contributions subsequent to the measurement date	82	-
Total	<u>\$ 177</u>	<u>\$ 825</u>

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$88 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$ (2)
2025	(14)
2026	(25)
2027	123
2028	(34)
Thereafter	<u>(14)</u>
	<u>\$ 34</u>

Actuarial Assumptions – The total OPEB liability (TOL) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020 and 2019
Measurement Date	June 30, 2021 and 2020
Investment rate of return	7.10% net of OPEB plan investment expense, including inflation for 2021, and 7.50% for 2020.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13% and 2.19% for 2020
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 and 2020 valuations were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 and 2020 valuations and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected 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.

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

Asset Class*	June 30, 2023		June 30, 2022	
	Target Allocation	30 Year Expected Real Rate of Return	Target Allocation	30 Year Expected Real Rate of Return
U.S. Equity	40.00%	4.40%	40.00%	4.40%
International Equity	23.00	5.60	23.00	5.60
Fixed income	18.00	(0.10)	18.00	(0.10)
Real Estate	6.00	4.00	6.00	4.00
Private Equity	5.00	6.90	5.00	6.90
Other Additional Categories**	6.00	2.10	6.00	2.10
Cash (LIBOR)	<u>2.00</u>	<u>(0.30)</u>	<u>2.00</u>	<u>(0.30)</u>
Total	<u>100.00%</u>		<u>100.00%</u>	

*As the life insurance plan investment policy is subject to change, the above reflects the pension allocation and returns that achieve the target 7.1% long-term rate of return.

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

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate - The following tables present the Station's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, as well as what the Station'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 or 1-percentage-point higher than the current rate:

	June 30, 2023		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
The Station's proportionate share of net OPEB liability (LI)	\$ 1,788	\$ 1,154	\$ 652

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

	June 30, 2022		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
The Station's proportionate share of net OPEB liability (LI)	\$ 2,311	\$ 1,010	\$ (65)

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

Kentucky Employees Retirement System

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

More specifically, within KERS, Station employees of Eastern Kentucky University participate in the non-hazardous portion of the plan, which covers all regular full-time members employed in non-hazardous duty positions of any state department, board, or agency directed by executive order to participate in KERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances.

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

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

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

Non-Hazardous

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

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

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

Benefit Eligibility: Recipient of a retirement allowance.

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

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

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

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

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

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

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

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

For the fiscal years ended June 30, 2023 and 2022, participating employers in the Nonhazardous plan contributed 9.97% (7.82% allocated to pension and 2.15% allocated to OPEB) as set by KRS, respectively, of each Nonhazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investments earnings. The University met 100% of the contribution funding requirement for the fiscal years ended June 30, 2023 and 2022. Total University contributions recognized by the Plan were \$12,060,548 (\$9,459,728 related to pension and \$2,600,820 related to OPEB) and \$1,788,164 (\$1,484,176 related to pension and \$303,988 related to OPEB) for the years ended June 30, 2023 and 2022. The OPEB contributions amounts do not include the implicit subsidy reported in the amount of \$0 and \$434,534 for the years ended June 30, 2023 and 2022. The Station's total contributions to KERS were \$6,346 (\$6,346 related to pension and \$0 related to OPEB) for the year ended June 30, 2023. The Station had no contributions to KERS for the year ended June 30, 2022.

(Continued)

EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Members whose participation began before 9/1/2008:

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

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

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

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

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

Pension Information

Total Pension Liability: The total pension liability (TPL) for KERS measured as of June 30, 2022 and 2021 was determined using the actuarial valuation as of June 30, 2021 and 2020. This valuation used the following actuarial methods and assumptions applied to all prior periods included in the measurement:

Valuation date	June 30, 2021 and 2020 (rolled forward)
Experience study	July 1, 2013 – June 30, 2018
Actuarial cost method	Entry age normal
Amortization period	Level percentage payroll, closed
Remaining amortization period	30 year closed period beginning June 20, 2019
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30% to 19.55%, varies by service
Investment rate of return	5.25 percent for KERS Non-Hazardous

The mortality table used for active members is PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. For disabled members, the mortality table used is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

(Continued)

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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total pension liability was 5.25% (Non-hazardous) and 6.25% (Hazardous), which remained the same from prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.
- (c) **Long-Term Rate of Return:** The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.
- (d) **Municipal Bond Rate:** The discount rate determination does not use a municipal bond rate.
- (e) **Periods of Projected Benefit Payments:** The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.
- (f) **Assumed Asset Allocation:** The 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>June 30, 2023</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	16.25%	4.45%
Non-US Equity	16.25	4.45
Private Equity	7.00	10.15
Specialty Credit/High Yield	15.00	2.28
Core Bonds	20.50	0.28
Cash	5.00	(0.91)
Real Estate	10.00	3.67
Real Return	<u>10.00</u>	4.07
Total	<u>100.00%</u>	

(Continued)

EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

<u>Asset Class</u>	<u>June 30, 2022</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	16.25%	5.70%
Non-US Equity	16.25	6.35
Private Equity	7.00	9.70
Specialty Credit/High Yield	15.00	2.80
Core Bonds	20.50	0.00
Cash	5.00	(0.60)
Real Estate	10.00	5.40
Real Return	<u>10.00</u>	4.55
Total	<u>100.00%</u>	

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

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

	<u>June 30, 2023</u>		
	<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
The Station's proportionate share of net pension liability (<i>in thousands</i>)	\$ 94	\$ 82	\$ 72

	<u>June 30, 2022</u>		
	<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
The Station's proportionate share of net pension liability (<i>in thousands</i>)	\$ -	\$ -	\$ -

Employer's Portion of the Collective Net Pension Liability: The University's proportionate share of the Non-hazardous net pension liability is \$155,696,376, or approximately 1.17% as of June 30, 2023 and \$156,043,648, or 0.64% as of June 30, 2022. The net pension liabilities were distributed based on 2020 and 2019 actual employer contributions to the plan. The Station's proportion of the University's NPL was based on the Station employees' share of contributions to the pension plan relative to the contributions of all University employees. That proportion for June 30, 2023 was \$81,918, or 0.053%, and the Station's proportion of the total plan was 0.001%.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

Changes in Assumptions and Benefit Terms: The KERS Board of Trustees adopted new actuarial assumptions based on an actuarial experience study for the period ending June 30, 2018. Key assumption changes include an increase to the salary increase assumptions for individual members and replacing the base retiree mortality tables with a KERS-specific mortality table developed using the actual mortality experience of non-disabled retirees in KERS. Mortality tables for disabled retirees and active members were updated with Public Retirement Mortality tables. In addition, termination rates and rates of disability incidence were increased. Retirement rates were decreased slightly for members with a participation date prior to July 1, 2003. For members with a participation date on or after July 1, 2003, retirement rates were set equal to 80% of the retirement rates applicable for the pre-July 1, 2003 participants for ages below 65.

House Bill 1, which passed during the 2019 special legislative session, allows certain employers in the KERS nonhazardous plan to elect to cease participating in the system as of June 30, 2020. Since employer's elections were unknown at the time of the actuarial valuation and the legislation was enacted after the June 30, 2019 measurement date, no adjustments were made to the Total Pension Liability to reflect this legislation. House Bill 265, which passed during the 2018 legislative session, allowed certain employers within the KERS non-hazardous system to contribute less than the actuarially determined contribution in the 2018/2019 fiscal year. Since this is not expected to be an ongoing contribution education, determining the KERS non-hazardous employers' proportionate share based on the employers' actual contributions would not be reflective of the employers' long-term contribution effort. Instead, the proportionate share calculations for employers of the KERS non-hazardous system were based on the employers' covered payroll provided for fiscal year ending June 30, 2019, which would result in the same proportionate share allocation if all participating employers contributed the same contribution rate.

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

Pension Expense: The University was allocated pension expense of \$18,231,640 and \$(11,726,804) related to the KERS Non-Hazardous for the years ended June 30, 2023 and 2022, respectively. For the year ended June 30, 2023 and 2022, the Station recognized pension expense \$73,546 and \$(1,140,005).

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense, they are labeled 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. At June 30, 2021, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2023</u>		
Difference between expected and actual experience	\$ -	\$ 96
Change in assumptions	-	-
Changes in proportion and difference between employer contributions and proportionate shares of contributions	2,019	213
Difference between expected and actual investment earnings on plan investments	<u>317</u>	<u>-</u>
	2,336	309
Contributions subsequent to the measurement date	<u>6,346</u>	<u>-</u>
	<u>\$ 8,682</u>	<u>\$ 309</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$6,346 will be recognized as a reduction of net pension liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2024	\$ 1,710
2025	(5)
2026	(80)
2027	<u>402</u>
	<u>\$ 2,027</u>

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

OPEB Information

Total OPEB Liability: The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2020
Inflation	2.30%
Payroll growth rate	0.00%
Salary increases	3.30% to 15.30%, varies by service
Investment rate of return	6.25%
Healthcare trend rates	
Pre-65	6.25% beginning January 1, 2021, decreasing to an ultimate trend rate of 4.05% over 13 years.
Post-65	5.5%, beginning January 1, 2021, decreasing to an ultimate trend rate of 4.05% over 14 years.

(Continued)

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total Non-hazardous OPEB liability was 5.26% as of June 30, 2021 a decrease from the 5.43% discount rate used in the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.
- (c) **Long-Term Rate of Return:** The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (e) **Assumed Asset Allocations:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2023</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Core Bonds	10.00	0.00
Cash	1.50	(0.60)
Real Estate	10.00	5.40
Real Return	<u>10.00</u>	4.55
Total	<u>100.00%</u>	

(Continued)

EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

<u>Asset Class</u>	<u>June 30, 2022</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Core Bonds	10.00	0.00
Cash	1.50	(0.60)
Real Estate	10.00	5.40
Real Return	<u>10.00</u>	4.55
Total	<u>100.00%</u>	

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

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

The following presents the Station's allocated portion of the Non-hazardous net OPEB liability of the System, calculated using the discount rate, as well as what the Station'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 or 1-percentage-point higher than the current rate for Non-hazardous:

	<u>June 30, 2023</u>		
	<u>1% Decrease (4.72%)</u>	<u>Current Discount Rate (5.72%)</u>	<u>1% Increase (6.72%)</u>
The Station's proportionate share of net OPEB liability (<i>in thousands</i>)	\$ 12	\$ 10	\$ 8
	<u>June 30, 2022</u>		
	<u>1% Decrease (4.26%)</u>	<u>Current Discount Rate (5.26%)</u>	<u>1% Increase (6.26%)</u>
The Station's proportionate share of net OPEB liability (<i>in thousands</i>)	\$ -	\$ -	\$ -

(Continued)

EASTERN KENTUCKY UNIVERSITY
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June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

	June 30, 2023		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The Station's proportionate share of net OPEB liability (<i>in thousands</i>)	\$ 9	\$ 10	\$ 12

	June 30, 2022		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The Station's proportionate share of net OPEB liability (<i>in thousands</i>)	\$ -	\$ -	\$ -

Employer's Portion of the Collective OPEB Liability: The University's proportionate share of the Non-hazardous net OPEB liability, as indicated in the prior table, is \$11,035,887, or approximately 0.50% as of June 30, 2023, and \$23,623,902, or approximately 1.04% as of June 30, 2022. The net OPEB liabilities were distributed based on 2020 and 2019 actual employer contributions to the plan. The Station's proportion of the University's OPEB liability was based on the Station employees' share of contributions to the OPEB plan relative to the contributions of all University employees. That proportion was \$10,380 or 0.09% as of June 30, 2023, and the Station's proportion of the total plan was 0.0005%.

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

Changes in Assumptions and Benefit Terms: For the fiscal year ended June 30, 2021, the assumed increase in future health care costs was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The June 30, 2020 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11 percent to reflect the repeal of the Health Insurer Fee. For the fiscal year ended June 30, 2020, the KERS Board of Trustees adopted new actuarial assumptions. These assumptions were based on an actuarial experience study for the period ending June 30, 2018. Key changes include replacing the base retiree mortality tables with a KERS-specific mortality table developed using the actual mortality experience of non-disabled retirees in KERS. Mortality tables for disabled retirees and active members were updated with Public Retirement Mortality tables. In addition, termination rates and rates of disability incidence were increased. Retirement rates were decreased slightly for members with a participation date prior to July 1, 2003. For members with a participation date on or after July 1, 2003, retirement rates were set equal to 80% of the retirement rates applicable for the pre July 1, 2003 participants for ages below 65.

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NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

House Bill 1, which passed during the 2019 special legislative session, allows certain employers in the KERS nonhazardous plan to elect to cease participating in the system as of June 30, 2020. Senate Bill 249 passed during the 2020 Legislative Session and delayed the effective date of cessation under these provisions to June 30, 2021. Since employer's elections were unknown at the time of the actuarial valuations, no adjustments were made to the Total OPEB Liability to reflect this legislation.

Senate Bill 249 also changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurred in future years will be amortized over separate 20-year amortization bases. This change did not impact the calculation of Total OPEB Liability and only impacts the calculation of the contribution rates payable starting July 1, 2020. House Bill 265, which passed during the 2018 legislative session, allowed certain employers within the non-hazardous plan to contribute less than the actuarially determined contribution in the 2018/2019 fiscal year. Since this is not expected to be an ongoing contribution reduction, determining the nonhazardous employers' proportionate share based on the employers' actual contributions would not be reflective of the employers' long-term contribution effort. Instead, the proportionate share calculations for employers of the nonhazardous plan were based on the employers' covered payroll provided for fiscal year ending June 30, 2019, which would result in the same proportionate share allocation if all participating employers contributed the same rate. There were no other material plan provision changes.

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

OPEB Expense: The University was allocated OPEB expense of \$(7,991,374) and \$(3,576,830) related to the KERS Non-Hazardous for the years ended June 30, 2023 and 2022. The Station recognized OPEB expense of \$18,596 and \$(267,649) for the years ended June 30, 2023 and 2022, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2023</u>		
Difference between expected and actual experience	\$ 253	\$ 831
Change of assumptions	583	689
Changes in proportion and differences between employer contributions and proportionate shares of contributions	3,210	12,461
Differences between expected and actual investment earning on plan investments	<u>212</u>	<u>-</u>
	4,258	13,981
Station contributions subsequent to the measurement date	<u>1,506</u>	<u>-</u>
Total	<u>\$ 5,764</u>	<u>\$ 13,981</u>

(Continued)

EASTERN KENTUCKY UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2022</u>		
Difference between expected and actual experience	\$ -	\$ -
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	-
Differences between expected and actual investment earning on plan investments	-	-
	_____	_____
Station contributions subsequent to the measurement date	-	-
	_____	_____
Total	<u>\$ -</u>	<u>\$ -</u>

There were no deferred outflows of resources resulting from employer contributions subsequent to the measurement date to be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2024	\$ (5,783)
2025	(2,492)
2026	(1,616)
2027	168

	<u>\$ (9,723)</u>

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

Summary Pension and OPEB Plan Information:

Summary Pension Plan Information as of June 30, 2023:

	<u>KERS</u>	<u>KTRS</u>	<u>Total</u>
Net pension liability	\$ 81,918	\$ 561,704	\$ 643,622
Deferred outflows of resources	8,682	133,898	142,580
Deferred inflows of resources	309	51,130	51,439
Pension expense	73,544	(58,452)	15,092

Summary Pension Plan Information as of June 30, 2022:

	<u>KERS</u>	<u>KTRS</u>	<u>Total</u>
Net pension liability	\$ -	\$ 487,457	\$ 487,457
Deferred outflows of resources	-	156,967	156,967
Deferred inflows of resources	-	206,899	206,899
Pension expense	(1,140,005)	(7,314)	(1,147,319)

(Continued)

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NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Summary OPEB Plan Information as of June 30, 2023:

	<u>KERS</u>	<u>KTRS</u>	<u>Total</u>
Net OPEB liability	\$ 10,380	\$ 99,066	\$ 109,446
Deferred outflows of resources	5,764	64,695	70,459
Deferred inflows of resources	13,981	44,711	58,692
OPEB expense	18,628	(12,548)	6,080

Summary OPEB Plan Information as of June 30, 2022:

	<u>KERS</u>	<u>KTRS</u>	<u>Total</u>
Net OPEB liability	\$ -	\$ 65,681	\$ 65,681
Deferred outflows of resources	-	25,559	25,559
Deferred inflows of resources	-	51,510	51,510
OPEB expense	(267,649)	(13,357)	(281,006)

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
SCHEDULE OF THE STATION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
June 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	<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>
KERS									
Station's proportion of the net pension liability	0.0006%	0.00%	0.0055%	0.0023%	0.0142%	0.0122%	0.0094%	0.0068%	0.0056%
Station's proportionate share of the pension liability	\$ 81,918	\$ -	\$ 781,517	\$ 326,299	\$ 1,927,200	\$ 1,634,031	\$ 1,071,122	\$ 678,285	\$ 501,312
Station's covered payroll	\$ 59,198	\$ -	\$ 80,783	\$ 100,426	\$ 351,161	\$ 293,228	\$ 228,198	\$ 243,069	\$ 169,064
Station's proportionate share of the net pension liability as a percentage of its covered payroll	138.38%	0.00%	967.43%	324.91%	548.81%	557.26%	469.38%	279.05%	296.52%
Plan fiduciary net position as a percentage of the total pension liability	18.51%	18.48%	14.01%	13.66%	12.84%	13.30%	14.80%	22.32%	22.32%
KTRS									
Station's proportion of the net pension liability	0.0032%	0.0575%	0.0410%	0.0320%	0.0013%	0.0014%	0.0017%	0.0019%	-%
Station's proportionate share of the net pension liability	\$ 561,704	\$ 487,457	\$ 391,711	\$ 302,853	\$ 180,173	\$ 398,199	\$ 528,641	\$ 452,298	\$ -
Station's covered payroll	\$ 363,557	\$ 346,415	\$ 311,337	\$ 320,935	\$ 154,469	\$ 183,229	\$ 127,963	\$ 122,865	\$ -
Station's proportionate share of the net pension liability as a percentage of its covered payroll	154.50%	140.71%	125.82%	94.37%	116.64%	217.32%	413.12%	368.13%	-%
Plan fiduciary net position as a Percentage of the total pension liability	56.41%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

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

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

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
SCHEDULE OF THE STATION'S PENSION CONTRIBUTIONS
June 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	<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>
KERS									
Contractually required contribution	\$ 6,346	\$ -	\$ 32,290	\$ 32,290	\$ 13,854	\$ 88,838	\$ 72,938	\$ 46,833	\$ 30,536
Contributions in relation to the contractually required contribution	<u>(6,346)</u>	<u>-</u>	<u>(32,290)</u>	<u>(32,290)</u>	<u>(13,854)</u>	<u>(88,838)</u>	<u>(72,938)</u>	<u>(46,833)</u>	<u>(30,536)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Station's covered payroll	\$ 62,742	\$ -	\$ -	\$ 80,783	\$ 100,426	\$ 351,161	\$ 293,228	\$ 228,198	\$ 243,069
Contributions as a percentage of covered payroll	10.11%	-%	-%	39.97%	13.80%	25.30%	24.87%	20.52%	12.56%
KTRS									
Contractually required contribution	\$ 34,666	\$ 38,479	\$ 30,624	\$ 30,624	\$ 24,789	\$ 16,368	\$ 18,571	\$ 11,900	\$ -
Contributions in relation to the contractually required contribution	<u>(34,666)</u>	<u>(38,479)</u>	<u>(30,624)</u>	<u>(30,624)</u>	<u>(24,789)</u>	<u>(16,368)</u>	<u>(18,571)</u>	<u>(11,900)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Station's covered payroll	\$ 383,933	\$ 329,609	\$ 346,415	\$ 311,337	\$ 320,935	\$ 154,469	\$ 183,229	\$ 127,963	\$ -
Contributions as a percentage of covered payroll	9.03%	12.86%	8.84%	9.84%	7.72%	10.60%	10.14%	9.30%	-%

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

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
June 30, 2023

Changes of benefit terms and assumptions:

KERS – Non-Hazardous

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016: The assumed investment rate of return was decreased from 7.50% to 6.75%.

2017: *Changes in Assumptions and Benefit Terms:* Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 6.75% to 5.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Salary growth assumption was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 0.00%.

2018: *Changes in Assumptions and Benefit Terms:* Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 was determined using these updated benefit provisions.

(Continued)

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
June 30, 2023

KERS – Non-Hazardous (Continued)

2019:

Changes in Assumptions and Benefit Terms: For the fiscal year ended June 30, 2020, the KERS Board of Trustees adopted new actuarial assumptions. These assumptions were based on an actuarial experience study for the period ending June 30, 2018. Key changes include replacing the base retiree mortality tables with a KERS-specific mortality table developed using the actual mortality experience of non-disabled retirees in KERS. Mortality tables for disabled retirees and active members were updated with Public Retirement Mortality tables. In addition, termination rates and rates of disability incidence were increased. Retirement rates were decreased slightly for members with a participation date prior to July 1, 2003. For members with a participation date on or after July 1, 2003, retirement rates were set equal to 80% of the retirement rates applicable for the pre-July 1, 2003 participants for ages below 65.

House Bill 1, which passed during the 2019 special legislative session, allows certain employers in the non-hazardous plan to elect to cease participating in the system as of June 30, 2020. Since employer's elections were unknown at the time of the actuarial valuation and the legislation was enacted after the June 30, 2019 measurement date, no adjustments were made to the Total Pension Liability to reflect this legislation.

House Bill 265, which passed during the 2018 legislative session, allowed certain employers within the non-hazardous plan to contribute less than the actuarially determined contribution in the 2018/2019 fiscal year. Since this is not expected to be an ongoing contribution reduction, determining the non-hazardous employers' proportionate share based on the employers' actual contributions would not be reflective of the employers' long-term contribution effort. Instead, the proportionate share calculations for employers of the non-hazardous plan were based on the employers' covered payroll provided for fiscal year ending June 30, 2019, which would result in the same proportionate share allocation if all participating employers contributed the same rate.

2020: There have been no assumption changes since June 30, 2019.

2021: House Bill 8, passed in the 2021 legislative session, changed how employers' contributions are allocated in the KERS Non-Hazardous plan. The change does not impact the total pension liability, but does impact the amount of liability allocated to some employers. Several employers will see a significant increase in the allocation percentage of the pension liability.

2022: There have been no assumption changes since June 30, 2021.

KTRS

2015: *Changes of Assumptions:* In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

(Continued)

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
June 30, 2023

KTRS (Continued)

2016: Since the previous valuation, various economic and demographic assumptions have been revised to reflect the results of the experience investigation for the five-year period ending June 30, 2015. The changes adopted by the Board on September 19, 2016, include various demographic and economic assumptions summarized below:

- Price inflation changed assumed rate from 3.50% to 3.00%.
- Wage inflation changed assumed rate from 4.00% to 3.50%.
- Assumed salary scale adjusted to reflect a decrease of 0.25% in merit and promotion for all ages
- Assumed rates of withdrawal, disability, retirement, and mortality have been adjusted to more closely reflect experience.
- The discount rate was changed from 4.88% to 4.20%.

2017: *Changes in Assumptions and Benefit Terms Since Prior Measurement Date* - The total pension liability as of June 30, 2017 reflects that the assumed municipal bond index rate increased from 3.01% to 3.56%, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.20% to 4.49%. The change in the discount rate is considered a change in actuarial assumptions under GASB 68.

2018: *Changes in Assumptions and Benefit Terms Since Prior Measurement Date* - The total pension liability as of June 30, 2018 reflects the assumed municipal bond index rate increase from 3.56% to 3.89%, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.49% to 7.50%. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2018. The total pension liability as of June 30, 2017 reflects the assumed municipal bond index rate increase from 3.01% to 3.56%, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.20% to 4.49%. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2017.

2019: *Changes in Assumptions and Benefit Terms Since Prior Measurement Date* - The TPL as of June 30, 2019 reflects the assumed municipal bond index rate decrease from 3.89 percent to 3.50 percent. The Single Equivalent Interest Rate (SEIR) remained at 7.50 percent. The impact of this change in the discount rate is a change in assumption that is added to expected TPL to determine the final TPL at June 30, 2019.

2020: *Changes in Assumptions and Benefit Terms Since Prior Measurement Date* - The TPL as of June 30, 2020 reflects the assumed municipal bond index rate decrease from 3.50 percent to 2.19 percent. The impact of this change in the discount rate is a change in assumption that is added to expected TPL to determine the final TPL at June 30, 2020.

2021: *Changes in Assumptions and Benefit Terms Since Prior Measurement Date* - The total pension liability as of June 30, 2021 reflects the assumed municipal bond index rate decrease from 2.19 percent to 2.13 percent, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 7.50 percent to 7.10 percent. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2021.

2022: *Changes in Assumptions and Benefit Terms Since Prior Measurement Date* - On January 1, 2022, KTRS introduced KTRS Tier 4 for new members starting membership after January 1, 2022. Tier 4 is a comprehensive retirement plan that includes a foundational benefit, a supplemental benefit which is a savings component, and retiree health insurance.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
SCHEDULE OF THE STATION'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
June 30, 2023, 2022, 2021, 2020, 2019 and 2018

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
KERS						
Station's proportion of the net OPEB liability	0.0005%	-%	0.006%	0.002%	0.014%	0.012%
Station's proportionate share of the net OPEB liability	\$ 10,380	\$ -	\$ 140,183	\$ 50,494	\$ 337,620	\$ 309,512
Station's covered payroll	\$ 59,198	\$ -	\$ 80,783	\$ 100,426	\$ 351,161	\$ 293,228
Station's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.53%	-%	173.53%	50.28%	95.14%	105.55%
Plan fiduciary net position as a percentage of the total OPEB liability	38.15%	38.38%	29.47%	30.92%	27.32%	24.40%
KTRS – Medical Insurance						
Station's proportion of the net OPEB liability	0.0039%	0.0030%	0.0478%	0.0018%	0.0012%	0.0014%
Station's proportionate share of the net OPEB liability	\$ 97,912	\$ 64,671	\$ 86,300	\$ 52,600	\$ 40,317	\$ 48,794
Station's covered payroll	\$ 363,557	\$ 346,415	\$ 311,337	\$ 320,935	\$ 154,469	\$ 183,229
Station's proportionate share of the net OPEB liability as a percentage of its covered payroll	26.93%	18.67%	27.72%	16.39%	26.10%	26.63%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%
KTRS – Life Insurance						
Station's proportion of the net OPEB liability	0.0037%	0.0077%	0.0039%	0.0040%	0.0040%	0.0041%
Station's proportionate share of the net OPEB liability	\$ 1,154	\$ 1,010	\$ 923	\$ 1,247	\$ 1,130	\$ 903
Station's covered payroll	\$ 363,557	\$ 346,415	\$ 311,337	\$ 320,935	\$ 154,469	\$ 183,229
Station's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.32%	0.29%	0.30%	0.39%	0.73%	0.49%
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	89.15%	71.57%	73.40%	75.00%	79.99%

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

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

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
SCHEDULE OF THE STATION'S OPEB CONTRIBUTIONS
June 30, 2023, 2022, 2021, 2020, 2019 and 2018

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
KERS						
Contractually required contribution	\$ 1,300	\$ -	\$ -	\$ 6,614	\$ 2,838	\$ 21,593
Contributions in relation to the contractually required contribution	<u>(1,300)</u>	<u>-</u>	<u>-</u>	<u>(6,614)</u>	<u>(2,838)</u>	<u>(21,593)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Station's covered payroll	\$ 62,742	\$ -	\$ -	\$ 80,783	\$ 100,426	\$ 351,161
Contributions as a percentage of covered payroll	2.07%	0.00%	0.00%	8.19%	2.83%	6.15%
KTRS – Medical Insurance						
Contractually required contribution	\$ 5,233	\$ 4,858	\$ 5,350	\$ 3,897	\$ 3,135	\$ 2,066
Contributions in relation to the contractually required contribution	<u>(5,233)</u>	<u>(4,858)</u>	<u>(5,350)</u>	<u>(3,897)</u>	<u>(3,135)</u>	<u>(2,066)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Station's covered payroll	\$ 383,933	\$ 329,609	\$ 346,415	\$ 311,337	\$ 320,935	\$ 154,469
Contributions as a percentage of covered payroll	1.36%	1.47%	1.54%	1.25%	0.98%	1.34%
KTRS – Life Insurance						
Contractually required contribution	\$ 88	\$ 82	\$ 90	\$ 65	\$ 59	\$ 35
Contributions in relation to the contractually required contribution	<u>(88)</u>	<u>(82)</u>	<u>(90)</u>	<u>(65)</u>	<u>(59)</u>	<u>(35)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Station's covered payroll	\$ 383,933	\$ 329,609	\$ 346,415	\$ 311,337	\$ 320,935	\$ 154,469
Contributions as a percentage of covered payroll	0.02%	0.02%	0.03%	0.02%	0.02%	0.02%

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

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION
June 30, 2023, 2022, 2021, 2020, 2019 and 2018

KERS

Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

2017:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The salary increase assumption was reduced from 4.00% to 3.05%.
- The payroll growth assumption was reduced from 4.00% to 2.00%.

2018: *Changes in Assumptions and Benefit Terms:* Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who dies in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

2019:

Changes in Assumptions and Benefit Terms: For the fiscal year ended June 30, 2020, the KERS Board of Trustees adopted new actuarial assumptions. These assumptions were based on an actuarial experience study for the period ending June 30, 2018. Key changes include replacing the base retiree mortality tables with a KERS-specific mortality table developed using the actual mortality experience of non-disabled retirees in KERS. Mortality tables for disabled retirees and active members were updated with Public Retirement Mortality tables. In addition, termination rates and rates of disability incidence were increased. Retirement rates were decreased slightly for members with a participation date prior to July 1, 2003. For members with a participation date on or after July 1, 2003, retirement rates were set equal to 80% of the retirement rates applicable for the pre-July 1, 2003 participants for ages below 65.

House Bill 1, which passed during the 2019 special legislative session, allows certain employers in the non-hazardous plan to elect to cease participating in the system as of June 30, 2020. Since employer's elections were unknown at the time of the actuarial valuation and the legislation was enacted after the June 30, 2019 measurement date, no adjustments were made to the Total OPEB Liability to reflect this legislation.

House Bill 265, which passed during the 2018 legislative session, allowed certain employers within the non-hazardous plan to contribute less than the actuarially determined contribution in the 2018/2019 fiscal year. Since this is not expected to be an ongoing contribution reduction, determining the non-hazardous employers' proportionate share based on the employers' actual contributions would not be reflective of the employers' long-term contribution effort. Instead, the proportionate share calculations for employers of the non-hazardous plan were based on the employers' covered payroll provided for fiscal year ending June 30, 2019, which would result in the same proportionate share allocation if all participating employers contributed the same rate.

2020: *Changes in Assumptions and Benefit Terms:* For the fiscal year ended June 30, 2021, the assumed increase in future health care costs was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The June 30, 2020 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11 percent to reflect the repeal of the Health Insurer Fee.

(Continued)

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION
June 30, 2023, 2022, 2021, 2020, 2019 and 2018

KERS (Continued)

2021: House Bill 8, passed in the 2021 legislative session, changed how employers' contributions are allocated in the KERS Non-Hazardous plan. The change does not impact the total post-employment liability but does impact the amount of liability allocated to some employers. Several employers will see a significant increase in the allocation percentage of the total post-employment benefits liability.

2022: Changes in Assumptions: Non-Hazardous – The single discount rate increased from 5.26% to 5.72%.

KTRS

2017: *Changes to Benefit Terms: Medical Insurance:* With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

2018: *Changes of benefit terms* – For the Life Insurance Plan, changes in assumptions or benefit terms as of June 30, 2019 included a change to the investment rate of returns, municipal bond index rate, discount rate, and single equivalent interest rate noted in the table above. For the Medical Insurance Plan, with the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010. This change occurred in the prior year, while there were no other changes in the current year.

2019: *Changes of assumptions – Medical Insurance Plan:* The healthcare cost trend rate for Pre-65 decreased from 7.75 percent to 7.50 percent and Post-65 decreased from 5.75 percent to 5.50 percent. Medicare Part B premiums increased to 2.63 percent from 0.0 percent. The municipal bond index rate decreased from 3.89 percent to 3.50 percent.

Changes of assumptions – Life Insurance Plan: The municipal bond index rate decreased from 3.50 percent to 3.50 percent.

2020: *Changes of assumptions – Medical Insurance Plan:* The healthcare cost trend rate for Pre-65 decreased from 7.50 percent to 7.25 percent and Post-65 decreased from 5.50 percent to 5.25 percent. Medicare Part B premiums increased to 6.49 percent from 2.63 percent. The municipal bond index rate decreased from 3.50 percent to 2.19 percent.

Changes of assumptions – Life Insurance Plan: The municipal bond index rate decreased from 3.50 percent to 2.19 percent.

2021: *Changes of assumptions – Medical Insurance Plan:* The municipal bond index rate decreased from 2.19 percent to 2.13 percent.

Changes of assumptions – Medical Insurance Plan: The single equivalent interest rate (SEIR) decreased from 7.50 percent to 7.10 percent.

Changes of assumptions – Life Insurance Plan: The municipal bond index rate decreased from 2.19 percent to 2.13 percent.

(Continued)

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION
June 30, 2023, 2022, 2021, 2020, 2019 and 2018

KTRS (Continued)

Changes of assumptions – Life Insurance Plan: The single equivalent interest rate (SEIR) decreased from 7.50 percent to 7.10 percent.

2022: There have been no assumption changes since June 30, 2021.