

**Western Kentucky University
WKYU-TV**

**Independent Auditor's Report,
Financial Statements, and
Supplementary Information**

June 30, 2022



Western Kentucky University WKYU-TV
June 30, 2022

Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position.....	12
Statement of Cash Flows	13
Notes to Financial Statements	14
Required Supplementary Information	
Schedules of the Station's Proportionate Share of the Net Pension Liability	49
Notes to Schedules of the Station's Proportionate Share of the Net Pension Liability	50
Schedules of the Station's Pension Contributions	51
Notes to Schedules of the Station's Pension Contributions.....	52
Schedules of the Station's Proportionate Share of the Net OPEB Liability	53
Notes to Schedules of the Station's Proportionate Share of the Net OPEB Liability.....	54
Schedules of the Station's OPEB Contributions	55
Notss to Schedules of the Station's OPEB Contributions	56



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Independent Auditor's Report

President Timothy C. Caboni and
Board of Regents
Western Kentucky University WKYU-TV
Bowling Green, Kentucky

Opinion

We have audited the financial statements of WKYU-TV (Station), a public broadcasting entity operated by Western Kentucky University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Station's basic 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, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 2, the financial statements of the Station are intended to present the financial position, changes in financial position, and cash flows of only that portion of the business-type activities 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 as of June 30, 2022, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2022, the Station adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

The 2021 financial statements, before they were revised for the matter discussed in Note 2, were audited by other auditors, and their report thereon, dated January 5, 2022, expressed an unmodified opinion. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

FORVIS,LLP

Louisville, Kentucky
January 18, 2023

Western Kentucky University WKYU-TV

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2022

Introduction

The following Management's Discussion and Analysis (MD&A) (Unaudited) provides an overview of the financial position and activities of WKYU-TV (Station) for the year ended June 30, 2022, with selected comparative information for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. The financial statements and related notes and this discussion and analysis are the responsibility of management.

The Station is located on the campus of Western Kentucky University (University). The Station broadcasts Public Broadcasting Service and local programs that inform, enrich and entertain in concert with the mission of the University. The Station's skilled staff, students and volunteers serve viewers with comprehensive music and information programs that reflect current affairs, history and cultures.

Fiscal Year 2022 Highlights

- The Station's net position increased by \$581,125; 32.8%
- Operating revenues increased by \$39,128; 13.1% to \$337,850
- Operating expenses increased by \$717,720; 41.0%
- Nonoperating revenues increased by \$890,348; 48.8%

The Station adopted GASB Statement No. 87, *Leases* during the fiscal year ended June 30, 2022. The adoption of this statement resulted in recording lease assets of \$190,604 and lease liabilities of \$190,604 as of July 1, 2021. The impact of this statement is not reflected in the fiscal year June 30, 2021, amounts included in this management's discussion and analysis.

Governmental Accounting Standards

The MD&A, financial statements and accompanying notes are prepared in accordance with the Governmental Accounting Standards Board (GASB) pronouncements.

Statements of Net Position

The statements of net position present a financial picture of the Station's financial condition at the end of the fiscal year by reporting assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources and net position.

Assets

Total assets of the Station at the end of fiscal years 2022 and 2021 were \$3,033,294 and \$2,751,371, respectively, of which cash and net capital assets represented the largest portions. Cash and assets held by WKU Foundation totaled \$2,608,615 or 86.0% of total assets at June 30, 2022, and net capital assets totaled \$233,802 or 7.7% of total assets at June 30, 2022. Cash and assets held by WKU Foundation totaled \$2,556,635 or 92.9% of total assets at June 30, 2021, and net capital assets totaled \$176,944 or 6.4% of total assets at June 30, 2021.

Western Kentucky University WKYU-TV
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Liabilities

Liabilities of the Station totaled \$3,696,106 and \$3,956,340 at June 30, 2022 and 2021, respectively, of which unearned revenue was \$1,386,412 and \$1,339,691 and represented 37.5% and 33.9% of total liabilities, respectively. Net pension, net OPEB and lease liabilities were \$2,212,762 and \$2,222,625 at June 30, 2022 and 2021, respectively and represented 59.9% and 56.2% of total liabilities, respectively.

Net Position (Deficit)

Net position (deficit) of the Station was (\$1,192,656) and (\$1,773,781) at June 30, 2022 and 2021, respectively, and were divided into two major categories, defined as follows:

- *Net investment in capital assets* – This category represents the Station's equity in equipment and lease assets.
- *Restricted* – This category represents the Station's funds subject to externally imposed restrictions governing its use. The corpus of nonexpendable restricted resources is only available for investment purposes.
- *Unrestricted* – This category represents net positions held by the Station that have no formal restrictions placed upon them.

Western Kentucky University WKYU-TV
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Condensed Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets	\$ 2,274,509	\$ 2,266,856
Assets held by WKU Foundation	361,608	307,571
Capital and leased assets, net	397,177	176,944
Total assets	3,033,294	2,751,371
Deferred Outflows of Resources		
Total deferred outflows of resources	366,284	291,060
Total assets and deferred outflows of resources	\$ 3,399,578	\$ 3,042,431
Liabilities		
Current liabilities	\$ 1,508,044	\$ 1,733,715
Noncurrent liabilities	2,188,062	2,222,625
Total liabilities	3,696,106	3,956,340
Deferred Inflows of Resources		
Total deferred inflows of resources	896,128	859,872
Net Position (Deficit)		
Net investment in capital assets	230,114	176,944
Restricted		
Non-expendable	199,356	166,678
Expendable	162,252	140,893
Unrestricted	(1,784,378)	(2,258,296)
Total net position (deficit)	(1,192,656)	(1,773,781)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 3,399,578	\$ 3,042,431

Statements of Revenues, Expenses and Change in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position, which was generally referred to as the income statements, present the total revenues (operating and nonoperating) received and earned by the Station and expenses (operating and nonoperating) paid and owed by the Station and income or loss from operations for the fiscal year.

Revenues

Total operating revenues, which exclude University appropriations, of the Station for the fiscal years 2022 and 2021 were \$337,850 and \$298,722, respectively.

Western Kentucky University WKYU-TV
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

The Station received \$802,191 and \$748,724 during 2022 and 2021 of University appropriations and \$624,981 and \$329,438 during 2022 and 2021, respectively, of administrative support from the University, which are classified as nonoperating revenues. These funds were used to support Station operating activities.

Expenses

Total operating expenses of the Station for 2022 and 2021 were \$2,470,148 and \$1,752,428, respectively.

Condensed Statements of Revenues, Expenses and Change in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Revenue		
Operating revenues		
Business and industry underwriting	\$ 15,950	\$ 1,000
Production	321,900	297,722
	337,850	298,722
Total operating revenues	337,850	298,722
Expenses		
Operating expenses		
Program services	1,585,517	1,451,040
Supporting services	811,215	258,852
Depreciation and amortization	73,416	42,536
	2,470,148	1,752,428
Total operating expenses	2,470,148	1,752,428
Operating Loss	(2,132,298)	(1,453,706)
Nonoperating Revenues (Expenses)		
General appropriations from Western Kentucky University	802,191	748,724
Grants from Corporation for Public Broadcasting	768,414	593,714
Indirect administrative support	624,981	329,438
Interest expense on lease asset	(3,597)	-
Investment income	51,441	37,357
Miscellaneous income	469,993	113,842
	2,713,423	1,823,075
Total nonoperating revenues	2,713,423	1,823,075
Change in Net Position	581,125	369,369
Net Position (Deficit), Beginning of Year	(1,773,781)	(2,143,150)
Net Position (Deficit), End of Year	\$ (1,192,656)	\$ (1,773,781)

Western Kentucky University WKYU-TV
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Statements of Cash Flows

The statements of cash flows provide a summary of the sources and uses of cash by defined categories. The primary purposes of the statement of cash flows are to provide information about the Station's cash receipts and payments during the year and to help assess the Station's ability to generate future net cash flows to meet obligations as they become due.

The major sources of cash from operating activities were business and industry underwriting of \$15,950 and \$1,000 and production of \$321,900 and \$297,722 for fiscal years 2022 and 2021, respectively. The most significant uses of cash for operating activities were payments to employees of \$1,410,126 and \$1,389,477 and to suppliers of \$1,338,437 and \$663,573 for 2022 and 2021, respectively.

The cash flows from noncapital financing activities included \$1,427,172 and \$1,078,162 during 2022 and 2021, respectively, received as general appropriations and indirect support from the University and \$815,134 and \$1,297,868 received during 2022 and 2021, respectively, from the Corporation for Public Broadcasting, which are the largest sources of cash for the fiscal years.

The cash flows from capital and related financing activities included \$103,044 and \$39,046 paid for capital assets during fiscal years 2022 and 2021, respectively.

The cash flows from investing activities recognize the cash flows from proceeds from sales and maturities of investments and interest and dividends receipts.

Condensed Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Net cash used in operating activities	\$ (2,410,713)	\$ (1,754,328)
Net cash provided by noncapital financing activities	2,541,433	2,660,738
Net cash used in capital and related activities	(130,182)	(39,046)
Net cash used in investing activities	(2,595)	14,204
(Decrease) Increase in Cash	(2,057)	881,568
Cash, Beginning of Year	2,249,064	1,367,496
Cash, End of Year	\$ 2,247,007	\$ 2,249,064

Western Kentucky University WKYU-TV
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Capital and Lease Assets

As of June 30, 2022 and 2021, respectively, the Station had \$233,802 and \$176,944 of net investment in capital assets consisting of equipment. As of June 30, 2022 and 2021, respectively, the Station had \$163,375 and \$0 lease assets. Capital and lease assets at June 30, 2022 and 2021, are summarized below:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 7,622,583	\$ 7,519,538
Less accumulated depreciation	<u>(7,388,781)</u>	<u>(7,342,594)</u>
Capital Assets, Net	<u>\$ 233,802</u>	<u>\$ 176,944</u>
Lease assets	\$ 190,604	\$ -
Accumulated amortization	<u>(27,229)</u>	<u>-</u>
Lease Assets, Net	<u>\$ 163,375</u>	<u>\$ -</u>

Economic Factors Impacting Future Periods

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

Due to the large amount of investments that are held by the Western Kentucky University Foundation, the Station has to consider the fluctuations in the market. Realized and unrealized losses within these accounts can have an effect on operations.

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 has impacted economic activity and financial markets globally and locally. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future.

The extent to which COVID-19 impacts the Station will depend on future developments, which are still highly uncertain and cannot be predicted. As a result, the Station has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2023.

As a result of the economic uncertainty from the impact of the COVID-19 pandemic, in March 2021, the Station received a Paycheck Protection Program (PPP) loan in the principal amount of \$170,865 from the U.S. Small Business Administration (SBA) which has been formally forgiven in fiscal year 2022.

Requests for Information

This financial report is designed to provide a general overview of Western Kentucky University's Public Radio and Television finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to David Brinkley, Director of Public Broadcasting, Western Kentucky University, Academic Complex 153A, 1906 College Heights Boulevard, Bowling Green, Kentucky 42101. You may also contact David Brinkley via email at david.brinkley@wku.edu or via phone at 270.745.6140.

Western Kentucky University WKYU-TV
Statement of Net Position
June 30, 2022

Assets

	2022
Current Assets	
Cash on deposit with University and WKU Foundation	\$ 2,247,007
Prepaid expenses	27,502
Total current assets	2,274,509
Noncurrent Assets	
Assets held by WKU Foundation	361,608
Capital assets	7,622,583
Accumulated depreciation	(7,388,781)
Lease assets	190,604
Accumulated amortization	(27,229)
Total noncurrent assets	758,785
Total assets	3,033,294
Deferred Outflows of Resources	
Deferred outflows – KTRS Pension	215,748
Deferred outflows – KERS Pension	52,907
Deferred outflows – KTRS OPEB	57,899
Deferred outflows – KERS OPEB	39,730
Total deferred outflows of resources	366,284
Total assets and deferred outflows of resources	\$ 3,399,578

Western Kentucky University WKYU-TV
Statement of Net Position (Continued)
June 30, 2022

Liabilities

	2022
Current Liabilities	
Accrued payroll	\$ 54,406
Accrued vacation	42,526
Lease liability	24,700
Unearned revenue	1,386,412
Total current liabilities	1,508,044
Noncurrent Liabilities	
Net pension liability – KTRS	889,822
Net pension liability – KERS	838,618
Net OPEB liability – KTRS	172,147
Net OPEB liability – KERS	145,112
Lease liability	142,363
Total noncurrent liabilities	2,188,062
Total liabilities	3,696,106
Deferred Inflows of Resources	
Deferred inflows – KTRS Pension	561,825
Deferred inflows – KERS Pension	103,454
Deferred inflows – KTRS OPEB	172,933
Deferred inflows – KERS OPEB	57,916
Total deferred inflows of resources	896,128
Net Position (Deficit)	
Net investment in capital assets	230,114
Restricted	
Non-expendable	199,356
Expendable	162,252
Unrestricted	(1,784,378)
Total net position (deficit)	(1,192,656)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 3,399,578

Western Kentucky University WKYU-TV
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

	2022
Revenues	
Operating revenues	
Business and industry underwriting	\$ 15,950
Production	321,900
	337,850
Total operating revenues	337,850
Expenses	
Operating expenses	
Program services	
Programming and production	1,202,338
Broadcasting	370,074
Program information and promotion	13,105
	1,585,517
Total program services	1,585,517
Supporting services	
Management and general	701,570
Fundraising	95,691
Underwriting	13,954
	811,215
Total supporting services	811,215
Depreciation and amortization	73,416
	73,416
Total operating expenses	2,470,148
Operating Loss	(2,132,298)
Nonoperating Revenues (Expenses)	
General appropriations from Western Kentucky University	802,191
Grants from Corporation for Public Broadcasting	768,414
Indirect administrative support	624,981
Subscriptions and memberships	39,500
Interest expense on lease asset	(3,597)
Investment income	51,441
Miscellaneous income	430,493
	2,713,423
Total nonoperating revenues	2,713,423
Change in Net Position	581,125
Net Position (Deficit), Beginning of Year	(1,773,781)
Net Position (Deficit), End of Year	\$ (1,192,656)

Western Kentucky University WKYU-TV
Statement of Cash Flows
Year Ended June 30, 2022

	<u>2022</u>
Cash Flows from Operating Activities	
Business and industry underwriting received	\$ 15,950
Production revenue received	321,900
Payments to employees	(1,410,126)
Payments to suppliers	(1,338,437)
	<u>(2,410,713)</u>
Net cash used in operating activities	<u>(2,410,713)</u>
Cash Flows from Noncapital Financing Activities	
General appropriations and indirect support from Western Kentucky University	1,427,172
Grants from Corporation for Public Broadcasting	815,134
Subscriptions and memberships	39,500
Other noncapital financing activities	259,627
	<u>2,541,433</u>
Net cash provided by noncapital financing activities	<u>2,541,433</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(103,044)
Principal payments on lease liability	(23,541)
Interest paid on lease liability	(3,597)
	<u>(130,182)</u>
Net cash used in capital and related financing activities	<u>(130,182)</u>
Cash Flows from Investing Activities	
Loss on sale of investments	(7,726)
Interest and dividends	5,131
	<u>(2,595)</u>
Net cash used in investing activities	<u>(2,595)</u>
Decrease in Cash	<u>(2,057)</u>
Cash, Beginning of Year	<u>2,249,064</u>
Cash, End of Year	<u>\$ 2,247,007</u>
Reconciliation of Operating Loss to Net Cash Flows Used in Operating Activities	
Operating loss	\$ (2,132,298)
Depreciation and amortization	73,416
Changes in operating assets and liabilities	
Prepaid expenses	(9,710)
Deferred outflows of resources	(75,224)
Deferred inflows of resources	36,256
Net pension liability	(132,807)
Net OPEB liability	(44,119)
Accrued expenses	(126,227)
	<u>(2,410,713)</u>
Net cash flows used in operating activities	<u>\$ (2,410,713)</u>
Noncash Investing, Capital and Financing Activities	
PPP loan forgiveness	\$ 170,865
Unrealized gain on investments	\$ 37,445

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

Note 1: Nature of Operations

WKYU-TV (Station) is a public television station operated by and receiving support from Western Kentucky University (University), Bowling Green, Kentucky. The Station is not considered a component unit but rather an operating unit of the University and its financial activity is included in the financial statements of the University.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting and 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 statement presentation provides a comprehensive, entitywide perspective of the Station's assets, liabilities, deferred outflows and inflows, net position, revenues, expenses, changes in net position and cash flows. 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.

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 Western 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 Western Kentucky University as of June 30, 2022, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Revenue Recognition

Contributions, pledges and grants are recorded as revenue in the accompanying statement of revenues, expenses and change in net position. In-kind contributions, other than the contribution from the University, are recognized as revenue at the estimated fair value at the date of the gift.

The portion of the University's indirect costs attributable to the Station's operations and the value of space provided for broadcast facilities are included as revenues and expenses and are computed in accordance with guidelines established by the Corporation for Public Broadcasting (CPB). Total indirect support from the University for the year ended June 30, 2022, was \$624,981.

Expenses

When an expense is incurred for which both restricted and unrestricted resources are available, the Station's policy is to allow for the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

Classification of Revenues

The Station has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as business and industry underwriting.
- Nonoperating revenues – Nonoperating revenues includes activities that have the characteristics of nonexchange transactions, such as (1) college appropriations, (2) most federal, state, and local grants and contracts, and (3) gifts and contributions.

Cash on Deposit with University and WKU Foundation

For administrative purposes, cash balances of the Station are included in bank accounts maintained by the University and the Western Kentucky University Foundation (Foundation). Details of accounting transactions affecting cash are maintained by each entity.

The University currently uses commercial banks and the Commonwealth of Kentucky (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's agent in the Commonwealth's name.

The Foundation's cash is on deposit with commercial banks and is federally insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC).

Assets Held by WKU Foundation and Investment Income

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset and is not allocated to functional expense categories. Equipment with an estimated useful life of greater than one year and a cost of \$5,000 is capitalized and depreciated with one-half year's depreciation taken during the year of purchase or donation. Construction-in-progress is capitalized when incurred. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred or when the project was closed and is identified as projects less than \$100,000. The Station continues to track equipment with a cost of

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

\$500 or more for insurance purposes consistent with applicable Kentucky Revised Statutes but does not capitalize items at these lower thresholds. The following estimated useful lives are being used by the Station:

Buildings and building improvements	15–40 years
Furniture, fixtures and equipment	3–15 years
Land improvements and infrastructure	20 years

Lease Assets

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

Capital and Lease Asset Impairment

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

Deferred Outflows of Resources

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

Unearned Revenue

Unearned revenue includes grant funding received from the CPB that has not been expended at the end of the fiscal year. CPB provides funds to the Station at the beginning of a funding period. Thus, any unspent CPB funds at the end of the fiscal year are recorded as unearned revenue until qualifying expenses have been incurred.

Deferred Inflows of Resources

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

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

Net Position

The Station's net position is classified as follows:

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

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

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

Unrestricted Net Position: Unrestricted net position represents resources derived from underwriting fees. These resources are used at the discretion of the governing board to meet current expenses for any purpose.

Use of Estimates

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

Revision

A revision has been made to the 2021 beginning cash balance on the statement of cash flows. This revision did not have a significant impact on the financial statement line items impacted.

Recent Accounting Pronouncements Adopted/Implemented

- GASB Statement No. 87, Leases: The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of this standard did not have a material effect on the Station's net position or change in net position.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*: The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Station has implemented the provisions of this accounting standard; however, the Station did not have any interest incurred for construction projects in fiscal year ended June 30, 2022.
- GASB Statement No. 92, *Omnibus 2020*: The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The Station has implemented the provisions of this accounting standard with no material impact to its financial statements.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020: The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR will be discontinued by June 2023 and governments are either changing the reference rate or adding or changing fallback provisions related to the reference rate. The Station has implemented the provisions of this accounting standard; however, the Station did not have any outstanding debt calculated using LIBOR for fiscal year ended June 30, 2022.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020: The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Station has implemented the provisions of this accounting standard; however, the Station did not have qualifying Section 457 plans for fiscal year ended June 30, 2022.

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

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

Note 3: Assets Held by WKU Foundation

Assets held by WKU Foundation as of June 30, 2022, consisted of cash equivalents, common equity, common fixed income and mutual funds. The fair value of the assets held by WKU Foundation are \$361,608.

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

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

- Assets held by WKU Foundation of \$361,608, which is valued at net asset value (NAV). There are no unfunded commitments and funds can be redeemed on a daily basis. The investment strategy is a long-term growth strategy and the underlying funds in the trust include cash, common stock, mutual funds, and fixed income securities.

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

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

The Station did not have any investment in debt securities as of June 30, 2022. Therefore, the Station is not considered to have credit risk.

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Station will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Station's investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Station investment. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization. The Station is fully collateralized as of June 30, 2022.

Concentration of Credit Risk: The Commonwealth of Kentucky places no limit on the amount the Station may invest in any one issuer.

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

	2022
Interest income, including interest earned on cash equivalents	\$ 5,131
Net change in fair value of investments and assets held by WKU Foundation	46,310
	\$ 51,441

Note 4: Capital Assets and Lease Assets

Capital assets consist of equipment. Capital assets activity for the year ended June 30, 2022, was:

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Equipment	\$ 7,519,538	\$ 103,045	\$ -	\$ 7,622,583
Less accumulated depreciation	(7,342,594)	(46,187)	-	(7,388,781)
Capital assets, net	\$ 176,944	\$ 56,858	\$ -	\$ 233,802

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

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Lease assets	\$ 190,604	\$ -	\$ -	\$ 190,604
Less accumulated depreciation	-	(27,229)	-	(27,229)
Capital assets, net	\$ 190,604	\$ (27,229)	\$ -	\$ 163,375

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

Note 5: Lease Liability

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

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease liability	\$ 190,604	\$ -	\$ (23,541)	\$ 167,063	\$ 24,700

The Station leases certain real estate and equipment, the terms of which expire in various years through 2027. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

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

	Principal	Interest
Year Ending		
2023	\$ 24,700	\$ 3,116
2024	25,901	2,611
2025	27,143	2,081
2026	28,428	1,527
2027	29,758	946
Thereafter	31,133	338
	\$ 167,063	\$ 10,619

Note 6: Natural and Functional Classifications of Operating Expenses

The Station's operating expenses by natural classification were as follows:

	2022			
	Compensation and Benefits	Other	Depreciation Amortization	Total
Program and supporting services	\$ 1,068,005	\$ 1,328,727	\$ -	\$ 2,396,732
Depreciation and amortization	-	-	73,416	73,416
Total operating expenses	\$ 1,068,005	\$ 1,328,727	\$ 73,416	\$ 2,470,148

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

Note 7: Risk Management

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

In 2006, the University opted out of the Kentucky public entity risk pool and began self-insuring workers' compensation claims. The University contracts with a third-party administrator for administration services related to workers' compensation claims

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 has impacted economic activity and financial markets globally and locally. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future.

The extent to which COVID-19 impacts the Station will depend on future developments, which are still highly uncertain and cannot be predicted. As a result, the Station has not yet determined the impact this disruption may have on its financial statements for the year ended June 30, 2022.

As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, the Station received a Paycheck Protection Program (PPP) loan in March 2021, in the principal amount of \$170,865 from the U.S. Small Business Administration (SBA). Under the terms of the program, the PPP loan provided for conditional forgiveness if the Station utilized the loan proceeds on admissible expenses. The Station accounted for the PPP loan as a loan with the loan proceeds initially recorded as a liability on the statement of net position. The Station received formal forgiveness of the loan by the lender on October 26, 2021, and recorded a gain in nonoperating revenue in the financial statements during 2022.

Note 8: Defined Benefit Pension and Other Postemployment Benefit Plans

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

Optional Retirement Plan

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

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

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

The University's contributions to the Optional Retirement Program on behalf of the Station for the year ended June 30, 2022, were \$7,442. Station employees' contributions to the Optional Retirement Program for the year ended June 30, 2022, were \$5,245.

Kentucky Employees Retirement System

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

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

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

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of the 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 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/13	Tier 3 Participation 1/1/2014
Benefit Formula	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	Five 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.

OPEB Benefits Provided: The information below summarizes the major retirement benefit provisions of the 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, nonduty death in service and surviving spouse of a retiree.

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

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 nonduty death in service.

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

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

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

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

For the fiscal year ended June 30, 2022, participating employers in the plan contributed 10.10% (7.90% allocated to pension and 2.20% allocated to OPEB) as set by KRS, of each 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 has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2022. Total contributions by the Plan were \$11,454,974 (\$9,224,126 related to pension and \$2,230,848 related to OPEB) for the year ended June 30, 2022. The OPEB contribution amount does not include the implicit subsidy of \$408,534 for the fiscal year ended June 30, 2022. Contributions related to the Station were \$69,122 (\$52,070 related to pension and \$17,052 related to OPEB) for the year ended June 30, 2022.

Members whose participation began before 9/1/2008:

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.

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

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

Contributions equal 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 nonrefundable.

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

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 nonrefundable.

Pension Information

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

June 30, 2021

Valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay
Price inflation	2.30%
Salary increases	3.30% to 15.30%
Amortization period	30 years, closed
Investment rate of return	5.25%

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

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total pension liability was 5.25%.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 24-year amortization period of

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

- (c) **Long-Term Rate of Return:** The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination does not use a municipal bond rate.
- (e) **Periods of Projected Benefit Payments:** The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.
- (f) **Assumed Asset Allocation:** The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

2021		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth		
U.S. Equity	16.25%	5.70%
Non-U.S. Equity	16.25%	6.35%
Private Equity	7.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity		
Core Bonds	20.50%	0.00%
Cash	5.00%	0.60%
Diversifying Strategies		
Real Estate	10.00%	5.40%
Opportunistic/Absolute Return	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	

The long-term expected rate of return on pension plan assets was established by the KRS Board 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 net pension liability (NPL) of the System, calculated using the discount rate of 5.25%,

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

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 one-percentage-point lower (4.25%) or one-percentage-point higher (6.25%) than the current rate:

	2021		
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Station’s net pension liability	\$ 966,050	\$ 838,618	\$ 733,840

Employer’s Portion of the Collective Net Pension Liability: The Station’s proportionate share of the net pension liability at June 30, 2022, is \$838,618, or approximately 0.0063%. The net pension liabilities were distributed based on the employers’ covered payroll provided for the measurement period ended June 30, 2021, and actual employer contributions to the plan for the measurement period ended June 30, 2020.

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

Changes in Assumptions and Benefit Terms: There have been no assumption changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

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

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

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

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

Pension Expense: The Station was allocated pension expense of \$(68,962) related to the KERS plan for the year ended June 30, 2022.

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

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 837	\$ 4,352
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	81,294
Net differences between expected and actual investment earning on plan investments	-	17,808
	837	103,454
Contributions subsequent to the measurement date	52,070	-
Total	\$ 52,907	\$ 103,454

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$52,070 will be recognized as a reduction of net pension liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30	
2023	\$ (80,461)
2024	(13,157)
2025	(4,088)
2026	(4,911)
	\$ (102,617)

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

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

OPEB Information

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

June 30, 2021

Actuarial valuation date	June 30, 2020
Price inflation	2.30%
Payroll growth rate	0.00%
Salary increases	3.30%–15.30%
Investment rate of return	6.25%
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

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

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 5.26%. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

- (c) **Long-Term Rate of Return:** The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 1.92% as reported in Fidelity Index’s “20–Year Municipal GO AA Index” as of June 30, 2021.
- (e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system’s actuarial determined contributions, and it is the actuary’s understanding that any cost associated with the implicit subsidy will not be paid out of the system’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (f) **Assumed Asset Allocations:** The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

(g) **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 net OPEB liability of the System, calculated using the discount rate of 5.26%, 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 one-percentage-point lower (4.26%) or one-percentage-point higher (6.26%) than the current rate:

	2021		
	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Station's net OPEB liability	\$ 177,213	\$ 145,112	\$ 118,793

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 of percent, 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 one-percentage-point lower or one-percentage-point higher than the current rate:

	2021		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Station's net OPEB liability	\$ 177,213	\$ 145,112	\$ 118,793

Employer's Portion of the Collective OPEB Liability: The Station's proportionate share of the Non-hazardous net OPEB liability at June 30, 2022, is \$145,112, or approximately 0.0064%. The net OPEB liabilities were distributed based on the 2021 actual employer contributions to the plan.

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

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

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

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

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

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 Station was allocated OPEB expense of \$(708) related to the KERS Non-hazardous Plan for the year ended June 30, 2022.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce 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:

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,405	\$ 20,100
Change of assumptions	14,273	136
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	29,531
Net differences between expected and actual investment earning on plan investments	-	8,149
	22,678	57,916
Contributions subsequent to the measurement date	17,052	-
	\$ 39,730	\$ 57,916
Total	\$ 39,730	\$ 57,916

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$17,052 will be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30	
2023	\$ (16,016)
2024	(11,555)
2025	(5,098)
2026	(2,569)
	\$ (35,238)
	\$ (35,238)

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

Kentucky Teachers' Retirement System

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

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

KTRS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the pension plan's fiduciary net position. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601, by calling 502.573.3266, or visiting the website at <http://trs.ky.gov>.

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

Pension Plan Information

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

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

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

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

Contributions: Benefit and contribution rates are established by state statute. Per Kentucky Revised Statutes 161.540, 161.550 and 161.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KTRS Board. For the fiscal year ended June 30, 2022, University employees were required to contribute 8.185% of their annual covered salary for retirement benefits. The University was contractually required to contribute 15.865% (14.020% allocated to pension, 1.775% allocated to medical insurance and 0.070% allocated to life insurance) of covered payroll for plan members hired on or after July 1, 2008 and 9.775% (7.705% allocated to pension, 2.000% allocated to medical insurance and 0.070% allocated to life insurance) of covered payroll for plan members hired on or after January 1, 2022, for the fiscal year ended June 30, 2022. The actuarially determined amount, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The University has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2022. Total contributions by the Plan were \$6,687,887 (\$5,668,084 related to pension and \$1,019,803 related to OPEB) for the year ended June 30, 2022. In addition, the Commonwealth of Kentucky contributes ad hoc annual cost of living adjustments provided by the General Assembly for KTRS retirees. This contribution totaled \$6,234,494 for the year ended June 30, 2022. Contributions related to the Station were \$87,224 (\$74,252 related to pension and \$12,972 related to OPEB) for the year ended June 30, 2022.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2022, the Station reported a liability for its proportionate share of the net pension liability that reflected a reduction for pension support provided to the Station by the Commonwealth of Kentucky. The amount recognized by the Station 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 Station were as follows:

	2022
Station's proportionate share of the net pension liability	\$ 889,822
Commonwealth of Kentucky's proportionate share of the net pension liability associated with the Station	939,412
Total	\$ 1,829,234

The net pension liability was measured as of June 30, 2022. The Station's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period. At June 30, 2022, the Station's proportion was 0.0065% and the Commonwealth of Kentucky's proportion associated with the Station was 0.0069%.

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

For the year ended June 30, 2022, the Station recognized pension expense of \$(574,894) and revenue of \$(161,309). At June 30, 2022, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ (16,762)	\$ 8,060
Change of assumptions	152,192	78,566
Net difference between projected and actual earnings on investments	-	219,374
Change in proportionate share of contributions	6,066	255,825
	141,496	561,825
Contributions subsequent to the measurement date	74,252	-
	141,496	561,825
Total	\$ 215,748	\$ 561,825

At June 30, 2022, the Station reported \$74,252 as deferred outflows of resources related to pensions resulting from Station 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, 2022, related to pensions will be recognized in pension expense as follows:

Year ending June 30	
2023	\$ (262,448)
2024	(73,665)
2025	(26,839)
2026	(57,377)
	(420,329)
	\$ (420,329)

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

Price Inflation	2.50%
Salary Increases	3.00%–7.50%, including inflation

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

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2020, adopted by the KTRS Board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.0% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The long-term expected return on 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:

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

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

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

Discount Rate: The discount rate used to measure the total pension liability at June 30, 2022, was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will contribute the Actuarially Determined Contribution (ADC) in accordance with the LIF's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

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

Sensitivity of the Station’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, 2022, calculated using the discount rate of 7.10%, as well as what the Station’s net pension liability (in thousands) would be if it were calculated using a discount rate that is one-percentage-point lower (6.10%) or one-percentage-point higher (8.10%) than the current rate:

	2022		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Proportionate share of the collective net pension liability (in thousands)	\$ 1,204,633	\$ 889,822	\$ 630,927

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, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided: To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. KTRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the KTRS Board. 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, three quarters percent (.75%) from state appropriation, and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010, who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At June 30, 2022, the Station reported a liability of \$169,881 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the Station. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the Station's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the Station's proportion was 0.0079%.

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

	2022
Station's proportionate share of the net OPEB liability	\$ 169,881
State's proportionate share of the net OPEB liability associated with the Station	76,399
Total	\$ 246,280

For the year ended June 30, 2022, the Station recognized OPEB expense of \$(7,742) and revenue of \$12,524 for support provided by the State. At June 30, 2022, the Station reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 101,027
Changes of assumptions	44,435	-
Net difference between projected and actual earnings on OPEB plan investments	-	18,117
Changes in proportion and differences between Station contributions and proportionate share of contributions	-	50,094
	44,435	169,238
Station contributions subsequent to the measurement date	12,972	-
Total	\$ 57,407	\$ 169,238

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

Of the total amount reported as deferred outflows of resources related to OPEB, \$12,972 resulting from Station contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Station's OPEB expense as follows:

Year ending June 30	
2023	\$ (30,864)
2024	(30,955)
2025	(27,969)
2026	(24,458)
2027	(8,738)
Thereafter	<u>(1,819)</u>
	<u>\$ (124,803)</u>

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

June 30, 2021

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

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

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

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

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

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

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

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

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

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

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

Sensitivity of the Station’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rates: The following table presents the Station’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the Station’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.10%) or one-percentage-point higher (8.10%) than the current rate:

	2022		
	1% Decrease	Current	1% Increase
	(6.10%)	Discount Rate (7.10%)	(8.10%)
Station’s net OPEB liability (MI)	\$ 217,499	\$ 169,881	\$ 130,528

Sensitivity of the Station’s proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates: The following presents the Station’s proportionate share of the collective net OPEB liability, as well as what the Station’s proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	2022		
	1% Decrease	Current	1% Increase
		Trend Rate	
Station’s net OPEB liability (MI)	\$ 123,428	\$ 169,881	\$ 227,717

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

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

Life Insurance Plan

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

Benefits Provided: KTRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. KTRS provides a life insurance benefit of \$2,000 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.

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At June 30, 2022, the Station reported a liability of \$2,266 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the Station. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the Station's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the Station's proportion was 0.017%.

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

	2022
Station's proportionate share of the net OPEB liability	\$ 2,266
State's proportionate share of the net OPEB liability associated with the Station	-
Total	\$ 2,266

For the year ended June 30, 2022, the Station recognized OPEB expense of \$328 and revenue of \$157 for support provided by the State. At June 30, 2022, the Station reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 105	\$ 65
Changes of assumptions	-	852
Net difference between projected and actual earnings on OPEB plan investments	-	2,070
Changes in proportion and differences between Station contributions and proportionate share of contributions	-	707
	105	3,694
Contributions subsequent to the measurement date	387	-
Total	\$ 492	\$ 3,694

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

Of the total amount reported as deferred outflows of resources related to OPEB, \$387 resulting from Station contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Station's OPEB expense as follows:

Year ending June 30	
2023	\$ (655)
2024	(838)
2025	(838)
2026	(852)
2027	(236)
Thereafter	<u>(170)</u>
	<u>\$ (3,589)</u>

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

June 30, 2021

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

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

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

Western Kentucky University WKYU-TV
Notes to Financial Statements
June 30, 2022

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

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

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

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

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

Sensitivity of the Station’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 of 7.10%, 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 one-percentage-point lower (6.10%) or one-percentage-point higher (8.10%) than the current rate:

Western Kentucky University WKYU-TV

Notes to Financial Statements

June 30, 2022

	2022		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Station's net OPEB liability (LI)	\$ 5,227	\$ 2,266	\$ (144)

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

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

Required Supplementary Information

Western Kentucky University WKYU-TV
Required Supplementary Information
Schedules of the Station's Proportionate Share of the Net Pension Liability
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
KERS						
Station's proportion of the net pension liability	0.007%	0.007%	0.007%	0.008%	0.007%	0.007%
Station's proportionate share of the net pension liability	\$ 838,618	\$ 1,030,051	\$ 1,035,238	\$ 1,129,399	\$ 973,810	\$ 765,435
Station's covered payroll	\$ 101,753	\$ 84,083	\$ 92,235	\$ 90,390	\$ 78,185	\$ 89,844
Station's proportionate share of the net pension liability as a percentage of its covered payroll	824.17%	1,225.04%	1,122.39%	1,249.47%	1,245.2%	851.96%
Plan fiduciary net position as a percentage of the total pension liability	18.48%	14.01%	13.66%	12.84%	13.30%	14.80%
KTRS						
Station's proportion of the net pension liability	0.007%	0.006%	0.005%	0.007%	0.005%	0.009%
Station's proportionate share of the net pension liability	\$ 889,822	\$ 831,196	\$ 783,029	\$ 999,838	\$ 1,449,248	\$ 2,725,922
State's proportionate share of the net pension liability associated with the Station	<u>939,414</u>	<u>874,155</u>	<u>848,489</u>	<u>743,872</u>	<u>1,155,023</u>	<u>256,916</u>
Total	<u>\$ 1,829,236</u>	<u>\$ 1,705,351</u>	<u>\$ 1,631,518</u>	<u>\$ 1,743,710</u>	<u>\$ 2,604,271</u>	<u>\$ 2,982,838</u>
Station's covered payroll	\$ 468,187	\$ 387,530	\$ 392,616	\$ 379,520	\$ 411,565	\$ 456,219
Station's proportionate share of the net pension liability as a percentage of its covered payroll	190.06%	214.49%	199.44%	263.45%	352.13%	597.50%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%

Western Kentucky University WKYU-TV
Required Supplementary Information
Notes to Schedules of the Station's Proportionate Share of the Net Pension Liability
June 30, 2022

Notes to the Schedules

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

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

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

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

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

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

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

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

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

Western Kentucky University WKYU-TV
Required Supplementary Information
Schedules of the Station's Pension Contributions
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
KERS						
Contractually required contribution	\$ 52,070	\$ 44,648	\$ 41,795	\$ 45,329	\$ 44,901	\$ 37,766
Contributions in relation to the contractually required contribution	<u>(52,070)</u>	<u>(44,648)</u>	<u>(41,795)</u>	<u>(45,329)</u>	<u>(44,901)</u>	<u>(37,766)</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Station's covered payroll	\$ 85,404	\$ 101,753	\$ 84,083	\$ 92,235	\$ 90,390	\$ 78,185
Contributions as a percentage of covered payroll	60.97%	43.88%	49.71%	49.15%	49.67%	48.3%
KTRS						
Contractually required contribution	\$ 74,252	\$ 103,127	\$ 61,230	\$ 90,830	\$ 66,948	\$ 70,525
Contributions in relation to the contractually required contribution	<u>(74,252)</u>	<u>(103,127)</u>	<u>(61,230)</u>	<u>(90,830)</u>	<u>(66,948)</u>	<u>(70,525)</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Station's covered payroll	\$ 561,008	\$ 468,187	\$ 387,530	\$ 392,616	\$ 379,520	\$ 411,565
Contributions as a percentage of covered payroll	13.24%	22.03%	15.80%	23.13%	17.64%	17.14%

Western Kentucky University WKYU-TV
Required Supplementary Information
Notes to Schedules of the Station's Pension Contributions
June 30, 2022

Notes to the Schedules

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

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

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

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

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

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

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

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

Western Kentucky University WKYU-TV
Required Supplementary Information
Schedules of the Station's Proportionate Share of the Net OPEB Liability
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
KERS				
Station's proportion of the net OPEB liability	0.007%	0.007%	0.007%	0.008%
Station's proportionate share of the net OPEB liability	\$ 145,112	\$ 1 84,632	\$ 161,732	\$ 195,287
Station's covered payroll	\$ 101,753	\$ 84,083	\$ 92,235	\$ 90,390
Station's proportionate share of the net OPEB liability as a percentage of its covered payroll	142.61%	219.58%	175.34%	216.05%
Plan fiduciary net position as a percentage of the total OPEB liability	38.38%	29.47%	30.92%	27.32%
KTRS – Medical Insurance				
Station's proportion of the net OPEB liability	0.008%	0.007%	0.007%	0.007%
Station's proportionate share of the net OPEB liability	\$ 169,881	\$ 169,967	\$ 198,147	\$ 240,056
Station's covered payroll	\$ 468,187	\$ 387,530	\$ 392,616	\$ 379,520
Station's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.28%	43.86%	50.47%	63.25%
Plan fiduciary net position as a percentage of the total OPEB liability	51.74%	39.05%	32.58%	25.50%
KTRS – Life Insurance				
Station's proportion of the net OPEB liability	0.017%	0.015%	0.015%	0.015%
Station's proportionate share of the net OPEB liability	\$ 2,266	\$ 5,044	\$ 4,537	\$ 4,313
Station's covered payroll	\$ 468,187	\$ 387,530	\$ 392,616	\$ 379,520
Station's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.48%	1.30%	1.11%	1.14%
Plan fiduciary net position as a percentage of the total OPEB liability	89.15%	71.57%	73.40%	75.00%

Western Kentucky University WKYU-TV
Required Supplementary Information
Notes to Schedules of the Station's Proportionate Share of the Net OPEB Liability
June 30, 2022

Notes to the Schedules

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

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

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

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

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

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

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

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

Western Kentucky University WKYU-TV
Required Supplementary Information
Schedules of the Station's OPEB Contributions
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
KERS				
Contractually required contribution	\$ 17,052	\$ 11,924	\$ 8,561	\$ 9,280
Contributions in relation to the contractually required contribution	<u>(17,052)</u>	<u>(11,924)</u>	<u>(8,561)</u>	<u>(9,280)</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Station's covered payroll	\$ 85,404	\$ 101,753	\$ 84,083	\$ 92,235
Contributions as a percentage of covered payroll	19.97%	11.72%	10.18%	10.06%
KTRS – Medical Insurance				
Contractually required contribution	\$ 12,972	\$ 20,036	\$ 11,205	\$ 12,322
Contributions in relation to the contractually required contribution	<u>(12,972)</u>	<u>(20,036)</u>	<u>(11,205)</u>	<u>(12,322)</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Station's covered payroll	\$ 561,008	\$ 468,187	\$ 387,530	\$ 392,616
Contributions as a percentage of covered payroll	2.31%	4.28%	2.89%	3.14%
KTRS – Life Insurance				
Contractually required contribution	\$ 387	\$ 468	\$ 229	\$ 152
Contributions in relation to the contractually required contribution	<u>(387)</u>	<u>(468)</u>	<u>(229)</u>	<u>(152)</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Station's covered payroll	\$ 561,008	\$ 468,187	\$ 387,530	\$ 392,616
Contributions as a percentage of covered payroll	0.07%	0.10%	0.06%	0.04%

Western Kentucky University WKYU-TV
Required Supplementary Information
Notes to Schedules of the Station's OPEB Contributions
June 30, 2022

Notes to the Schedules

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

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

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

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

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

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

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

*Employer contributions do not include the expected implicit subsidy.