



**KENTUCKY COUNCIL ON  
POSTSECONDARY EDUCATION**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

JUNE 30, 2024

# COUNCIL ON POSTSECONDARY EDUCATION

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## REPORT OF INDEPENDENT AUDITORS

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

### Report on the Audit of Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Council on Postsecondary Education (the "Council"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 Council'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council'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 on pages 5 through 11, the schedule of proportionate share of the net pension liability and the schedule of pension contributions on pages 48 through 49, the schedule of proportionate share of the net Other Postemployment Benefits (OPEB) liability and the schedule of OPEB contributions on pages 50 through 51, the budgetary comparison information on pages 52 through 57, and notes to the required supplementary information on pages 58 through 62, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented on pages 73 through 76 for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information included in the accompanying schedules on pages 63 through 67 is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2025, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

*Blue & Co., LLC*

Lexington, Kentucky  
January 10, 2025

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024

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The Council on Postsecondary Education (the Council) was established by the passage of House Bill 1 during the first 1997 extraordinary session of the Kentucky General Assembly. As a component unit of the Commonwealth of Kentucky, the Council provides direction and oversight to Kentucky's postsecondary education system.

The Council's management offers this narrative overview and analysis of the financial performance of the Council for the fiscal year (FY) ended June 30, 2024. Readers are encouraged to read this management discussion and analysis in conjunction with the Council's financial statements and the accompanying notes.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Council exceeded its liabilities at the close of FY 2024 by \$12,248,144.
- Net position decreased \$12,206,492 between FY 2023 and FY 2024.
- As of the close of FY 2024, the Council's governmental funds reported an ending fund balance of \$31,055,167, which includes balances in strategic investment and incentive funding programs appropriated to the Council on behalf of public postsecondary education institutions and agency operations.
- Total fund revenues for FY 2024 were \$48,508,033 representing a 39% decrease from FY 2023. This was primarily due to the Research Challenge Trust funding received in the prior year.
- Total fund expenditures for FY 2024 were \$69,449,101 representing an 56% increase from FY 2023 also primarily due to the Research Challenge Trust Fund expenditures during the fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The audit report consists of four parts: management's discussion and analysis (this section), the government-wide financial statements, the fund financial statements, and the accompanying notes to the financial statements.

The Council has established separate accounts to track appropriations from the Commonwealth of Kentucky to ensure they are used solely for the purposes for which they were appropriated. Activities of the Council are accounted for as governmental and fiduciary funds.

#### **Government-wide Financial Statements:**

The Council's financial statements are designed to provide readers with a broad overview of the Council's finances, with an emphasis on the major funds within the governmental category.

The statement of net position presents information on all the Council's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position.

The statement of activities presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.



# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024

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The government-wide financial statements can be found on pages 12 and 13 of this report.

### **Governmental Fund Financial Statements:**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to segregate appropriations designated for specific purposes. The Council reports on two fund types, governmental and fiduciary.

Under the governmental fund type, the Council's finances are displayed by discrete program or activity that also may be described as a fund group. The grouping of programs and discrete activities provides useful information by using a grouping that is more easily recognized by the reader.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental fund financial statements with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Council's near-term financial decisions. Both the fund balance sheet and statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison. These two reconciliations can be found on pages 15 and 17 of this report.

### **Fiduciary Fund Financial Statements:**

Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the Council. The Council is the trustee or fiduciary responsible for assets, which can be used only for the trust beneficiaries per trust agreement. The Council is responsible for ensuring the assets reported in these funds are used for their intended purposes. All the Council's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The accounting for fiduciary funds is much like that used for proprietary funds. The statement of fiduciary net position and the statement of changes in fiduciary net position can be found on pages 19 and 20, respectively of this report.

### **Notes to the Financial Statements:**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found beginning on page 20.

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024

### **FINANCIAL ANALYSIS OF THE COUNCIL**

#### **Government-wide Financial Analysis:**

##### **Condensed Financial Information Statement of Net Position**

	<b>June 30, 2024</b>	<b>June 30, 2023</b>
<b>Assets:</b>		
Current	\$ 21,099,550	\$ 23,160,136
Noncurrent	19,334,676	28,553,562
Total assets	40,434,226	51,713,698
Deferred outflows of resources	1,911,309	2,241,950
Total assets and deferrals	<u>\$ 42,345,535</u>	<u>\$ 53,955,648</u>
<b>Liabilities:</b>		
Current	\$ 5,760,051	\$ 4,824,945
Noncurrent	22,426,031	24,501,323
Total liabilities	28,186,082	29,326,268
Deferred inflows of resources	3,326,385	1,589,820
Total liabilities and deferrals	<u>\$ 31,512,467</u>	<u>\$ 30,916,088</u>
<b>Net position (deficit):</b>		
Net investment in capital assets	\$ 73,036	\$ 317,205
Restricted	27,833,874	42,858,388
Unrestricted deficit	(17,073,842)	(20,136,033)
Total net position (deficit)	<u>\$ 10,833,068</u>	<u>\$ 23,039,560</u>

Current assets consist primarily of program cash and cash equivalents, due from the federal government and prepaid expenses. Noncurrent assets consist primarily of investments.

Current liabilities consist primarily of liabilities related due to right of use subscription agreements and accrued compensated absences. As of June 30, 2024, current liabilities also include amounts due to the state investment pool (amounts temporarily advanced by the state pending reimbursement from Federal grantor agencies). Noncurrent liabilities include the portion of accrued compensated absences not expected to be liquidated with expendable financial resources; the noncurrent portion of subscription liabilities, net pension liability, and the net liability for other post-employment benefits.

Net position is divided into three components: *net investment in capital assets*, which represents the Council's capital assets, net of accumulated depreciation; *restricted* net position, which primarily consists of cash and cash equivalents and investments related to the Council's strategic trust funds and other funding programs, net of outstanding liabilities; and *unrestricted net position (deficit)*, which consists primarily of cash and cash equivalents and investments related to the Council's Operations and Technology Initiative Trust Funds, net of outstanding liabilities.

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024

As of the close of the fiscal year, net position represents the difference between assets and liabilities mentioned above. Assets exceeded liabilities by approximately \$12.2 million. Total assets and deferrals decreased by approximately \$11.6 million, primarily in cash and investments. Total liabilities and deferrals increased by approximately \$596 thousand, primarily related to an increase in subscription liabilities. The net position decrease of \$12.2 million significantly during 2024, primarily driven by funds being released to use for strategic investment and incentive funding programs in the current fiscal year.

### Condensed Financial Information Statement of Activities For the Fiscal Years Ended

<b>Revenues:</b>	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Program revenues:		
Charges for services	\$ 4,446,209	\$ 4,241,367
Operating grants and contributions	16,083,734	12,539,906
Capital grants and contributions	482,589	474,071
General revenues:		
State appropriations	25,716,417	61,832,985
Investment gain on restricted accounts	<u>1,779,084</u>	<u>395,161</u>
Total revenues	<u>48,508,033</u>	<u>79,483,490</u>
<b>Expenses:</b>		
Strategic investment and incentive funding programs	41,813,394	19,332,150
Agency and KYVC/KYVL Operations	4,333,234	6,025,667
Federal Programs	14,077,058	10,120,624
Postsecondary Education Equine Trust Fund	483,826	480,000
Other	<u>7,013</u>	<u>-0-</u>
Total expenses	<u>60,714,525</u>	<u>35,958,441</u>
<b>Change in net position</b>	(12,206,492)	43,525,049
<b>Net position (deficit), beginning of year</b>	<u>23,039,560</u>	<u>(20,485,489)</u>
<b>Net position (deficit), end of year</b>	<u>\$ 10,833,068</u>	<u>\$ 23,039,560</u>

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024

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General Fund appropriations from the Commonwealth of Kentucky are the primary funding source for the activities of the Council. The Kentucky General Assembly, through the appropriations bill and other statutory provisions, directs the use of those appropriations to specific activities. The most significant changes in this year's funding were a decrease in state appropriations of \$36.1 million mainly related to one-time funding for the endowment matching program, Bucks for Brains, and an increase of \$4.0 million in Federal Program expenses due to the Healthcare Workforce Initiative and a pass-through grant for Simmons College.

Appropriations to the Council give the agency varying discretion in implementing the significant reforms adopted in 1997 and 2000. In particular, the Strategic Investment and Incentive Funding Programs are directed toward specific reform activities and implementation of the Council's strategic agenda for postsecondary education. Expenses for these programs comprise 69% of the Council's total expenses for the year ended June 30, 2024. The Strategic Investment and Incentive Funding Programs are the primary vehicles for implementation of the postsecondary education reform. Recipients include the postsecondary institutions, adult education service providers and other recipients of adult education services, and providers and businesses participating in the new economy initiatives.

### **Governmental Fund Financial Analysis:**

As noted earlier, the Council uses fund accounting to ensure and to demonstrate compliance with finance-related and legal requirements. The focus of the Council's fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, fund balances may serve as a useful measure of an agency's net resources available for program purposes at the end of the fiscal year.

### **Condensed Financial Information Balance Sheet**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>Total assets</b>	\$ 33,594,749	\$ 47,261,433
<b>Total liabilities</b>	2,539,581	1,751,831
<b>Fund balances</b>	<u>31,055,167</u>	<u>45,509,602</u>
<b>Total liabilities and fund balances</b>	<u>\$ 33,594,748</u>	<u>\$ 47,261,433</u>

The fund balance primarily represents the cash balances, investment balances, and amounts due from the Federal government. The fund balances of the Council decreased approximately \$14.5 million between fiscal years.

# COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024

## Condensed Financial Information Statement of Revenues, Expenditures, and Changes in Fund Balances For the Fiscal Years Ended

	June 30, 2024	June 30, 2023
<b>Revenues:</b>		
State appropriations	\$ 25,716,417	\$ 61,832,985
Charges for services	4,446,209	4,241,367
Intergovernmental revenues	482,589	474,071
Federal programs	14,340,914	10,387,406
Other	1,742,820	2,152,500
Income from investments	1,779,084	395,161
Total revenues	48,508,033	79,483,490
<b>Expenditures:</b>		
Personnel services	12,510,368	12,000,123
Grants and subsidies	10,986,312	8,919,626
Intergovernmental expenditures	29,854,340	6,612,000
Capital expenditures	6,601,436	6,368,303
Other	9,496,645	10,675,346
Total expenditures	69,449,101	44,575,398
SBITA asset financing	6,486,633	6,368,303
<b>Net change in fund balances</b>	(14,454,435)	41,276,395
<b>Fund balances, beginning of year</b>	45,509,602	4,233,207
<b>Fund balances, end of year</b>	\$ 31,055,167	\$ 45,509,602

The most significant change in this year's revenue is an decrease in state appropriations of \$36.1 million and an increase of \$3.4 million in federal programs related to the Healthcare Workforce Initiative and the pass-through grant to Simmons College.

Grants and subsidies primarily consist of payments to institutions, state agencies, and other service providers for costs related to discrete authorized activities and endowment matches paid to universities participating in the Bucks for Brains program. In 2024, grants and subsidies increased by \$2.0 million due to the Healthcare Workforce Initiative, Postsecondary Workforce Development, and American Rescue Plan programs. Intergovernmental expenditures increased by \$23.2 million owing to matching payments made through the Bucks for Brains program.

Other expenditures represent all other operating expenses of the Council such as postage and related services, rentals and equipment leases, supplies, travel, and dues and subscriptions, as well as contractual obligations for the Kentucky Virtual Campus/Library databases and courier services.

# **COUNCIL ON POSTSECONDARY EDUCATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024

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## **BUDGETARY HIGHLIGHTS**

Final budgeted revenues and expenditures remained consistent from the original budget.

## **CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Council's finances. If you have any questions concerning the information provided in this report or need additional financial information, contact Mr. Bill Payne, Vice President for Finance and Administration or Leslie Brown, Director, Administrative Services, Council on Postsecondary Education, 100 Airport Drive, Third Floor, Frankfort, Kentucky, 40601. Both individuals can be contacted by phone at (502) 573-1555.

# COUNCIL ON POSTSECONDARY EDUCATION

## STATEMENT OF NET POSITION JUNE 30, 2024

<b><u>ASSETS AND DEFERRALS</u></b>	<b>Governmental Activities</b>
<b>Current assets:</b>	
Cash and cash equivalents	\$ 907,995
Cash and cash equivalents - restricted	18,258,183
Accounts receivable	3,005
Intergovernmental receivables	171,069
Due from the Federal government	1,423,720
Prepaid expenses	335,578
Total current assets	21,099,550
<b>Noncurrent assets:</b>	
Investments	3,326,030
Investments - restricted	9,448,977
Right-of-use assets, net	6,486,633
Capital assets - net	73,036
Total noncurrent assets	19,334,676
Total assets	40,434,226
<b>Deferred outflows of resources</b>	
Deferred outflows - pension	1,593,234
Deferred outflows - OPEB	318,075
Total deferred outflows of resources	1,911,309
Total assets and deferrals	\$ 42,345,535
<b><u>LIABILITIES AND DEFERRALS</u></b>	
<b>Current liabilities:</b>	
Accounts and other payables	\$ 842,443
Due to the state investment pool	624,926
Accrued expenses	415,763
Subscription liabilities - current portion	3,276,240
Accrued compensated absences - current portion	600,679
Total current liabilities	5,760,051
<b>Noncurrent liabilities:</b>	
Accrued compensated absences - noncurrent portion	406,800
Subscription liabilities - noncurrent portion	3,210,393
Net pension	17,727,757
Net OPEB	1,081,081
Total noncurrent liabilities	22,426,031
Total liabilities	28,186,082
<b>Deferred inflows of resources</b>	
Deferred inflows - pension	1,360,313
Deferred inflows - OPEB	1,966,072
Total deferred inflows of resources	3,326,385
Total liabilities and deferrals	\$ 31,512,467
<b><u>NET POSITION (DEFICIT)</u></b>	
Net investment in capital assets	\$ 73,036
Restricted	27,833,874
Unrestricted deficit	(17,073,842)
Total net position (deficit)	\$ 10,833,068

*See accompanying notes to the financial statements.*

## COUNCIL ON POSTSECONDARY EDUCATION

### STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2024

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Operations	\$ 4,333,234	\$ 590,300	\$ 272,332	\$ -0-	\$ (3,470,602)
Federal Programs	14,077,058	-0-	14,068,582	-0-	(8,476)
Postsecondary Education Equine Trust Fund	483,826	-0-	-0-	482,589	(1,237)
Kentucky Regional Network Enhancement	188,314	-0-	-0-	-0-	(188,314)
Comprehensive University Excellence Trust Fund	710,500	-0-	-0-	-0-	(710,500)
Research Challenge Trust Fund	16,626,514	-0-	-0-	-0-	(16,626,514)
Technology Initiative Trust Fund	8,895,414	3,855,909	1,742,820	-0-	(3,296,685)
Capital Projects	3,224,000	-0-	-0-	-0-	(3,224,000)
Kentucky State University Stabilization	10,647,005	-0-	-0-	-0-	(10,647,005)
Assessment and Professional Development	1,521,647	-0-	-0-	-0-	(1,521,647)
Unallocated depreciation expense	7,013	-0-	-0-	-0-	(7,013)
Total governmental activities	\$ 60,714,525	\$ 4,446,209	\$ 16,083,734	\$ 482,589	(39,701,993)
<b>General revenues:</b>					
State appropriations					25,716,417
Income from investments					1,779,084
Total general revenues					27,495,501
Change in net position					(12,206,492)
Net position (deficit), beginning of year					23,039,560
Net position (deficit), end of year					\$ 10,833,068

*See accompanying notes to the financial statements.*



# COUNCIL ON POSTSECONDARY EDUCATION

## BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2024

	Operations	Federal Programs	Comprehensive University Excellence Trust Fund	Research Challenge Trust Fund	Technology Initiative Trust Fund	Kentucky State University Stabilization Fund	Other (Non-major) Non-governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 172,502	\$ -0-	\$ -0-	\$ -0-	\$ 664,994	\$ -0-	\$ 70,499	\$ 907,995
Cash and cash equivalents - restricted	-0-	-0-	5,543,692	9,730,650	2,937,140	-0-	46,701	18,258,183
Investments	1,308,756	-0-	-0-	-0-	2,017,274	-0-	-0-	3,326,030
Investments - restricted	-0-	-0-	3,106,308	5,452,395	-0-	-0-	890,274	9,448,977
Accounts receivable	-0-	-0-	-0-	-0-	3,005	-0-	-0-	3,005
Intergovernmental receivables	8,909	-0-	-0-	-0-	151,807	2,088	8,265	171,069
Due from the Federal government	-0-	1,423,720	-0-	-0-	-0-	-0-	-0-	1,423,720
Interfund receivable	-0-	-0-	-0-	-0-	55,770	-0-	-0-	55,770
<b>Total assets</b>	<b>\$ 1,490,167</b>	<b>\$ 1,423,720</b>	<b>\$ 8,650,000</b>	<b>\$ 15,183,045</b>	<b>\$ 5,829,990</b>	<b>\$ 2,088</b>	<b>\$ 1,015,739</b>	<b>\$ 33,594,749</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts and other payables	\$ 8,910	\$ 567,015	\$ -0-	\$ -0-	\$ 256,165	\$ 2,088	\$ 8,265	\$ 842,443
Interfund payable	-0-	-0-	-0-	-0-	-0-	-0-	55,770	55,770
Due to the state investment pool	-0-	624,926	-0-	-0-	-0-	-0-	-0-	624,926
Accrued expenses	224,302	120,310	-0-	-0-	38,895	13,144	19,112	415,763
Accrued compensated absences	458,623	111,469	-0-	-0-	11,022	554	19,011	600,679
<b>Total liabilities</b>	<b>691,835</b>	<b>1,423,720</b>	<b>-0-</b>	<b>-0-</b>	<b>306,082</b>	<b>15,786</b>	<b>102,158</b>	<b>2,539,581</b>
<b>Fund balances:</b>								
<b>Restricted:</b>								
for SARA Grant	-0-	-0-	-0-	-0-	582	-0-	-0-	582
for State Higher Education Equity Grant	-0-	-0-	-0-	-0-	10,000	-0-	-0-	10,000
for New Venture Fund	-0-	-0-	-0-	-0-	91,540	-0-	-0-	91,540
for Lumina Strategy Labs Grant	-0-	-0-	-0-	-0-	100,000	-0-	-0-	100,000
for KHEAA Innovation Funds	-0-	-0-	-0-	-0-	14,492	-0-	-0-	14,492
for Technology Initiative	-0-	-0-	-0-	-0-	1,383,706	-0-	-0-	1,383,706
for Regional Network Optimization	-0-	-0-	-0-	-0-	-0-	-0-	606,017	606,017
for Lexington Theological Society	-0-	-0-	-0-	-0-	13,500	-0-	-0-	13,500
for CLIMB Grant	-0-	-0-	-0-	-0-	698,625	-0-	-0-	698,625
for NASH Grant	-0-	-0-	-0-	-0-	10,516	-0-	-0-	10,516
for Student Basic Needs Grant	-0-	-0-	-0-	-0-	459,101	-0-	-0-	459,101
for Endowment Match Program	-0-	-0-	8,650,000	15,183,045	-0-	-0-	-0-	23,833,045
for James Graham Brown Foundation	-0-	-0-	-0-	-0-	155,078	-0-	-0-	155,078
for University Equine programs	-0-	-0-	-0-	-0-	-0-	-0-	401,457	401,457
<b>Assigned:</b>								
for Agency operations	798,331	-0-	-0-	-0-	-0-	-0-	-0-	798,331
for Technology Trust Fund	-0-	-0-	-0-	-0-	2,704,413	-0-	-0-	2,704,413
Unassigned	-0-	-0-	-0-	-0-	(117,645)	(13,698)	(93,893)	(225,236)
<b>Total fund balances</b>	<b>798,331</b>	<b>-0-</b>	<b>8,650,000</b>	<b>15,183,045</b>	<b>5,523,908</b>	<b>(13,698)</b>	<b>913,581</b>	<b>31,055,167</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,490,167</b>	<b>\$ 1,423,720</b>	<b>\$ 8,650,000</b>	<b>\$ 15,183,045</b>	<b>\$ 5,829,990</b>	<b>\$ 2,088</b>	<b>\$ 1,015,739</b>	<b>\$ 33,594,748</b>

See accompanying notes to the financial statements.

## COUNCIL ON POSTSECONDARY EDUCATION

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2024

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<b>Fund balances - total governmental funds</b>			\$ 31,055,167
Amounts reported for governmental activities in the statement of net position are different because:			
The deferred outflows of resources are not current financial resources, and therefore, are not reported in the governmental funds.			1,911,309
Prepaid expenses are accounted for in the governmental funds as expenditures in the period of acquisition and, therefore, are not financial resources and are not reported in the governmental funds.			
Prepaid expenses			335,578
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
Governmental capital assets	\$	80,049	
Less accumulated depreciation		<u>(7,013)</u>	73,036
The noncurrent portion of accrued compensated absences is not due and payable in the current year and, therefore, is not reported in the governmental funds.			
Accrued compensated absences - noncurrent portion			(406,800)
The deferred inflows of resources is not due and payable in the current year and, therefore, is not reported in the governmental funds.			(3,326,385)
The net pension liability and net OPEB liability is not due and payable in the current year and, therefore, is not reported in the governmental funds.			<u>(18,808,837)</u>
<b>Net position of governmental activities</b>			<u>\$ 10,833,068</u>

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*See accompanying notes to the financial statements.*

## COUNCIL ON POSTSECONDARY EDUCATION

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2024

	Operations	Federal Programs	Comprehensive University Excellence Trust Fund	Research Challenge Trust Fund	Technology Initiative Trust Fund	Kentucky State University Stabilization Fund	Other (Non-major) Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>								
State appropriations	\$ 6,724,567	\$ -0-	\$ -0-	\$ -0-	\$ 3,653,200	\$ 10,650,476	\$ 4,688,174	\$ 25,716,417
Charges for services	590,300	-0-	-0-	-0-	3,855,909	-0-	-0-	4,446,209
Intergovernmental revenues	-0-	-0-	-0-	-0-	-0-	-0-	482,589	482,589
Federal programs	272,332	14,068,582	-0-	-0-	-0-	-0-	-0-	14,340,914
Other revenues	-0-	-0-	-0-	-0-	1,742,820	-0-	-0-	1,742,820
Income from investments	-0-	-0-	-0-	1,545,508	233,576	-0-	-0-	1,779,084
Total revenues	<u>7,587,199</u>	<u>14,068,582</u>	<u>-0-</u>	<u>1,545,508</u>	<u>9,485,505</u>	<u>10,650,476</u>	<u>5,170,763</u>	<u>48,508,033</u>
<b>EXPENDITURES:</b>								
Personnel services	6,227,009	3,246,363	-0-	-0-	1,280,680	468,600	1,287,716	12,510,368
Utilities, rental, and other services	694,992	1,721,196	-0-	-0-	507,217	157,970	1,943	3,083,318
Commodities and supplies	458,174	131,521	-0-	-0-	2,011,449	-0-	227,153	2,828,297
Grants and subsidies	-0-	8,831,304	710,500	-0-	800,629	-0-	643,879	10,986,312
Travel	141,157	138,198	-0-	-0-	50,543	21,335	25,157	376,390
Capital outlay	114,803	-0-	-0-	-0-	6,486,633	-0-	-0-	6,601,436
Judgement	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Intergovernmental expenditures	-0-	-0-	-0-	16,626,514	-0-	10,000,000	3,227,826	29,854,340
Debt service and related costs:								
Principal - SBITA	-0-	-0-	-0-	-0-	3,073,114	-0-	-0-	3,073,114
Interest - SBITA	-0-	-0-	-0-	-0-	135,526	-0-	-0-	135,526
Total expenditures	<u>7,636,135</u>	<u>14,068,582</u>	<u>710,500</u>	<u>16,626,514</u>	<u>14,345,791</u>	<u>10,647,905</u>	<u>5,413,674</u>	<u>69,449,101</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(48,936)	-0-	(710,500)	(15,081,006)	(4,860,286)	2,571	(242,911)	(20,941,068)
<b>OTHER FINANCING SOURCES (USES):</b>								
Proceeds from SBITA	-0-	-0-	-0-	-0-	6,486,633	-0-	-0-	6,486,633
<b>Net change in fund balances</b>	(48,936)	-0-	(710,500)	(15,081,006)	1,626,347	2,571	(242,911)	(14,454,435)
<b>Fund balances, beginning of year</b>	<u>847,267</u>	<u>-0-</u>	<u>9,360,500</u>	<u>30,264,051</u>	<u>3,897,561</u>	<u>(16,269)</u>	<u>1,156,492</u>	<u>45,509,602</u>
<b>Fund balances, end of year</b>	<u>\$ 798,331</u>	<u>\$ -0-</u>	<u>\$ 8,650,000</u>	<u>\$ 15,183,045</u>	<u>\$ 5,523,908</u>	<u>\$ (13,698)</u>	<u>\$ 913,581</u>	<u>\$ 31,055,167</u>

See accompanying notes to the financial statements.

## COUNCIL ON POSTSECONDARY EDUCATION

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2024

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<b>Net change in fund balances - total governmental funds</b>			\$ (14,454,435)
<p>Amounts reported for governmental activities in the statement of activities are different because: Governmental funds report as expenditures certain payments that benefit future periods. In the statement of activities, this future benefit is deferred until the service has been received.</p>			
Change in prepaid expenses			(726,368)
<p>Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.</p>			
Current year expenditures for capital assets	\$ 80,049		
Current year depreciation expense	<u>(7,013)</u>	73,036	
<p>Capital outlays for SBITA assets are presented as assets and financing received for SBITA liabilities are presented as other financing sources in the governmental funds</p>			
			(317,205)
<p>Pension and OPEB expenses not payable from current year resources are not reported as expenditures of the current year. In the statement of activities these costs represent expenses of the current year.</p>			
			3,318,280
<p>Accrued compensated absences not payable from current year resources are not reported as expenditures of the current year. In the statement of activities these costs represent expenses of the current year.</p>			
Change in the noncurrent portion of accrued compensated absences			<u>(99,800)</u>
<b>Change in net position of governmental activities</b>			<u>\$ (12,206,492)</u>

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*See accompanying notes to the financial statements.*

# COUNCIL ON POSTSECONDARY EDUCATION

## STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2024

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	<b>Total Custodial Funds</b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents - restricted	\$ 25,836
Interfund receivable	23,000,000
Investments - restricted	<u>196,259</u>
Total assets	<u>\$ 23,222,095</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	<u>\$ 222,095</u>
<b><u>NET POSITION</u></b>	
Restricted for:	
Individual, organizations, and other governments	<u>\$ 23,000,000</u>

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*See accompanying notes to the financial statements.*

## COUNCIL ON POSTSECONDARY EDUCATION

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION JUNE 30, 2024

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	<b>Total Custodial Funds</b>
<b><u>ADDITIONS</u></b>	
State allotments	\$ 9,300,000
Intergovernmental revenue	2,492,903
Interest income	<u>10,889</u>
Total additions	11,803,792
<b><u>DEDUCTIONS</u></b>	
Payments to beneficiaries	<u>11,803,792</u>
Total deductions	<u>11,803,792</u>
Changes in net position	-0-
<b>NET POSITION - Beginning of the year</b>	<u>23,000,000</u>
<b>NET POSITION - End of the year</b>	<u><u>\$ 23,000,000</u></u>

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*See accompanying notes to the financial statements.*

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

This summary of significant accounting policies of the Council on Postsecondary Education (the Council) is presented to assist in understanding the Council's financial statements. The financial statements and notes are representations of the Council's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

The accompanying financial statements of the Council are included in the general-purpose financial statements of the Commonwealth of Kentucky (the Commonwealth) as a discretely presented component unit (within component units - universities and colleges).

#### *Council on Postsecondary Education:*

The Council was created by the passage of House Bill 1 during the 1997 Extraordinary Session of the Kentucky General Assembly to provide direction and oversight to all of Kentucky's postsecondary education institutions. The Council was established as an agency, instrumentality, and political subdivision of the Commonwealth. The Council is composed of the Commissioner of Education (nonvoting ex officio member), a faculty member, a student member, and thirteen citizen members. Citizen Council members are selected from a list of nominees provided to the Governor under the nominating process set forth in the Kentucky Postsecondary Education Improvement Act of 1997.

Kentucky Revised Statute Chapter 164 provides that the Council has the responsibility to develop a strategic plan for postsecondary education with advice from the Strategic Committee on Postsecondary Education; to develop an accountability system to evaluate the performance and effectiveness of the Commonwealth's postsecondary education system and its compliance with the strategic plan; to revise and approve the missions of the Commonwealth's universities and the Kentucky Community and Technical College System; and to determine the compliance of the postsecondary institutions with their academic, service, and research missions. The Council shall determine tuition and approve the minimum qualifications for admission to the postsecondary educational system. The Council shall review and approve all capital construction projects including real property acquisitions. The Council shall define and approve the offering of all postsecondary education technical, associate, baccalaureate, graduate, and professional degree, certificate, or diploma programs in the public postsecondary education institutions. Additional responsibilities include, but are not limited to, promoting employee and faculty development statewide; ensuring coordination, transferability, and connectivity of technology among the Commonwealth's postsecondary educational institutions; and identifying standardized degree programs and eliminating or making changes in existing academic programs at the Commonwealth's postsecondary educational institutions.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### *Kentucky Virtual Campus:*

In accordance with Kentucky Revised Statute (KRS) 164.800, the Council has established the Commonwealth Virtual Campus to make academic programs available to the citizens of the Commonwealth through the use of modern methods of communications and information dissemination as determined by the Council after consideration of the recommendations of the Distance Learning Advisory Committee and the needs expressed by regional advisory groups. The Council has established a Distance Learning Advisory Committee to advise the Council on matters relating to the Kentucky Virtual Campus. The members of the advisory committee include the Presidents of each of the nine State postsecondary education institutions, the Executive Director of the Kentucky Educational Television Network, a representative of the Association on Independent Kentucky Colleges and Universities, and other representatives as the Council deems appropriate.

Regional universities shall be the primary developers and deliverers of baccalaureate and master's degree programs to be delivered by the Kentucky Virtual Campus. The Council shall determine the allocation of tuition, course offerings, source of courses, technology to be used, and other matters relating to the use of distance learning to promote education through the Kentucky Virtual Campus. The accounts of the Kentucky Virtual Campus (KYVC) include the Kentucky Virtual Library (KYVL) and are included in the accompanying financial statements.

### Basis of Presentation

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*," the financial statements include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Council's overall financial position and results of operations. The Council also presents two sets of financial statements: government-wide financial statements and governmental fund financial statements.

### *Government-Wide Financial Statements:*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the Council. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. *General revenues* include appropriations and other items not included in program revenues.



# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures. Funds reported by the Council are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Council or total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least ten percent of the total for all governmental funds combined. In addition, any other fund that management feels has importance to the financial statement users may be reported.

### Governmental Funds

Governmental funds are those through which most of the Council's functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Council's major governmental funds:

*Operations* - Includes general agency operations for the whole agency, including those associated with KYVC/KYVL. This fund represents the general operations of the Council and accounts for all financial resources except those required to be accounted for in another fund. The Operations fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of the Commonwealth of Kentucky.

*Federal Programs* - This fund represents all programs financed by a federal agency, including both grants directly awarded to the Council and grants passed through to the Council from another entity (i.e. pass-through). The Council is the recipient of the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), the Governor's Emergency Education Relief Fund (GEER), and the American Rescue Plan.

*Technology Initiative Trust Fund* - This fund is intended to support investments in electronic technology to improve student learning throughout the Commonwealth of Kentucky. The fund also is designed to promote other programs consistent with purposes of the postsecondary education reform. The Council may establish subsidiary programs to be funded from this fund.

*Kentucky State University Stabilization Fund* - This fund is intended to support operations at Kentucky State University by providing emergency stabilization for funding shortfalls and financial structural imbalance at the University. The Council was the recipient of emergency appropriations from the Legislature's passage of House Bill 250. This fund does not account for the emergency loan provided in the year ended June 30, 2022.

*Comprehensive University Excellence Trust Fund* - The goal of this fund is to provide certain endowment fund matches at the Commonwealth's six public Universities not provided through the Research Challenge Trust Fund and to provide endowment matching for specific purposes.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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*Research Challenge Trust Fund-* The goal of this fund is to encourage research at the University of Kentucky and the University of Louisville and to provide endowment matching for specific purposes.

Other governmental funds of the Council account for appropriations, grants, and other resources whose use may be restricted for a particular purpose and include all governmental funds not meeting the criteria of a major fund. These include the Postsecondary Education Equine Trust and Revolving Fund, the Kentucky Regional Network Enhancement fund, and the Assessment and Professional Development Fund.

### Fiduciary Funds:

Following the Council's financial statements are separate financial statements for fiduciary funds. Fiduciary funds are excluded from the Council's financial statements as these assets are held in a true capacity for various institutions and cannot be used to support the Council's funds. The fiduciary funds (not included in the government-wide financial statements) include:

*Custodial Funds - Custodial funds account for monies held by the Council for custodial purposes only. Pass-through programs currently accounted for through agency funds include:*

- Cancer Research Institutions Matching Fund
- Ovarian Cancer Screenings
- Cancer Research and Screenings
- Spinal Cord and Head Injury Research
- Southern Regional Education Board (SREB) Scholars Program
- Kentucky State University Fiscal Stabilization

### Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### *Measurement Focus:*

The government-wide financial statements of the Council (i.e., the statement of net position and the statement of activities) report information on all the activities of the Council. The government-wide financial statements are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of changes in net position and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the governmental fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as the measure of available spendable financial resources at the end of the period.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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Fiduciary funds consist of custodial funds, and they present statement of fiduciary net position and statement of changes in fiduciary net position.

### *Basis of Accounting:*

The government-wide financial statements and the fiduciary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual and are recognized in the financial statements when they are measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. The Council defines "available" as revenues to be collected within 30 days, except for intergovernmental revenues, which are available if expected receipt is within one year. Revenues from federal, state, and other grants designated for payment of Council expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Material revenues susceptible to accrual primarily include Federal grants. Expenditures and liabilities are recognized when obligations are incurred, except noncurrent accrued compensated absences which are accounted for in the governmental funds balance sheet and recorded as expenditures of the period when used.

### Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

### Restricted Cash

Restricted cash and cash equivalents principally consist of funds relative to the Council's Federal and strategic investment and incentive funding programs, as well as its pass-through (fiduciary) programs.

### Investments

Investments are reported at fair value as determined by quoted market prices. The equity position of the Council in the long-term portion of the Commonwealth's investment pool is reported as investments of the Council. Unrealized gains and losses are included in the government-wide statement of activities (primarily program revenues) and the governmental funds statement of revenues, expenditures, and changes in fund balances (income/loss from investments). Restricted investments principally consist of funds relative to the Council's Federal and strategic investment and incentive funding programs, as well as its pass-through (fiduciary) programs.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### Intergovernmental Transactions

During the course of operations, numerous transactions occur with other state governmental entities that may result in amounts due to/from and revenues from/expenditures to other governmental entities. See Note 10 for details of such transactions.

### Due from the Federal Government

Amounts due from the Federal government represent the amounts due to the Council under its Federal awards programs. At June 30, 2024, the balance mainly consists of amounts due under the Council's GEAR-UP and American Rescue Plan programs.

### Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. Prepaid expenses are accounted for in the governmental funds as expenditures in the period of acquisition and, therefore, are not financial resources and are not reported in the governmental funds.

### Subscription Based Information Technology Arrangements (SBITAs)

Payments made to third-party vendors for IT subscriptions longer than one year are presented as a subscription liability and an intangible right-to-use subscription asset on the financial statements using the economic resources measurement focus. The liability is recorded at the net present value of future payments, adjusted over time by payments and interest, and discounted using the Commonwealth's estimated incremental borrowing rate. Subscriptions less than one year, are reported as current assets and expensed when consumed.

For financial statements using the current financial resources measurement focus, an other financing source and capital outlay are reported in the year the subscription asset is recognized. Subsequent payments are recorded as principal and interest. The Council's capitalization policy for SBITAs aligns with the Commonwealth's, capitalizing items with a total present value greater than \$100,000. Amortization is computed depending on the life of the subscription.

### Capital Assets

General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital outlay is reflected as an expenditure of the respective governmental fund, and the related assets are reported in the statement of net position. Capital assets are defined by the Council as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from five to thirty years, and is recorded in the statement of activities. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are reported as expenditures of the respective governmental fund.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### Interfund Transactions

During the course of operations, transactions may occur between funds within Council activities that may result in amounts owed between funds. Interfund transactions as well as interfund receivables and payables are eliminated in the statement of net position.

### Unearned Revenue

The Council reports unearned revenue to the extent that resources have been received before the applicable revenue recognition criteria have been satisfied. Grants received before the eligibility requirements are met are recorded as unearned revenue in the governmental funds. When the eligibility requirements are met, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

### Compensated Absences

All annual and compensatory leave is accrued when incurred in the government-wide financial statements. Only the accumulated annual and compensatory leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### Equity Classifications

#### *Government-Wide Financial Statements:*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, and then unrestricted resources as they are needed.

As of June 30, 2024, Postsecondary Education Equine Trust Fund net position totaling \$401,457 is restricted by enabling legislation.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned. Non-spendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Council. Assigned fund balances are a limitation imposed by a designee of the Council members. Unassigned fund balances in the General Fund are the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

The Council generally segregates restricted, committed, and assigned resources by account. When resources meeting more than one of these spendable classifications are commingled in an account in the Commonwealth's accounting system, the assumed order of spending is restricted first, committed second, and finally assigned. Once restricted resources have been exhausted, unrestricted resources will then be spent on the specific purpose.

### Program Revenues

The primary sources of the Council's program revenues are revenues received from the United States Department of Education under the Council's Federal programs, revenues received from the Commonwealth of Kentucky to administer the Bucks for Brains program, and the intergovernmental revenues primarily associated with the funding of the Postsecondary Equine Trust and Revolving Fund (see Note 10).

### State Appropriations

The primary funding source for the activities of the Council is legislative General Fund appropriations from the Commonwealth of Kentucky. Except for those prescribed by statute or other legislation, unexpended allotments lapse to the General Fund. The Council may, subject to appropriations from the General Fund of the Commonwealth or from funds made available to it from any other public source, provide program support restricted to the extent of its remaining unexpended funds. The Council's unexpended allotments are maintained by the Commonwealth's Finance and Administration Cabinet.

### Expenses/Expenditures

Expenses are classified by function/program in the government-wide financial statements. Expenditures are classified by object category (personnel services, travel, etc.) in the governmental fund financial statements. Indirect expenses are not allocated to functions in the statement of activities.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of Kentucky Employees Retirement System (KERS) and addition to/deduction from KERS fiduciary net position have been determined on the same basis as they are reported by the respective retirement systems.

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.

### Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the KERS and additions to/deductions from the KERS's fiduciary net position have been determined on the same basis as they are reported by the respective retirement systems.

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. The KERS Non-hazardous Insurance Funds are reported as OPEB trust funds and are accounted for on the accrual basis of accounting.

### Total Columns on the Governmental Fund Financial Statements

The total columns on the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances are presented only to facilitate financial analysis. Data in these columns does not present financial position in conformity with GAAP, nor is such data comparable to a consolidation.

## **2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

For purposes of budgeting, the Commonwealth's budgetary structure and accounting principles differ from those utilized to present financial statements in conformity with GAAP.

The budget for the biennium is prepared with two-year projections being made in light of long-range program requirements and revenue estimates. The biennial budget request is prepared by the Council and presented to the Governor for submission to the Kentucky General Assembly.

The Kentucky General Assembly is required to enact a balanced budget. Budgetary control is exercised by the Finance and Administration Cabinet on the basis of appropriation to the various cabinets. For purposes of managing budgeted appropriations, the Council controls expenditures on a functional basis. Except for those prescribed by statute or other legislation, unexpended allotments lapse to the Commonwealth's General Fund.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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The Council's budgeting is dependent upon undesignated fund balances and estimated revenues in determining available funds for statutory programs and operating requirements. The budget is developed from the analysis of the above factors, prior-year performance, and new data modifying or expanding the postsecondary education program for the fiscal period in question.

### Deficit Fund Balances

The Kentucky State University Stabilization Fund had a negative fund balance of \$13,698 on June 30, 2024. The negative fund balances above are due to revenue recognition and expense accruals of the Council under the modified accrual basis of accounting. Additional revenues received in fiscal year 2025 are expected to eliminate the deficits.

### **3. DEPOSITS AND INVESTMENTS**

All Council receipts are deposited directly in the Commonwealth's general depository or depositories designated by the State Treasurer, which has statutory responsibility and authority to safeguard the funds.

At June 30, 2024, the Council's share of deposits in the Commonwealth's general depository (State investment pool) totals \$31,941,185. Custodial funds held by the Council in the Commonwealth's general depository total \$222,095 at June 30, 2024.

The Commonwealth's Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2024 should be referred to for disclosures required by GASB Statement No. 3, "*Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*" and GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*" (an amendment of GASB Statement No. 3).

### **4. INTERFUND RECEIVABLE/ PAYABLE**

Pursuant to House Bill 250 in the 2022 regular session, the General Assembly appropriated \$23 million to the Council in 2022 to address financial instability at Kentucky State University (KSU). In accordance with the provisions of House Bill 250, the disbursements from the Council to KSU out of the \$23 million shall be a non-interest-bearing loan to be repaid by KSU. House Bill 250 also created a trust fund for the purpose of holding funds not disbursed to KSU as well as receiving and holding loan repayments collected from KSU. All receipts in the trust fund shall remain in the trust fund until reappropriated by the General Assembly. The entire \$23 million was disbursed to KSU as of June 30, 2022. Accordingly, the Council reported an interfund receivable in the accompanying statement of fiduciary net position of \$23 million due from KSU. Though no repayment terms currently exist, the General Assembly will consider the terms and schedule for repayment of the loan during the 2026 Regular Session.



**COUNCIL ON POSTSECONDARY EDUCATION**

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

**5. CAPITAL ASSETS**

Capital assets balance and activity is as follows for during the year ended June 30, 2024:

	Balance <u>June 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2024</u>
<b>Governmental Activities:</b>				
Capital Assets being Depreciated:				
Audio/Visual Equipment	\$ -	\$ 80,049	\$ -	\$ 80,049
Intangible Right-to-Use Software Agreements	<u>6,368,303</u>	<u>6,486,633</u>	<u>(6,368,303)</u>	<u>6,486,633</u>
Total Capital Assets being Depreciated	6,368,303	6,566,682	(6,368,303)	6,566,682
Less Accumulated Depreciation and Amortization:				
Audio/Visual Equipment	-	(7,013)	-	(7,013)
Intangible Right-to-Use Software Arrangements	<u>(2,977,984)</u>	<u>(3,390,319)</u>	<u>6,368,303</u>	<u>-</u>
Total Accumulated Depreciation and Amortization	<u>(2,977,984)</u>	<u>(3,397,332)</u>	<u>6,368,303</u>	<u>(7,013)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 3,390,319</u>	<u>\$ 3,169,350</u>	<u>\$ -</u>	<u>\$ 6,559,669</u>

During the year ended June 30, 2024, the Council had depreciation expense of \$7,013.

The accounting software arrangements are a two-year agreement, initiated in fiscal year 2024 with a annual payment of \$3,276,240 in the first year and \$3,375,728 in the second year. The Council has used the Commonwealth’s of Kentucky’s 5.15% imputed interest rate for this arrangement based on another arrangements the Commonwealth has made during the same fiscal year. The Council has an option to renew this arrangement for 24 additional months but is not likely to exercise that option since the Council will need to reevaluate its budget at the end of fiscal year 2025. There is no option to purchase the software.

**6. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

The Council uses SBITAs to provide services to member organizations of the Kentucky Virtual Library. These activities are accounted for in the Council’s Technology Initiative Trust Fund. The Council’s master agreements with their SBITA vendors are two-year subscription terms with biennial renewal options involving the following vendors:

- ProQuest LLC
- Ancestry Library through ProQuest, LLC
- Online Computer Library Center, Inc (OCLC)
- Elton B. Stephen Company (EBSCO) Information Services

**COUNCIL ON POSTSECONDARY EDUCATION**

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

The total of the Council’s subscription assets are recorded at a cost of \$6,486,633. The contracts for these SBITA’s were renewed during the year ending June 30, 2024, for two years. There is no accumulated amortization related to these assets at June 30, 2024.

The future subscription payments under SBITA agreements are as follows:

<b>Fiscal</b>	<b>Subscriptions</b>		
	<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2025	3,276,240	-	3,276,240
2026	<u>3,210,393</u>	<u>165,335</u>	<u>3,375,728</u>
Total	<u>\$ 6,486,633</u>	<u>\$ 165,335</u>	<u>\$ 6,651,968</u>

**7. ACCRUED COMPENSATED ABSENCES**

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

*Annual and Compensatory Leave:*

Annual leave is accumulated at amounts ranging from 7.50 to 15.00 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. Compensatory leave is granted to authorized employees.

Activity in the liability for accrued compensated absences is summarized as follows for the year ended June 30, 2024:

	Balance			Balance
	<u>June 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2024</u>
Accrued compensated absences	<u>\$ 943,586</u>	<u>\$ 665,893</u>	<u>\$ (602,000)</u>	<u>\$ 1,007,479</u>

As of June 30, 2024, the amount estimated to be due within one-year totals approximately \$601,000.

*Sick Leave:*

It is the policy of the Council to record the cost of sick leave when paid. Generally, sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death. There is no liability recorded for sick leave at June 30, 2024. The estimated accumulated amount of unused sick leave at June 30, 2024, totals approximately \$1,914,000.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### 8. RETIREMENT PLANS

#### Teachers' Insurance and Annuity Association-College Retirement Equities Fund

In accordance with KRS 61.520(2)(a) and Executive Order 74-762, professional staff may elect upon joining the staff of the Council to participate in the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) or elect to participate in the Kentucky Employees Retirement System (see below).

To provide the opportunity to continue participation in the TIAA-CREF, the Council has established a tax-deferred annuity plan, which requires electing participants to enter into a written salary reduction agreement with the Council in order to participate. All eligible employees may begin participation in the plan on a voluntary basis on the first day after beginning employment at the Council. Electing participants are required by the plan to contribute 5.00% of their salaries to the plan.

Currently, the Council is required to contribute 8.03% of the covered employees' salaries. The contribution requirement for the year ended June 30, 2024 totals approximately \$450,000, consisting of approximately \$275,000 from the Council and \$175,000 from employees. The contribution requirement for the year ended June 30, 2023 totals approximately \$445,000, consisting of approximately \$274,000 from the Council and \$171,000 from employees.

Participants may also elect to make contributions on an after-tax basis. Total contributions to the plan will not exceed limits imposed by section 415 and section 403(b) of the Internal Revenue Code. These limits may be adjusted from time to time. In addition, salary reduction contributions to the plan will be further limited by Code section 402(g).

#### Kentucky Employees Retirement System

The Council is a participant employer of the Kentucky Employees' Retirement System (KERS) for Non-Hazardous Pension Plans. The Board of Trustees of Kentucky Public Pension Authority administer the Plan, under the provisions of Kentucky Revised Statue 61.645.

#### *Plan Description*

The Kentucky Employees Retirement System (KERS) is a cost-sharing, multiple-employer defined benefit pension plan. It includes nearly all regular full-time employees working in positions at participating state agencies, as well as eligible local agencies that choose to join the system. The plan offers retirement, disability, and death benefits to its members, with the possibility of extending retirement benefits to beneficiaries under certain conditions.

#### *Cost of Living Adjustment (COLA):*

No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.

*Benefit Formula:* Final Compensation \* Benefit Factor \* Year of Service = Cash Balance Plan

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### *Tier 1:*

- Participation: Prior to September 1, 2008
- Final Compensation: Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump sum compensation payments (before and at retirement).
- Benefit Factor: 1.97% for 13 months of credit for 1/1/1998 to 1/1/1999.  
2.00% for 13 months or more of credit for 1/1/1998 to 1/1/1999.
- 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.
- Reduced Retirement
  - Benefit: Any age with 25 years of service. Age 55 with 5 years of service.

### *Tier 2:*

- Participation: September 1, 2008, through December 31, 2013
- Final Compensation: 5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump sum compensation payments (before and at retirement) are not to be included in creditable compensation.
- Benefit Factor: 1.10% = 10 years or less  
1.30% = Greater than 10 years, but no more than 20 years. 1.50% = Greater than 20 years, but no more than 26 years. 1.75% = Greater than 26 years, but no more than 30 years. 2.00% = Greater than 30 years (2.00% benefit factor only applies to service earned in excess of 30 years).
- 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. Age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations
- Reduced Retirement
  - Benefit: Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).

### *Tier 3*

- Participation: Participation on or after January 1, 2014
  - Final Compensation: No final compensation
  - Benefit Factor: No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the board based on member's accumulated account balance.
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# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### Unreduced Retirement

Benefit: Rule of 87: Member must be at least age 57. Age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations

### Reduced Retirement

Benefit: No reduced retirement

### *Contributions*

Benefits and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the Kentucky Retirement System's Board. For the fiscal years ended June 30, 2024, plan employees were required to contribute 5 percent of their annual covered salary for retirement benefits. Employees participating in Tiers 2 and 3 were required to contribute an additional 1 percent for the insurance fund.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5 percent of wages to their own account and 1 percent to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

The Council was contractually required to contribute a normal cost percentage of covered payroll and an actuarially accrued liability contribution amount effective July 1, 2022.

### *Normal Contributions*

Normal cost contributions are based on a normal cost percentage of employers' reported payroll. The normal contribution percentage for the years ended June 30, 2024, was 9.97% of covered payroll, of which 7.82% allocated to the pension fund and 2.15% to the insurance fund.

### *Actuarially Accrued Liability Contribution*

The actuarially accrued liability contribution is a monthly amount determined by the KERS actuary for its own portion of the total unfunded liability over a set period regardless of covered payroll to the nonhazardous KERS pension plan. The contribution rate is actuarially determined as an amount that, when combined with employee contributions during the year, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. The Funds' portion of the actuarially accrued liability contribution is based on the Executive's Branch's proportionate share of the actuarially accrued liability contribution of 77.93%, of which 91.11% is allocated to the pension fund and 8.89% to the insurance fund for the years ended June 30, 2024.

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

The Council's total required contributions to KERS nonhazardous pension plan was \$1,356,025, \$179,670 normal cost contribution and \$1,176,355 as the actuarially accrued liability contribution for the pension fund, which is 100% of the required pension contribution for the year ended June 30, 2024.

At June 30, 2024, the Council reported a liability of \$17,727,757 for its proportionate share of net pension liability. The net pension liability at June 30, 2024 was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to 2023 using generally accepted actuarial principles. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities. At June 30, 2023, the Council's proportion was 0.143909%, which decreased 0.013139% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Council recognized reduction of pension expenses of \$1,143,779 and deferred outflows and deferred inflows related to pension from the following sources:

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Difference between expected and actual experience	\$ 219,179	\$ 214
Net difference between projected and actual earnings on investments	18,030	-0-
Change in assumptions	-0-	487,120
Changes in proportion and difference between employer contributions and proportionate share of contributions	-0-	872,979
Contributions subsequent to the measurement date	1,356,025	-0-
Total	\$ 1,593,234	\$ 1,360,313

The \$1,356,025 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized over a period of either five years for investment-related deferrals or the estimated remaining service life for active participants in the pension plan for other deferred items. As of June 30, 2023 plan year, the estimated remaining service life was 1.96 years. Other amounts reported as deferred outflows and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### **Deferred Amounts to be recognized in Fiscal Years Following the Reporting Date**

2025	\$ (1,155,248)
2026	(32,920)
2027	79,313
2028	<u>(14,249)</u>
Total	<u>\$ (1,123,104)</u>

#### *Actuarial Assumptions*

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Investment Rate of Return</b>	5.25%
<b>Inflation Rate</b>	2.30%
<b>Payroll Growth Rate</b>	0%
<b>Salary Growth Rate</b>	3.30% to 15.30%, varies by service.

Mortality Tables for active members was a PUB-2010 General Mortality table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. Healthy Retired Members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. Disabled Members was a PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Actuarial assumptions used in the June 30, 2023 valuation was based on the following:

<b>Actuarial Valuation Date</b>	June 30, 2022
<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level percent of pay
<b>Asset Valuation Method</b>	20% of the difference between the market value of assets and the expected actuarial value of the assets is recognized.
<b>Remaining Amortization Period</b>	30 years, closed period at June 30, 2019. After 2019, gains/losses will be amortized over separate closed 20-year amortization bases.
<b>Date of Experience Study</b>	July 1, 2018, to June 30, 2022

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.50% per annum for both the non-hazardous and hazardous plan.

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

<b>Kentucky Retirement Systems</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Nominal Rate of Return</b>
<b>Equity:</b>		
Public Equity	32.50%	5.90%
Private Equity	7.00%	11.73%
<b>Fixed Income:</b>		
Core Fixed Income	20.50%	2.45%
Specialty Credit	15.00%	3.65%
Cash	5.00%	1.39%
<b>Inflation Protected:</b>		
Real Estate	10.00%	4.99%
Real Return	10.00%	5.15%
	<b>100.00%</b>	4.87%
<b>Long term inflation assumption</b>		2.50%
<b>Expected nominal return for portfolio</b>		7.37%

#### *Discount Rate*

The projection of cash flows used to determine the discount rate of 5.25% assumes that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30-year amortization period of the unfunded actuarial accrued liability. Future contributions are projected assuming contributions of the actuarially determined contribution are fully met each future year calculated in accordance with the current funding policy. The discount rate does not use a municipal bond rate.

#### *Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Council, calculated using the discount rate of 5.25%, as well as what the Council's net position 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%):



**COUNCIL ON POSTSECONDARY EDUCATION**

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

	<b>1% Decrease</b> <b>(4.25%)</b>	<b>Discount</b> <b>(5.25%)</b>	<b>1% Increase</b> <b>(6.25%)</b>
The Council's proportionate share	\$ 20,376,211	\$ 17,727,757	\$ 15,532,989

Detailed information about the KERS's fiduciary net position is available in the separately issued Kentucky Employees' Retirement System's Annual Financial Report (a matter of public record). The Commonwealth's Annual Comprehensive Financial Report (ACFR) should be referred to for additional disclosures related to KERS. The Kentucky Retirement System also issues a publicly available financial report that includes financial statements and required supplementary information for the KERS, which may be obtained online at [www.kyret.ky.gov](http://www.kyret.ky.gov).

In addition to the above defined benefit pension plan, the Council's employees are also eligible to participate in two deferred compensation plans sponsored by the Commonwealth. These plans are organized as a Section 457 plan and as a Section 401(k) plan under the Internal Revenue Code. Both plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Kentucky Public Employees Deferred Compensation Authority (KPEDCA) issues a publicly available financial report that includes financial statements and required supplementary information for the KPEDCA. The report may be obtained by writing to the Kentucky Public Employees Deferred Compensation Authority, 101 Sea Hero Road, Suite 110, Frankfort, Kentucky 40601-8862.

**9. POST-EMPLOYMENT HEALTH CARE BENEFITS**

Kentucky Employers Retirement System

All regular full-time employees who work in non-hazardous duty positions of any state department, board, agency, county, city, school board, and any eligible local agencies participate in an Other Post-employment Benefit (OPEB) plan administered by the Kentucky Employees Retirement System (KERS), a cost-sharing multi-employer public employee retirement system. The plan provides health insurance benefits to plan members and to certain beneficiaries of plan members under prescribed circumstances.

*Covered Employees*

Contribution rates for employers and employees are established by Kentucky Statute KRS 21.427. The traditional plan members do not contribute to the OPEB directly. Instead, assets have been allocated between the pension and the retiree medical liabilities on the basis of accrued liability as of July 1, 2021. This amount has been brought forward from that date based on actual cash flows and prorated allocation of investment returns. The hybrid plan member contributes 1% of his or her salary. Employer contributions are determined by the budget bill.

**COUNCIL ON POSTSECONDARY EDUCATION**

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

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*Benefits*

Benefits and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565, contribution requirements of active employees and participating organizations are established and may be amended by the Kentucky Retirement System’s board. Employees with a participation date after 9/1/2008 were required to contribute an additional 1 percent of their salary for retiree healthcare benefits.

*Benefit Factor*

	<u>Months of Service</u>	<u>Percent of Premium</u>
Participation prior to July 2003:	Less than 48	0%
	48 – 119 inclusive	25%
	120 – 179 inclusive	50%
	180 - 239 inclusive	75%
	240 or more	100%
Participation between July 2003 and August 2008	Greater than or equal to 120	\$10 per month for each year of service without regards to a max dollar adjusted by 1.5% annually
Participation on or after September 2008:	Greater than or equal to 180	\$10 per month for each year of service without regards to a max dollar adjusted by 1.5% annually

*Cost of Living*

Members participating after 2008 receive a 1.5% increase annually.

*Contributions*

The Council was contractually required to contribute 2.15 percent of covered payroll to the nonhazardous KERS insurance plan for the year ending June 30, 2024. The Council’s total statutorily required contributions to the KERS nonhazardous insurance plan for the year ended June 30, 2024 was \$164,276, \$49,398 normal cost contribution and \$114,878 as the actuarially accrued liability contribution, for the year ended June 30, 2024, which is 100% of the statutorily required contribution. Note 9 provides a detailed breakdown of the Council’s contractually required contributions to the normal cost percentage of covered payroll and an actuarially accrued liability contribution amount for fiscal year 2023.

At June 30, 2024, the Council reported a liability of \$1,081,081 or its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net collective OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to 2023 using generally accepted actuarial principles. The Council’s proportion of the net OPEB liability was based on a projection of the Council’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities. At June 30, 2023, the Council’s proportion was 0.137789%, which decreased 0.014022% from its proportion measured as of June 30, 2022.

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

The Board of Trustees adopted new actuarial assumptions on June 5, 2023, which were used in determining the total pension liability as of June 30, 2023.

For the year ended June 30, 2024, the Council recognized a reduction in OPEB expenses of \$654,199 and deferred outflows and deferred inflows related to OPEB from the following sources:

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Difference between expected and actual experience	\$ -0-	\$ 1,470,186
Net difference between projected and actual earnings on investments	197	-0-
Change of assumption	105,782	119,342
Changes in proportion and difference between employer contributions and proportionate share of contributions	10,016	376,544
Contributions subsequent to the measurement date	202,080	-0-
Total	\$ 318,075	\$ 1,966,072

Of the total amount reported as deferred outflows of resources related to OPEB, \$164,276 resulting from Council statutorily required contributions and \$37,804 resulting from the implicit subsidy 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized over a period of either five years for investment-related deferrals or the estimated remaining service life for active participants in the OPEB plan for other deferred items. As of June 30, 2023, plan year, the estimated remaining service life was 3.40 years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Council's OPEB expense as follows:

#### **Deferred Amounts to be recognized in Fiscal Years Following the Reporting Date**

2025	\$	(850,541)
2026		(761,405)
2027		(225,446)
2028		(12,685)
Total	\$	(1,850,077)

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### *Actuarial Assumptions:*

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Investment Rate of Return</b>	6.25%
<b>Inflation Rate</b>	2.3%
<b>Payroll Growth Rate</b>	0%
<b>Salary Growth Rate</b>	3.30% to 15.30%, varies by service

### **Healthcare Trend Rates:**

<b>Pre-65</b>	Initial trend starting at 6.30% on 1/1/2022 and gradually decreasing to a trend rate of 4.05% over a period of 14 years.
<b>Post-65</b>	Initial trend starting at 6.30% at 1/1/2023 and gradually decreasing to a trend rate of 4.05% over a period of 13 years.

Mortality Tables for active members was a PUB-2010 General Mortality table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. Healthy Retired Members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. Disabled Members was a PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Actuarial assumptions used in the June 30, 2023 valuation was based on the following:

<b>Actuarial Valuation Date</b>	June 30, 2022
<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level percent of pay
<b>Asset Valuation Method</b>	20% of the difference between the market value of assets and the expected actuarial value of the assets is recognized.
<b>Remaining Amortization Period</b>	30 years, closed period at June 30, 2019. After 2019, gains/losses will be amortized over separate closed 20-year amortization bases.
<b>Date of Experience Study</b>	July 1, 2018, to June 30, 2022

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.50% per annum for both the non-hazardous and hazardous plan.

**COUNCIL ON POSTSECONDARY EDUCATION**

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

**Kentucky Retirement Systems**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Nominal Rate of Return</b>
<b>Equity:</b>		
Public Equity	43.50%	5.90%
Private Equity	10.00%	11.73%
<b>Fixed Income:</b>		
Core Fixed Income	10.00%	2.45%
Specialty Credit	15.00%	3.65%
Cash	1.50%	1.39%
<b>Inflation Protected:</b>		
Real Estate	10.00%	4.99%
Real Return	10.00%	5.15%
	<b>100.00%</b>	5.56%
<b>Long term inflation assumption</b>		2.50%
<b>Expected nominal return for portfolio</b>		8.06%

*Discount Rate*

On June 5, 2023, the Board of Trustees adopted a new actuarial assumption. The discount rate used to calculate total OPEB liability increased from 5.72% to 5.94%. The discount rate determination used an expected rate of return of 6.50% and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were 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 plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the KERS's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the KERS's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash used to determine the single discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the Commonwealth's ACFR.

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

*Sensitivity of the Council's proportionate share of the collective net OPEB liability to changes in the discount rate.*

The following presents the Council's proportionate share of the collective net OPEB liability, as well as what the Council's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.94 percent) or 1-percentage-point higher (6.94 percent) than the current discount rate:

	<b>1% Decrease (4.94%)</b>	<b>Discount (5.94%)</b>	<b>1% Increase (6.94%)</b>
The Council's proportionate share	1,453,962	\$ 1,081,081	\$ 767,518

*Sensitivity of the Council's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates.*

The following presents the Council's proportionate share of the collective net OPEB liability, as well as what the Council's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates that are 1-percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates (Pre-65 - Initial trend starting at 6.40 percent at January 1, 2022, and gradually decreasing to 4.05 percent over a period of 14 years and Post-65 - Initial trend starting at 6.30 percent at January 1, 2023, and gradually decreasing to 4.05 percent over a period of 13 years):

	<b>Healthcare Cost Trend Rates</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
The Council's proportionate share	\$ 792,506	\$ 1,081,081	\$ 1,430,409

Detailed information about the KERS's fiduciary net position is available in the separately issued Kentucky Employees' Retirement System's Annual Financial Report (which is a matter of public record). The Commonwealth of Kentucky's Annual Comprehensive Financial Report should be referred to for additional disclosures related to KERS.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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### 10. INTERGOVERNMENTAL TRANSACTIONS

At June 30, 2024, intergovernmental revenue consisted of the following:

Due from the General Fund of the Commonwealth of Kentucky:	
Appropriations for Agency Operations	\$ 19,262
Due from public postsecondary institutions	
Charges for software services	151,807
Total intergovernmental receivables	<u>\$ 171,069</u>
Funding for the Postsecondary Education Equine Trust and Revolving Fund from a Special Revenue Fund of the Commonwealth of Kentucky	\$ 482,589
Total intergovernmental revenues	<u>\$ 482,589</u>
Payments to Commonwealth Universities in accordance with the Bucks for Brains program	\$ 16,626,514
Transfer to the State Property and Buildings Commission for Debt Service	3,227,826
Payments to Kentucky State University under the Stabilization Fund's management improvement plan	10,000,000
Total intergovernmental expenses	<u>\$ 29,854,340</u>

At June 30, 2024, intergovernmental revenue in the Fiduciary fund consisted of the following:

Funding for the Cancer Research Institution Matching Fund from a Special Revenue Fund of the Commonwealth of Kentucky	\$ 2,492,903
Total intergovernmental revenues	<u>\$ 2,492,903</u>

### 11. RELATED PARTY TRANSACTIONS

The Council had the following transactions with the Commonwealth and its component units:

The Commonwealth Office for Technology (COT) provides technical support for State government agencies in the application of information technology including major information resource functions such as data center operations, data and voice communications (i.e. the Kentucky Information Highway), data administration, hardware selection and installation, and related end-user and customer support services. During 2024, the Council paid approximately \$491,000 to COT for services provided during the year.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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The Council received the benefit of accounting and administrative services from the Personnel Cabinet and Finance and Administration Cabinet for 2024. During 2024, the Council paid approximately \$2,000 to the Personnel Cabinet and approximately \$22,000 to the Finance and Administration Cabinet for services provided during the year.

The Council uses vehicles from the Transportation Cabinet's fleet. During 2024, the Council paid approximately \$33,000 to the Transportation Cabinet for use of their vehicles.

The Council leases office space from the Department for Facilities and Support Services. During 2024, the Council paid approximately \$294,000 to the Department for Facilities and Support Services for the leased office space and utilities. Additionally, the Council uses the Department for Facilities and Support Services for printing services and postage. During 2024, the Council paid approximately \$22,100 to the Department for Facilities and Support Services for printing and postage. The Council also pays the Kentucky State Patrol for security services at their offices. During 2024, the Council paid approximately \$6,000 to the Kentucky State Patrol for security as well as the Kentucky Communications Network Authority for internet services, paying approximately \$56,300 in 2024.

### 12. COMMITMENTS AND CONTINGENCIES

As of June 30, 2024, the Council is committed under certain agreements and contracts in the amount of approximately \$40,182,000. These commitments are largely comprised of contractual obligations for future program expenditures under the Council's strategic investment and incentive funding programs, as well as its pass-through (fiduciary) programs. These program disbursements will largely be to the Commonwealth's postsecondary education institutions, as well as the other typical recipients of the Council's program funding. As such, these commitments will be funded primarily during the subsequent fiscal year by legislative General Fund appropriations and federal program revenues.

Federal program revenue consists principally of reimbursable grants from the United States Department of Education. Grants are generally conditioned upon compliance with terms and conditions of the grant agreement and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Council. As of June 30, 2024, the Council estimates that no material liabilities will result from such audits.

### 13. RISK MANAGEMENT

#### *Torts and Errors and Omissions:*

The Council manages its risks of loss related to torts and errors and omissions internally.

#### *Injuries to Employees:*

The Council is a member of the Statewide Workers' Compensation Insurance Program, a self-insurance program for the benefit of the Commonwealth's employees. The Commonwealth of Kentucky's Annual Comprehensive Financial Report should be referred to for additional disclosures related to the Workers' Compensation Insurance Program.



# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

### *Theft of, Damage to, and Destruction of Assets:*

The Council utilizes the Commonwealth of Kentucky's Risk Management Fund to cover the exposure to losses arising from theft of, damage to, or destruction of the Council's personal property. The Commonwealth of Kentucky's Annual Comprehensive Financial Report should be referred to for additional disclosures related to the Risk Management Fund.

#### **14. FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimized the used of unobservable inputs.

The following table sets forth by level, within the hierarchy, the Council's assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 are as follows:

	<b>Assets at Fair Value as of June 30, 2024</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commonwealth's investment pool	<u>\$ 10,575,977</u>	<u>\$ 2,199,030</u>	<u>\$ -0-</u>	<u>\$ 12,775,007</u>
Total	<u>\$ 10,575,977</u>	<u>\$ 2,199,030</u>	<u>\$ -0-</u>	<u>\$ 12,775,007</u>

The Council's policy is to recognize transfers between levels as of the actual date of the event or changes in circumstances. There were no transfers between levels during the year ended June 30, 2024.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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The Council holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

### **15. NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued the following statements. The Council has not determined and is currently evaluating the impact that these new accounting pronouncements will have on its future financial statements. When they become effective, the application of these standards may restate portions of these financial statements, if applicable.

GASB Statement No. 101, *Compensated Absences*, will be effective for fiscal years beginning after December 15, 2023. The objective of this new guidance is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences under a unified model and by amending certain previously required disclosures.

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for fiscal years beginning after June 15, 2024. The objective of this new guidance is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for fiscal years beginning after June 15, 2025. The objective of this new guidance is to enhance the clarity, consistency, and usefulness of financial reports for state and local governments, providing essential information for decision-making and assessing a government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for fiscal years beginning after June 15, 2025. The objective of this new guidance is to improve transparency by requiring the separate disclosure of specific types of capital assets, such as lease assets and intangible right-to-use assets, in the notes to the financial statements, thereby providing users with essential information for evaluating a government's financial position.

**REQUIRED SUPPLEMENTARY INFORMATION**

## COUNCIL ON POSTSECONDARY EDUCATION

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY KENTUCKY EMPLOYEES' RETIREMENT SYSTEM

Reporting period	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement period	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.143909%	0.157048%	0.166941%	0.160350%	0.161487%	0.176962%	0.184184%	0.191420%	0.183165%	0.169904%
Proportionate share of the net pension liability	\$ 17,727,757	\$ 20,836,096	\$ 22,231,529	\$ 22,713,021	\$ 22,806,813	\$ 24,073,513	\$ 24,659,174	\$ 21,821,203	\$ 18,374,905	\$ 15,243,442
Covered payroll	\$ 2,176,133	\$ 2,044,582	\$ 2,173,901	\$ 2,286,217	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194	\$ 2,988,947	\$ 2,915,237
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	814.64%	1019.09%	1022.66%	993.48%	965.55%	888.68%	848.21%	726.12%	614.76%	522.89%
Plan fiduciary net position as a percentage of the total pension liability	22.32%	18.21%	18.48%	14.01%	13.66%	12.84%	13.32%	14.80%	18.83%	22.32%

**Note:**

The amounts presented above for the fiscal year were determined as of June 30 for the year prior (measurement date).

*See report of independent auditors. See notes to required supplementary information.*

**COUNCIL ON POSTSECONDARY EDUCATION**

SCHEDULE OF PENSION CONTRIBUTIONS  
KENTUCKY EMPLOYEES' RETIREMENT SYSTEM

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	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily required contribution	\$ 1,356,025	\$ 1,511,014	\$ 1,522,252	\$ 1,593,035	\$ 1,623,900	\$ 1,677,759	\$ 1,112,284	\$ 1,169,854	\$ 926,802	\$ 921,837
Contribution in relation to the statutorily required contribution	<u>1,356,025</u>	<u>1,511,014</u>	<u>1,522,252</u>	<u>1,593,035</u>	<u>1,623,900</u>	<u>1,677,759</u>	<u>1,112,284</u>	<u>1,169,854</u>	<u>926,802</u>	<u>921,837</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered payroll	\$ 2,297,568	\$ 2,176,133	\$ 2,044,582	\$ 2,173,901	\$ 2,286,217	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194	\$ 2,988,947
Contribution as a percentage of covered payroll	59.02%	69.44%	74.45%	73.28%	71.03%	71.03%	41.06%	40.24%	30.84%	30.84%

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*See report of independent auditors. See notes to required supplementary information.*

## COUNCIL ON POSTSECONDARY EDUCATION

### SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY KENTUCKY EMPLOYEES' RETIREMENT SYSTEM

Reporting period	2024	2023	2022	2021	2020	2019	2018	2017
Measurement period	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net OPEB liability (asset)	0.14%	0.15%	0.17%	0.16%	0.16%	0.18%	0.18%	0.19%
Proportionate share of the net OPEB liability	\$ 1,081,081	\$ 3,358,227	\$ 1,081,081	\$ 4,071,139	\$ 3,589,688	\$ 4,201,588	\$ 4,670,837	\$ 3,953,169
Covered payroll	\$ 2,176,133	\$ 2,044,582	\$ 2,173,901	\$ 2,286,217	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	49.68%	164.25%	49.73%	178.07%	151.97%	155.10%	160.66%	131.54%
Plan fiduciary net position as a percentage of the total OPEB liability	66.14%	38.15%	38.38%	29.47%	30.92%	27.32%	24.37%	24.48%

**Note:**  
This schedule is intended to present 10 years of the proportionate share of the net pension liability. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of June 30 for the year prior (measurement date).

*See report of independent auditors. See notes to required supplementary information.*

## COUNCIL ON POSTSECONDARY EDUCATION

### SCHEDULE OF OPEB CONTRIBUTIONS KENTUCKY EMPLOYERS' RETIREMENT SYSTEM

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	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 164,276	\$ 177,512	\$ 196,317	\$ 242,390	\$ 283,491	\$ 292,893	\$ 227,818	\$ 242,750	\$ 238,312
Contribution in relation to the statutorily required contribution	<u>164,276</u>	<u>177,512</u>	<u>196,317</u>	<u>242,390</u>	<u>283,491</u>	<u>292,893</u>	<u>227,818</u>	<u>242,750</u>	<u>238,312</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered payroll	\$ 2,297,568	\$ 2,176,133	\$ 2,044,582	\$ 2,173,901	\$ 2,286,217	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194
Contribution as a percentage of covered payroll	7.15%	8.16%	9.60%	11.15%	12.40%	12.40%	8.41%	8.35%	7.93%

**Note:** This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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*See report of independent auditors. See notes to required supplementary information.*

## COUNCIL ON POSTSECONDARY EDUCATION

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2024

	Operations			
	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Budgetary fund balance, July 1</b>	\$ 1,599,541	\$ 1,599,541	\$ 1,599,541	\$ -0-
<b>REVENUES:</b>				
State appropriations	8,123,331	8,114,299	6,724,567	(1,389,732)
Charges for services	500,000	597,800	590,300	(7,500)
Federal programs	265,000	272,332	272,332	-0-
Total revenues	<u>8,888,331</u>	<u>8,984,431</u>	<u>7,587,199</u>	<u>(1,397,232)</u>
Amount available for expenditures	10,487,872	10,583,972	9,186,740	(1,397,232)
<b>EXPENDITURES:</b>				
Personnel services	6,372,900	6,383,726	6,296,357	(87,369)
Utilities, rentals, and other services	1,094,300	1,066,758	694,992	(371,766)
Commodities and supplies	228,000	202,329	458,174	255,845
Travel	62,000	65,317	141,157	75,840
Capital expenditures	-0-	-0-	114,803	114,803
Total expenditures	<u>7,757,200</u>	<u>7,718,130</u>	<u>7,705,483</u>	<u>(12,647)</u>
Other financing sources (uses):				
Interfund transfers in (out)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 2,730,672</u>	<u>\$ 2,865,842</u>	<u>\$ 1,481,257</u>	<u>\$ (1,384,585)</u>

*See report of independent auditors. See notes to required supplementary information.*



**COUNCIL ON POSTSECONDARY EDUCATION**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND  
ACTUAL (BUDGETARY BASIS) – UNAUDITED  
YEAR ENDED JUNE 30, 2024

	Federal Programs			
	Original Budget	Final Budget	Over (Under) Actual	Budget
<b>Budgetary fund balance, July 1</b>	\$ 187,345	\$ 187,345	\$ 187,345	\$ -0-
<b>REVENUES:</b>				
Federal programs	17,788,900	13,251,187	14,068,582	817,395
Total revenues	17,788,900	13,251,187	14,068,582	817,395
Amount available for expenditures	17,976,245	13,438,532	14,255,927	817,395
<b>EXPENDITURES:</b>				
Personnel services	4,087,900	4,413,259	3,185,425	(1,227,834)
Utilities, rentals, and other services	723,000	451,414	1,721,196	1,269,782
Commodities and supplies	679,000	141,920	131,521	(10,399)
Grants and subsidies	12,001,000	8,459,954	8,831,304	371,350
Travel	298,000	141,174	138,198	(2,976)
Total expenditures	17,788,900	13,607,721	14,007,644	399,923
Other financing sources (uses):				
Interfund transfers in (out)	-0-	-0-	-0-	-0-
<b>Budgetary fund balance, June 30</b>	<u>\$ 187,345</u>	<u>\$ (169,189)</u>	<u>\$ 248,283</u>	<u>\$ 417,472</u>

*See report of independent auditors. See notes to required supplementary information.*

## COUNCIL ON POSTSECONDARY EDUCATION

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2024

	Kentucky State University Stabilization Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Budgetary fund balance, July 1</b>	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<b>REVENUES:</b>				
State appropriations	11,093,583	11,093,583	10,650,476	(443,107)
Total revenues	<u>-0-</u>	<u>11,093,583</u>	<u>10,650,476</u>	<u>(443,107)</u>
Amount available for expenditures	11,093,583	11,093,583	10,650,476	(443,107)
<b>EXPENDITURES:</b>				
Personnel services	1,058,583	661,758	438,633	(223,125)
Utilities, rentals, and other services	35,000	33,405	157,970	124,565
Intergovernmental expenditures	10,000,000	10,000,000	10,000,000	-0-
Travel	-0-	-0-	21,335	21,335
Total expenditures	<u>11,093,583</u>	<u>10,695,163</u>	<u>10,617,938</u>	<u>(77,225)</u>
Other financing sources (uses):				
Interfund transfers in (out)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -0-</u>	<u>\$ 398,420</u>	<u>\$ 32,538</u>	<u>\$ (365,882)</u>

*See report of independent auditors. See notes to required supplementary information.*

**COUNCIL ON POSTSECONDARY EDUCATION**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND  
ACTUAL (BUDGETARY BASIS) – UNAUDITED  
YEAR ENDED JUNE 30, 2024

	Comprehensive University Excellence Trust Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Budgetary fund balance, July 1</b>	\$ 9,360,500	\$ 9,360,500	\$ 9,360,500	\$ -0-
<b>REVENUES:</b>				
Total revenues	-0-	-0-	-0-	-0-
Amount available for expenditures	9,360,500	9,360,500	9,360,500	-0-
<b>EXPENDITURES:</b>				
Grants and subsidies	-0-	710,500	710,500	-0-
Total expenditures	-0-	710,500	710,500	-0-
Other financing sources (uses):				
Interfund transfers in (out)	-0-	-0-	-0-	-0-
<b>Budgetary fund balance, June 30</b>	<u>\$ 9,360,500</u>	<u>\$ 8,650,000</u>	<u>\$ 8,650,000</u>	<u>\$ -0-</u>

*See report of independent auditors. See notes to required supplementary information.*

**COUNCIL ON POSTSECONDARY EDUCATION**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND  
ACTUAL (BUDGETARY BASIS) – UNAUDITED  
YEAR ENDED JUNE 30, 2024

	Research Challenge Trust Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Budgetary fund balance, July 1</b>	\$ 30,264,051	30,264,051	\$ 30,264,051	\$ -0-
<b>REVENUES:</b>				
Income from investments	-0-	1,545,508	1,545,508	-0-
Total revenues	-0-	1,545,508	1,545,508	-0-
Amount available for expenditures	30,264,051	31,809,559	31,809,559	-0-
<b>EXPENDITURES:</b>				
Grants and subsidies	-0-	16,626,514	16,626,514	-0-
Total expenditures	-0-	16,626,514	16,626,514	-0-
Other financing sources (uses):				
Interfund transfers in (out)	-0-	-0-	-0-	-0-
<b>Budgetary fund balance, June 30</b>	\$ 30,264,051	\$ 15,183,045	\$ 15,183,045	\$ -0-

*See report of independent auditors. See notes to required supplementary information.*

**COUNCIL ON POSTSECONDARY EDUCATION**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND  
ACTUAL (BUDGETARY BASIS) – UNAUDITED  
YEAR ENDED JUNE 30, 2024

	Technology Initiative Trust Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Budgetary fund balance, July 1</b>	\$ 3,941,061	\$ 3,941,061	\$ 3,941,061	\$ -0-
<b>REVENUES:</b>				
State appropriations	3,653,200	3,653,200	3,653,200	-0-
Charges for services	-0-	-0-	3,855,909	3,855,909
Income from investments	-0-	-0-	233,576	233,576
Other revenues	-0-	-0-	1,742,820	1,742,820
Total revenues	<u>3,653,200</u>	<u>3,653,200</u>	<u>9,485,505</u>	<u>5,832,305</u>
Amount available for expenditures	7,594,261	7,594,261	13,426,566	5,832,305
<b>EXPENDITURES:</b>				
Personnel services	2,100,000	2,100,000	1,274,259	(825,741)
Utilities, rentals, and other services	-0-	-0-	507,217	507,217
Commodities and supplies	-0-	-0-	2,011,449	2,011,449
Grants and subsidies	3,860,000	3,860,000	800,629	(3,059,371)
Travel	-0-	-0-	50,543	50,543
Capital outlay	-0-	-0-	6,486,633	6,486,633
Debt service and related costs:				
Principal - SBITA	-0-	-0-	3,073,114	3,073,114
Interest - SBITA	-0-	-0-	135,526	135,526
Total expenditures	<u>5,960,000</u>	<u>5,960,000</u>	<u>14,339,370</u>	<u>8,379,370</u>
Other financing sources (uses):				
Proceeds from SBITA	-0-	-0-	6,486,633	6,486,633
<b>Budgetary fund balance, June 30</b>	<u>\$ 1,634,261</u>	<u>\$ 1,634,261</u>	<u>\$ 5,573,829</u>	<u>\$ 3,939,568</u>

*See report of independent auditors. See notes to required supplementary information.*

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2024

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### 1. CONTRIBUTIONS

Contractually required employer contribution reported on the Schedule of Pension Contributions exclude the portion of contributions paid to KERS but allocated to the insurance fund of the KERS. The insurance contributions are reported on the Schedule of Other Post-employment Benefits (OPEB) OPEB Contributions.

### 2. PAYROLL

The Funding Commission's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Proportionate Share of the Net OPEB Liability is one year prior to the Health Department's fiscal year payroll as reported on the Schedule of Contributions for Pensions and OPEB.

### 3. CHANGES OF ASSUMPTIONS – PENSION NONHAZARDOUS

*Measurement period at June 30, 2023*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021.

*Measurement period at June 30, 2022*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020.

*Measurement period at June 30, 2021*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2019:

- Amortization period changed from a 26-year closed period to a 30-year closed period at June 30, 2019. Additionally gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.
- Retiree mortality changed from RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females) to a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

*Measurement period at June 30, 2020*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2017:

- Projected Salary increase change 3.55% - 15.55% to 3.30% - 15.30%, varied by service.

*Measurement period at June 30, 2019*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2017:

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*See report of independent auditors.*

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2024

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- Asset Valuation Method changes from a 5-year smoothed market to a 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
- Amortization period decreased from a 27-year to a 26-year period.
- Rate of return change from 6.75% to 5.25%.
- Projected salary increases change from 4.00% average to 3.55% - 15.55%, varied by service.
- Inflation rate change from 3.25% to 2.30%.

### *Measurement period at June 30, 2018*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2016:

- The payroll growth assumed changed from 2.00% to 0.00%.
- Amortization period decreased from a 28-year to a 27-year period.
- Rate of return change from 7.50 % to 6.75 %.

### *Measurement period at June 30, 2017*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2015:

- The payroll growth assumed had been 0.00%, however in the current year is increased to 2.00%.
- Amortization period had been decreasing by 1 year, however in the current year it increased 1 year to a 28-year closed period.
- Rate of return change from 6.75 % to 7.50%.

### *Measurement period at June 30, 2016*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2015:

- Amortization period decreased from a 28-year to a 27-year period.
- Rate of return change from 7.50% to 6.75%.

### *Measurement period at June 30, 2015*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2015:

- Amortization period decreased from a 29-year to a 28-year period.
- Rate of return change from 7.75% to 7.50%.
- Projected salary increase change from 4.50% to 4.00%.
- Inflation rate change from 3.50% to 3.25%.

### *Valuation at June 30, 2014*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2024

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### 4. CHANGES OF ASSUMPTIONS – OTHER POST-EMPLOYMENT BENEFITS NONHAZARDOUS

#### *Measurement period at June 30, 2023*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2021:

- Pre 65 healthcare trend rates changed from an initial trend starting at 6.30% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years to an initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

#### *Measurement period at June 30, 2022*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2020:

- Pre 65 healthcare trend rates changed from an 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 to an initial trend starting at 6.30% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
- Post 65 healthcare trend rates changed from an 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 to an initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

#### *Measurement period at June 30, 2021*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2019:

- Amortization period changed from a 26-year closed period to a 30-year closed period at June 30, 2019. Additionally gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.
- Projected salary increases change from 3.55% - 15.55% to 3.30% - 15.30%, varied by service.
- Retiree mortality changed from RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females) to a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- Pre 65 healthcare trend rates changed from an initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years to an 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 healthcare trend rates changed from an initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years to



# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2024

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an 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.

### *Measurement period at June 30, 2020*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017.

### *Measurement period at June 30, 2019*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2017:

- Payroll growth rate assumed changed from 4.00% to 0.00%
- Amortization period decreased from a 27-year, closed to a 26-year, closed period.
- Rate of return change from 7.50% to 6.25%.
- Projected salary increases change from 4.00% average to 3.55% - 15.55%, varied by service.
- Inflation rate change from 3.25% to 2.30%.
- Pre 65 healthcare trend rates changed from an initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years to an initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
- Post 65 healthcare trend rates changed from an initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years to an initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

### *Measurement period at June 30, 2018*

The following changes in assumptions were made by the Kentucky Legislature reflected in the valuation performed as of June 30, 2016:

- Amortization period decreased from a 28-year, closed to a 27-year period, closed.

### *Measurement period at June 30, 2017*

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015.

**COUNCIL ON POSTSECONDARY EDUCATION**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024

**5. SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED**

Budgetary Basis Versus GAAP

The accompanying schedules of revenues, expenditures, and changes in fund balances, budget and actual (budgetary basis) - unaudited, presents comparisons of the legally adopted budget with actual data on the budgetary basis. Accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with GAAP follows:

	<u>Operations</u>	<u>Federal Programs</u>	<u>Comprehensive University Excellence Trust Fund</u>	<u>Research Challenge Trust Fund</u>	<u>Kentucky State University Stabilization Fund</u>	<u>Technology Initiative Trust Fund</u>
<b>Total revenues per the budgetary comparison schedule</b>	\$ 7,587,199	\$ 14,068,582	\$ -0-	\$ 1,545,508	\$ 10,650,476	\$ 9,485,505
<b>Total revenues per the statement of revenues, expenditures, and changes in fund balance</b>	<u>\$ 7,587,199</u>	<u>\$ 14,068,582</u>	<u>\$ -0-</u>	<u>\$ 1,545,508</u>	<u>\$ 10,650,476</u>	<u>\$ 9,485,505</u>
<b>Total expenditures per the budgetary comparison schedule</b>	\$ 7,705,483	\$ 14,007,644	\$ 710,500	\$ 16,626,514	\$ 10,617,938	\$ 14,339,370
Change in accrued expenditures	(8,885)	26,927	-0-	-0-	27,669	10,158
Change in short-term compensated absences	<u>(60,463)</u>	<u>34,011</u>	<u>-0-</u>	<u>-0-</u>	<u>2,298</u>	<u>(3,737)</u>
<b>Total expenditures per the statement of revenues, expenditures, and changes in fund balance</b>	<u>\$ 7,636,135</u>	<u>\$ 14,068,582</u>	<u>\$ 710,500</u>	<u>\$ 16,626,514</u>	<u>\$ 10,647,905</u>	<u>\$ 14,345,791</u>

*See report of independent auditors.*

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**COUNCIL ON POSTSECONDARY EDUCATION**

SUPPLEMENTARY SCHEDULE OF ASSETS, LIABILITIES, AND FUND  
BALANCES – OPERATIONS  
JUNE 30, 2024

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	Agency		Total
	Operations	Contract Spaces	Operations
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 172,502	\$ -0-	\$ 172,502
Investments	1,308,756	-0-	1,308,756
Intergovernmental receivables	8,909	-0-	8,909
Total assets	<u>\$ 1,490,167</u>	<u>\$ -0-</u>	<u>\$ 1,490,167</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts and other payables	\$ 8,910	\$ -0-	\$ 8,910
Accrued expenses	224,303	-0-	224,303
Accrued compensated absences	458,623	-0-	458,623
Interfund payable	-0-		-0-
Total liabilities	<u>691,836</u>	<u>-0-</u>	<u>691,836</u>
Fund balances:			
Assigned:			
for agency operations	<u>798,331</u>	<u>-0-</u>	<u>798,331</u>
Total liabilities and fund balances	<u>\$ 1,490,167</u>	<u>\$ -0-</u>	<u>\$ 1,490,167</u>

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*See report of independent auditors.*

## COUNCIL ON POSTSECONDARY EDUCATION

### SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – OPERATIONS YEAR ENDED JUNE 30, 2024

	Agency Operations	Contract Spaces	Total Operations
<b>REVENUES:</b>			
State appropriations	\$ 6,509,767	\$ 214,800	\$ 6,724,567
Charges for services	590,300	-0-	590,300
Federal programs	272,332	-0-	272,332
Total revenues	7,372,399	214,800	7,587,199
<b>EXPENDITURES:</b>			
Personnel services	6,227,009	-0-	6,227,009
Utilities, rentals, and other services	694,992	-0-	694,992
Commodities and supplies	243,374	214,800	458,174
Travel	141,157	-0-	141,157
Capital expenditures	114,803	-0-	114,803
Total expenditures	7,421,335	214,800	7,636,135
<b>Excess (deficiency) of expenditures</b>	(48,936)	-0-	(48,936)
<b>OTHER FINANCING SOURCES:</b>			
Interfund transfers	-0-	-0-	-0-
Net change in fund balances	(48,936)	-0-	(48,936)
<b>Fund balances, beginning of year</b>	847,267	-0-	847,267
<b>Fund balances, end of year</b>	\$ 798,331	\$ -0-	\$ 798,331

*See report of independent auditors.*

## COUNCIL ON POSTSECONDARY EDUCATION

### SUPPLEMENTARY SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES – NON-MAJOR FUNDS

JUNE 30, 2024

	Postsecondary Education Equine Trust Fund	Kentucky Regional Network Enhancement Program	Capital Projects	Assessment and Professional Development Fund	Other (Non-major) Governmental Funds
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ -0-	\$ 70,499	\$ -0-	\$ -0-	\$ 70,499
Cash and cash equivalents - restricted	46,701	-0-	-0-	-0-	46,701
Investments - restricted	354,756	535,518	-0-	-0-	890,274
Intergovernmental receivables	-0-	-0-	-0-	8,265	8,265
Total assets	<u>\$ 401,457</u>	<u>\$ 606,017</u>	<u>\$ -0-</u>	<u>\$ 8,265</u>	<u>\$ 1,015,739</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities:</b>					
Accounts and other payables	\$ -0-	\$ -0-	\$ -0-	\$ 8,265	\$ 8,265
Accrued expenses	-0-	-0-	-0-	19,112	19,112
Accrued compensated absences	-0-	-0-	-0-	19,011	19,011
Interfund payable	-0-	-0-	-0-	55,770	55,770
Total liabilities	-0-	-0-	-0-	102,158	102,158
<b>Fund balances (deficit):</b>					
Restricted:					
for University Equine programs	401,457		-0-	-0-	401,457
for Network Optimization	-0-	606,017	-0-	-0-	606,017
Unassigned	-0-	-0-	-0-	(93,893)	(93,893)
Total fund balances (deficit)	<u>401,457</u>	<u>606,017</u>	<u>-0-</u>	<u>(93,893)</u>	<u>913,581</u>
Total liabilities and fund balances	<u>\$ 401,457</u>	<u>\$ 606,017</u>	<u>\$ -0-</u>	<u>\$ 8,265</u>	<u>\$ 1,015,739</u>

*See report of independent auditors.*

## COUNCIL ON POSTSECONDARY EDUCATION

### SUPPLEMENTARY SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR FUNDS YEAR ENDED JUNE 30, 2024

	Postsecondary Education Equine Trust Fund	Kentucky Regional Network Enhancement Program	Capital Projects	Assessment and Professional Development Fund	Other (Non-major) Governmental Funds
<b>REVENUES:</b>					
State appropriations	\$ -0-	\$ -0-	\$ 3,224,000	\$ 1,464,174	\$ 4,688,174
Intergovernmental revenues	<u>482,589</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>482,589</u>
Total revenues	482,589	-0-	3,224,000	1,464,174	5,170,763
<b>EXPENDITURES:</b>					
Personnel services	-0-	-0-	-0-	1,287,716	1,287,716
Utilities, rentals, and other services	-0-	-0-	-0-	1,943	1,943
Commodities and supplies	-0-	188,314	-0-	38,839	227,153
Grants and subsidies	480,000	-0-	-0-	163,879	643,879
Travel	-0-	-0-	-0-	25,157	25,157
Intergovernmental expenditures	<u>3,826</u>	<u>-0-</u>	<u>3,224,000</u>	<u>-0-</u>	<u>3,227,826</u>
Total expenditures	<u>483,826</u>	<u>188,314</u>	<u>3,224,000</u>	<u>1,517,534</u>	<u>5,413,674</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,237)</u>	<u>(188,314)</u>	<u>-0-</u>	<u>(53,360)</u>	<u>(242,911)</u>
Other financing sources (uses):					
Interfund transfers in (out)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	(1,237)	(188,314)	-0-	(53,360)	(242,911)
<b>Fund balances, beginning of year</b>	<u>402,694</u>	<u>794,331</u>	<u>-0-</u>	<u>(40,533)</u>	<u>1,156,492</u>
<b>Fund balances, end of year</b>	<u>\$ 401,457</u>	<u>\$ 606,017</u>	<u>\$ -0-</u>	<u>\$ (93,893)</u>	<u>\$ 913,581</u>

See report of independent auditors.

**COUNCIL ON POSTSECONDARY EDUCATION**

SUPPLEMENTARY SCHEDULE OF GRANTS AND SUBSIDIES  
YEAR ENDED JUNE 30, 2024

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	Governmental Funds	Fiduciary Funds
	<u>                    </u>	<u>                    </u>
Gaining Early Awareness and Readiness for Undergraduate Programs	\$ 111,092	\$ -0-
American Rescue Plan	1,172,640	-0-
Healthcare Workforce Initiative	3,098,711	-0-
Governor's Emergency Education Relief Fund	408,226	-0-
Postsecondary Education Equine Trust Fund	480,000	-0-
Comprehensive University Excellence Trust Fund Endowment Match Program	710,500	-0-
Technology Initiative Trust Fund	800,629	-0-
Assessment and Professional Development	163,879	-0-
Simmons College	4,040,635	-0-
Cancer Research Institutions Matching Fund	-0-	2,503,792
Cancer Research Screenings	-0-	6,250,000
Spinal Cord and Head Injury Research	-0-	2,000,000
Ovarian Cancer Screenings	-0-	1,000,000
Southern Regional Education Board Doctoral Scholars Program	<u>-0-</u>	<u>50,000</u>
Total grants and subsidies	<u>\$ 10,986,312</u>	<u>\$ 11,803,792</u>

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*See report of independent auditors.*





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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Council on Postsecondary Education (the Council), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated January 10, 2025.

Internal Control Over Financial Reporting

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

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

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

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

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### Compliance and Other Matters

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

### Purpose of this Report

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

*Blue & Co., LLC*

Lexington, Kentucky  
January 10, 2025



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

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

Report on Compliance for Each Major Federal Program

*Opinion on Each Major Federal Program*

We have audited Council on Postsecondary Education's (the "Council") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2024. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above is that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

*Basis for Opinion on Each Major Program*

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

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

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

*Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

*Blue & Co., LLC*

Lexington, Kentucky  
January 10, 2025

**COUNCIL ON POSTSECONDARY EDUCATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2024

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Federal AL Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
Department of Education				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S		\$ -0-	\$ 3,719,095
<i>Passed Through the Commonwealth of Kentucky</i>				
Education Stabilization Fund				
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	144314879	408,226	535,645
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300003-21	318,337	1,810,076
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300007-21	797,055	797,055
Total Education Stabilization Fund			<u>1,523,618</u>	<u>3,142,776</u>
Total Department of Education			<u>1,523,618</u>	<u>6,861,871</u>
Department of the Treasury				
<i>Passed Through the Commonwealth of Kentucky</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund				
Healthcare Workforce Initiative	21.027	SLFRP1027	2,746,235	3,438,408
Simmons College	21.027	SLFRP1027	4,040,635	4,040,635
Total Department of the Treasury			<u>6,786,870</u>	<u>7,479,043</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 8,310,488</u></b>	<b><u>\$ 14,340,914</u></b>

*See report of independent auditors and notes to the schedule of expenditures of federal awards.*

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2024

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Council on Postsecondary Education (the Council) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Some amounts presented in this Schedule may therefore differ from amounts presented in, or used in the preparation of, the basic financial statements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The award revenues received and expended are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Council. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

### 3. INDIRECT COST RATE

The Council did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

### 4. SUBRECIPIENTS

The accompanying Schedule includes expenditures consisting of federal awards provided to subrecipients as follows below and on the next pages.

Subrecipient Name	Amount
Governor's Emergency Education Relief Fund	
Eastern Kentucky University	\$ 5,105
Kentucky Community and Technical College System	219,948
Kentucky State University	700
Midway University	3,908
Morehead State University	3,223
Northern Kentucky University	21,892
Union College	98,347
Western Kentucky University	55,103
	<u>\$ 408,226</u>

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See report of independent auditors.

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2024

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Subrecipient Name	Amount
Elementary and Secondary School Emergency Relief Fund	
Barren County High School	\$ 3,569
Bellarmine University	121,620
Brescia University	24,788
Centre College	45,768
Christian County Board of Education	5,000
Christian County High School	5,000
Fayette County Board of Education	3,380
Frankfort High School	2,710
Garrard County High School	1,820
Georgetown College	14,760
Jefferson County Board of Education	3,212
Johnson County High School	3,854
Kentucky Community and Technical College System	172,527
Kentucky State University	11,117
Kentucky Wesleyan	15,000
Lindsey Wilson	50,000
Midway University	3,916
Morehead State University	33,693
Murray High School	5,000
Murray State University	53,072
Northern Kentucky University	39,285
Owensboro Public Schools	4,060
Russell County High School	4,835
Simmons College	46,934
Spalding University	13,073
Thomas More University	3,925
Transylvania University	53,226
Union College	53,808
Union County High School	3,494
University of Kentucky	29,463
University of Louisville	166,083
University of Pikeville	51,216
University of The Cumberlands	3,309
Webster County High School	2,996
Webster County Middle School	2,225
Western Kentucky University	57,654
	<u>\$ 1,115,392</u>

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*See report of independent auditors.*



**COUNCIL ON POSTSECONDARY EDUCATION**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2024

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Subrecipient Name	Amount
Coronavirus State and Local Fiscal Recovery Fund	
Eastern Kentucky University	\$ 271,096
Kentucky Community and Technical College System	1,259,914
Kentucky State University	36,878
Morehead State University	126,585
Murray State University	188,220
Northern Kentucky University	116,568
Simmons College	4,040,635
University of Kentucky	439,347
University of Louisville	184,251
Western Kentucky University	123,376
	<u>\$ 6,786,870</u>

**5. RECONCILIATION OF FEDERAL AWARDS TO THE FINANCIAL REPORT**

The Council’s financial statements are presented on an accrual basis of accounting. The Schedule of Expenditures of Federal Awards shows total expenditures of \$14,340,914, which reconciles to the government wide statement of activities as follows:

Federal Programs - Operating Grants and Contributions	\$ 14,068,582
Plus: Revenue in Operations related to Federal Awards	<u>272,332</u>
Federal Expenditures	<u>\$ 14,340,914</u>

Total expenditures are consistent with total federal program revenues reported in the statement of revenues, expenditures, and changes in fund balances – government funds.

**COUNCIL ON POSTSECONDARY EDUCATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2024

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**I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: unmodified

Internal Control over financial reporting:

Material weakness(es) identified?                           Yes                      X   No

Significant deficiency(s) identified that are  
not considered to be material weaknesses?                           Yes                      X   None reported

Noncompliance material to financial statements noted?                           Yes                      X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?                           Yes                      X   No

Significant deficiency(s) identified that are  
not considered to be material weaknesses?                           Yes                      X   None reported

Type of auditor's report issued on compliance for major programs: qualified

Any audit findings disclosed that are required to be  
reported in accordance with the Uniform Guidance?                           Yes                      X   No

Identification of major program(s):

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State & Local Fiscal Recovery Fund

Dollar threshold used to distinguish between  
type A and Type B programs:                    \$ 750,000

Auditee qualified as low-risk auditee?                      X   Yes                           No

**II. Financial Statement Findings**

None

**III. Findings and Questioned Costs - Major Federal Awards Program Audit**

None

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**COUNCIL ON POSTSECONDARY EDUCATION**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023

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There were no findings reported for the year ended June 30, 2023.