

MEETING AGENDA

Friday, November 16, 2018
Southcentral KY Community & Technical College, Bldg F, Conf Rm



Members, Council on Postsecondary Education

Ronald C. Beal, Bowling Green
Ben Brandstetter, Hebron (*vice chair*)
Joe E. Ellis, Benton
Kimberly Halbauer, Ft. Thomas
Lori Harper, Cadiz
Lucas Mentzer, Lexington
Donna Moore, Lexington
Kristi Nelson, Union
Vidya Ravichandran, Louisville

Shawn Reynolds, Almo
Robert H. Staat, UofL (*faculty rep*)
Sebastian Torres, NKU (*student rep*)
Carol Wright, Tyner
Sherrill B. Zimmerman, Prospect (*chair*)
VACANT POSITION
Wayne Lewis, Commissioner of Education
(*ex officio, nonvoting*)

Aaron Thompson, Ph.D., CPE President

The Council on Postsecondary Education is Kentucky's statewide postsecondary and adult education coordinating agency charged with leading the reform efforts envisioned by state policy leaders in the *Kentucky Postsecondary Education Improvement Act of 1997*. The Council does not discriminate on the basis of race, color, national origin, sex, religion, age, or disability in employment or the provision of services, and provides, upon request, reasonable accommodation, including auxiliary aids and services necessary to afford individuals with disabilities an equal opportunity to participate in all programs and activities.

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AGENDA

Council on Postsecondary Education

Friday, November 16, 2018

10:00 AM

Southcentral KY Community & Technical College, Bldg F, Conf Rm

1. Welcome and Roll Call
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6. Other Business
7. Adjournment
 - Next meetings
 - February 21, 2018 - Council Member Retreat (Location: TBD)
 - February 22, 2018 - Joint Meeting of Council, Campus Presidents & Board of Student Body Presidents and Business Meeting (CPE Offices, Frankfort)

STAY CONNECTED TO THE CPE!



Council on Postsecondary Education
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Approval of Minutes

ACTION: Council staff recommends the approval of the minutes for the following Council meetings:

- September 20, 2018 – Work Session
- September 21, 2018 – Business Meeting
- October 25, 2018 – Business Meeting

Minutes of each meeting follow in the agenda packet.

Minutes
Council on Postsecondary Education
September 20, 2018

The Council on Postsecondary Education met Thursday, September 20, 2018, at 2:00 p.m., ET, at 1024 Capital Center Drive in Frankfort, Kentucky. Chair Sherrill Zimmerman presided. No official action was taken.

WELCOME

Chair Zimmerman called the meeting to order and welcomed everyone.

The following members attended in person: Ron Beal, Ben Brandstetter, Kim Halbauer, Lori Harper, Kristi Nelson, Vidya Ravichandran, Shawn Reynolds, Robert H. Staat, Sebastian Torres, Carol Wright and Sherrill Zimmerman.

The following members did not attend: Donna Moore, Joe Ellis, Lucas Mentzer, and Interim KDE Commissioner Wayne Lewis.

**PRESENTATION
FROM MOODY'S
INVESTORS
SERVICE**

Mary Katherine Cooney, associate vice president and analyst of the Public Finance Group, Higher Education, and Not-For Profit Team of Moody's Investment Service, presented to the Council. Her colleague, Susan Fitzgerald, associate managing director of Moody's, joined the following Q&A session. Dr. Cooney presented on a number of topics including Moody's portfolio and team, global credit themes, the higher education outlook for the nation, key credit themes relevant to public universities, and the trends Kentucky is specifically experiencing and how that will impact an affected campus's credit rating. Following the presentation, Dr. Cooney and Dr. Fitzgerald answered questions to clarify the data and information presented as well as provided examples of steps universities can take to positively impact their credit ratings.

**CELEBRATING
THE WORK AND
CONTRIBUTIONS
OF ROBERT L.
KING**

Robert L. King, CPE's third president, announced his retirement in March of 2018. To show appreciation for his work, the board and staff hosted a retirement celebration. Attendees to the celebration included current board members and staff, former board members and staff, Kentucky leadership, and other colleagues he worked with during his almost ten years of service to the CPE and Kentucky. Several attendees provided remarks including CPE's Executive Vice President Aaron Thompson, former Governor Paul Patton, State Budget Director John Chilton, and KDE Commissioner Wayne Lewis.

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DINNER Following the retirement celebration, Council members gathered for dinner with President King at Bourbon on Main in Frankfort. No action was taken.

ADJOURNMENT The meetings adjourned at 7:30 p.m., ET.

Aaron Thompson, PhD.
CPE President

Heather Faesy
Associate, Board Relations & Special Projects

Minutes
Council on Postsecondary Education
September 21, 2018

The Council on Postsecondary Education met Friday, September 21, 2018, at 9:00 a.m., ET, at the Council offices in Frankfort, Kentucky. Chair Sherrill Zimmerman presided.

**WELCOME AND
ROLL CALL**

Chair Zimmerman called the meeting to order and welcomed everyone. She gave a brief overview of the previous day's activities, which included President King's retirement celebration. Since this was his final meeting with the board, the audience gave him a final thank you for his service and a round of applause.

The following members were present: Ron Beal, Ben Brandstetter, Joe Ellis, Kim Halbauer, Lori Harper, Kristi Nelson, Vidya Ravichandran, Shawn Reynolds, Robert H. Staat, Sebastian Torres, Carol Wright, Sherrill Zimmerman, and Interim KDE Commissioner Wayne Lewis.

The following members did not attend: Lucas Mentzer and Donna Moore.

**APPROVAL OF
MINUTES**

The minutes of the June 21 and 22, 2018 and July 18, 2018 meetings were approved as distributed.

**AMENDED
COUNCIL
BYLAWS**

The CPE bylaws provide a framework for deliberations and actions of the CPE so that it may effectively carry out its duties and responsibilities. Among a variety of other items, the bylaws establish rules for notification and conduct of meetings, the selection of officers, and appointments to CPE committees.

Statutes related to CPE presidential compensation and video teleconferencing for Open Meetings were amended in the 2018 legislative session requiring conforming amendments to the bylaws. Because the current bylaws were last updated in 2005, the change in law also offered an opportunity to conduct a comprehensive review of all bylaw provisions. Between June and September 2018, both CPE staff and Council members provided input on needed updates and revisions.

Mr. Travis Powell, CPE's general counsel and associate vice president, presented the updated bylaws document for Council approval.

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MOTION: Mr. Beal moved the Council approve the bylaws as presented. Mr. Brandstetter seconded the motion.

Ms. Nelson suggested that Section VII.B.2. which states that meetings attended by teleconference are not eligible for per diem pay be removed for consistency.

AMENDED MOTION: Ms. Nelson moved that the bylaws be approved as presented with the deletion of Section VII.B.2. Dr. Staat seconded the motion.

VOTE: The amended motion was approved.

**NEW ACADEMIC
PROGRAMS**

KRS 164.020 (15) empowers the Council on Postsecondary Education to 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. At the meeting, Dr. Aaron Thompson, CPE's executive vice president and chief academic officer, presented one new academic program for approval.

University of Kentucky

- Bachelor of Arts in U.S. Culture and Business Practices (CIP 05.0102)

Dr. Anna Bosch, associate dean of the College of Arts and Sciences at the University of Kentucky attended the meeting and answer questions from the Council on the types of courses being offered in the program, whether it will require the addition of new faculty or additional expenses, and the employment potential for a graduate of the degree.

MOTION: Dr. Staat moved that the Council approve UK's new academic program as presented. Mr. Reynolds seconded the motion.

VOTE: The motion passed unanimously.

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**INTERIM CAPITAL
PROJECTS**

Mr. Shaun McKiernan, CPE's senior associate for finance and administration presented two interim capital projects for Kentucky State University (KSU):

1. Renovation of Hunter Hall - Convert the 24,700 square foot dormitory to office, classroom, and laboratory space, which will be occupied by KSU's land grant program. Hunter Hall was closed last year due to maintenance issues. This project will be funded with \$2,296,500 of federal funds and is expected to take 18 months to complete.
2. Mechanical repair of Old Young Hall, also known as "The Halls" - Will focus on the repair of the heating, ventilation, and air conditioning system and the fire alarm system. This 319-bed, 61,400 square foot dormitory was closed in 2013 due to concern for residents' health and safety, but with these repairs should be re-opened for the 2019 fall semester. It is estimated to require \$2,100,000 of agency restricted funds to complete.

As required by statute, the Finance and Administration Cabinet will oversee the design and implementation of these projects. The projects were approved by the KSU Board of Regents on September 6.

Mr. Greg Rush, KSU's special assistant to the president, answered questions regarding the current residential occupancy levels of KSU dormitory, if additional renovation will be needed following the completion of the projects, and if the additional beds will bring in additional revenue.

MOTION: Dr. Staat moved that Council approve KSU's two interim capital projects: (1) renovation of Hunter Hall and (2) mechanical repair of Old Young Hall. Ms. Ravichandran seconded the motion.

VOTE: The motion passed.

**COMMON
APPLICATIONS**

On April 27, the CPE Board approved a resolution directing staff to "work with campus leaders to explore the feasibility of a common application to public postsecondary campuses in Kentucky." Council staff then worked with the campus chief academic officers of the public

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universities to gauge their interest in pursuing a Kentucky common application. Additionally, a survey was distributed to university CAOs, public admissions directors, directors of enrollment, and registrars.

Ms. Melissa Young, CPE's director of grants development and special projects, provided an update on the Council's work and presented the recommendation that the Council form a work group to further research the options and potential costs associated with a common application for Kentucky.

Ms. Ravichandran stated she would like to include KCTCS and the private universities in the statewide common application so there is a seamless pathway. Ms. Nelson stated that the Kentucky Higher Education Assistance Authority should be involved in the development process, as well as the Kentucky Department of Education. Morehead State University's president Jay Morgan and Eastern Kentucky University's president Michael Benson both stated they wanted to include their campus enrollment and admission employees in the process as well.

Commissioner Lewis stated moving to a common application is a positive move and will help with developing a common language and process between the K-12 and postsecondary education community. Finally, Dr. Ellis wanted to ensure that the final product be both web-based and a mobile "app".

MOTION: Dr. Ellis moved that the staff form a work group to further research options and identify potential costs and funding sources in the development of a common application. Ms. Harper seconded the motion.

VOTE: The motion passed.

Chair Zimmerman appointed the following Council members to serve on the Common Application work group: Vidya Ravichandran (will serve as chair), Kristi Nelson, Robert Staat, and Wayne Lewis.

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CPE PRESIDENT'S REPORT TO THE COUNCIL	A written report from President King was provided in the agenda book. Highlights included an update on the presentation to the Interim Budget Review Subcommittee on Education on the adopted performance funding model and the progress of the two contract spaces work groups, which were formed under the direction of the 2018 Legislative Budget Bill.
COMMISSIONER OF EDUCATION REPORT	A written report from Commissioner Lewis was provided in the agenda book. He provided additional highlights on the approval of the updated high school graduation requirements, the release of the 2017-18 academic year test results, and clarification on the action taken by the Educational Professional Standards Board to remove the requirement that teachers obtain a master's degree to keep their teacher certification in Kentucky.
EXECUTIVE SESSION	<p>MOTION: Ms. Nelson moved that the Council go into executive discussion to discuss a matter involving potential litigation pursuant to KRS 61.810(1)(c). Dr. Staat seconded the motion.</p> <p>VOTE: The motion passed.</p> <p>The Council remained in executive session for 50 minutes.</p> <p>MOTION: Ms. Nelson moved that the Council go back into open session. Dr. Staat seconded the motion.</p> <p>VOTE: The motion passed.</p> <p>Chair Zimmerman confirmed that no action was taken in executive session and all discussion pertained to the matter identified in the motion.</p>
UPDATE ON DUAL CREDIT: POLICY, PROGRAM AND SCHOLARSHIP	Dr. Thompson and Dr. Dawn Offutt, CPE's senior associate for academic affairs, provided an update on CPE's work on dual credit. Dr. David Mahan, CPE's associate vice president for information, research and analysis, supplemented the discussion with associated data and interactive dashboard.

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The implementation of the Dual Credit Policy and the Dual Credit Scholarship Program in 2016 had a significant impact on the number of credit hours awarded for dual credit and dual enrollment courses in Kentucky. Additionally, dual credit course offerings and student enrollment have increased substantially over the last three years. Two key developments have led to those gains:

1. Implementation of the Dual Credit Policy in 2016, which included the establishment of the Dual Credit Advisory Council, whose purpose is to oversee the implementation of the policy, recommend a model for financing affordable dual credit coursework, and create an accountability system for monitoring the progress in creating access to dual credit and other opportunities that lead to college credit during high school.
2. Establishment of the Dual Credit Scholarship Program in 2016, which allows every Kentucky high school student to earn dual credit for up to two college courses, at no cost to the student.

Dr. Thompson brought forward several considerations and discussion points:

- Are we offering the right mix of courses?
- Is Kentucky's financial model for dual credit sustainable?
- Is there adequate access to the right courses?
- Is the pipeline for qualified instructors sufficient?

Further discussion centered on the effect of dual credit on the overall college-going rate, if participation in dual credit courses is increasing completion rates, and the balance of affordability to the student versus the campus's ability to sustain the cost of the courses. Dr. Mahan also walked through the data portal with Council members to show how they can review additional data on the matter.

Commissioner Lewis added that on the K-12 side that while some districts may not have high dual credit participation, those districts may have a greater participation in Advance Placement (AP) courses. He stated that it's a delicate balance to ensure that dual credit and AP courses are seen as complimentary and not competition.

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Dr. Thompson also pointed out that while Kentucky still has improvements to make, he stated that other states use Kentucky as a model of leadership to follow.

Finally, Commissioner Lewis briefed the Council on the Work Ready Kentucky Scholarship's new benefit of up to two CTE courses for high school students, and stated that it can be combined with the dual credit scholarship. Ms. Halbauer emphasized that marketing to the students through the appropriate channels should be a priority when building the comprehensive communications plan.

**STRENGTHENING
PARTNERSHIPS
AND ALIGNMENT
BETWEEN
HIGHER
EDUCATION AND
WORKFORCE**

**PART 1 OF 5:
THE ON-RAMP
INITIATIVE**

The 2016-21 Statewide Strategic Agenda sets forth a long-term, ambitious goal for the state of Kentucky: by the year 2030, 60 percent of Kentucky's adults will have a high quality postsecondary degree or certificate that is aligned with the state's workforce needs. Achieving this goal will take multiple strategies and this is a five part series that will focus on several programs and strategies that highlight postsecondary education's efforts to prepare students for dynamic, meaningful careers and respond to the needs of Kentucky employers.

The five parts of the series includes an exploration of the following:

1. The On-Ramp Initiative
2. The Quality Assurance Commons
3. Career Services
4. Curricular Pathways
5. The Four-Year Degree

Reecie Stagnolia, vice president for KY Skills U, and Dr. Jay Box, president of the Kentucky Community and Technical College (KCTCS), presented a new initiative that is being implemented to address America's skill gap: The On-Ramp Initiative.

KY Skills U and KCTCS have collaborated on this initiative to provide more succinct pathways to assist adult without a high school diploma toward a credential and/or degree that leads to viable long-term employment through multiple "exit ramps". This is accomplished though co-enrollment in one of the top five career and technical programs that aligns with sectors that utilize the Work Ready Kentucky

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Scholarship. As a result, the adult student can obtain both their GED and a certificate (at minimum) through one seamless pathway.

Discussion was held around the types of jobs currently held by those who do not yet have their high school diploma as well as how to encourage adults to get on the “On-Ramp” and take those first steps to join or rejoin the workforce

**PREVIEW OF
2018 STRATEGIC
AGENDA
CAMPUS
PRESENTATIONS**

Ms. Nimocks discussed the schedule of 2018 campus Strategic Agenda presentations. In previous years, each campus president presented to the board on a rotational basis with two to three campuses presenting at each Council meeting. Per the board’s request at the February 2018 retreat, the 2018 presentations will be held on the following schedule:

- Comprehensive four-year universities – November 15, 2018
- Research four-year universities – November 16, 2018
- KCTCS two-year colleges – February 21, 2019

**COMMITTEE ON
EQUAL
OPPORTUNITIES
REPORT**

A written report of the activities of the CEO meeting on July 23, 2018 was provided in the agenda book.

**CPE PRESIDENT
SEARCH
COMMITTEE
REPORT**

Ron Beal, chair of the committee, briefed the Council on the work of the committee and search firm to-date and next steps in the process. The committee met on September 20 to discuss the applicants and select semifinalists. The remaining dates of the committee are:

- October 3-4 – Interviews with semifinalists
- October 16 – Selection of finalists
- Late October – Finalist interviews and selection of President-elect.

**REPORTS FROM
INSTITUTIONS**

Reports from the institutions were provided in the agenda book.

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- RESOLUTIONS The Council approved resolutions for the following individuals:
- Deepa Dubal, Council on Postsecondary Education
 - Robert O. Davies, president, Murray State University
- ADJOURNMENT The next scheduled Council meetings are November 15-16, 2018 at the Southcentral Kentucky Community and Technical College. The meeting adjourned at 1:25 p.m., ET.

Aaron Thompson, Ph.D.
President

Heather M. Faesy
Associate, Board Relations & Special Projects

Minutes
Council on Postsecondary Education
Special Meeting
October 25, 2018

The Council on Postsecondary Education met in a special meeting on Thursday, October 25, 2018, at 10:00 a.m., ET, at the Council offices in Frankfort, Kentucky. Chair Sherrill Zimmerman presided.

**WELCOME AND
ROLL CALL**

Chair Zimmerman called the special meeting to order and welcomed everyone.

The following members attended in person: Ron Beal, Ben Brandstetter, Lori Harper, Lucas Mentzer, Donna Moore, Kristi Nelson, Vidya Ravichandran, Robert H. Staat, Sebastian Torres, Sherrill Zimmerman, and KDE Commissioner Wayne Lewis.

The following member attended by teleconference: Shawn Reynolds.

The following members did not attend the meeting: Joe Ellis, Kim Halbauer, and Carol Wright.

The purpose of the special-called meeting was to conduct interviews of the three finalists of the CPE President Search, and if appropriate, recommend and approve the fourth president of the Council on Postsecondary Education.

**OVERVIEW OF
THE SEARCH
PROCESS**

Ron Beal, chair of the President Search Committee, provided the following overview of the search process:

- In April of 2018, Chair Zimmerman appointed the 9-member search committee, which consisted of select Council members, including the faculty and student representatives, and Mike Benson, president of Eastern Kentucky University and Convener of the Conference of Presidents.
- Seven meetings of the committee were held between May and October.
- A Request For Proposal was issued to choose a firm to conduct the national search. The contract was subsequently awarded to AGB Search, and work began immediately

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following the finalization of the contract.

- AGB Search consultants identified and sought input from CPE leadership and campus presidents to identify the attributes of the next CPE president and used those results to develop the job announcement.
- The job announcement was released to national media and constituent groups in July and the firm confirmed receipt of 20 applicants before the deadline of September 4.
- In mid-September, the search committee reviewed the applications and identified semifinalists.
- Interviews with the semifinalists were held on October 3 and 4. Additionally, AGB Search researched, interviewed and conducted background checks on the applicants.
- On October 16, the committee met and approved the formal recommendation of three finalists: Dr. Robert Donley, Dr. Emily House, and Dr. Aaron Thompson.

**EXECUTIVE
SESSION**

MOTION: Dr. Staat moved that the Council go into closed session as provided in KRS 61.810(1)(f) for specific discussions related to candidates for the position of CPE President. Ms. Ravichandran seconded the motion.

VOTE: The motion passed.

The Council remained in executive session for eight hours and thirty minutes.

MOTION: Dr. Staat moved that the Council go back into open session. Mr. Torres seconded the motion.

Chair Zimmerman confirmed that no action took place during executive session and that only the matters identified in the motion were discussed.

VOTE: The motion passed.

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Council on Postsecondary Education
Special Meeting
October 25, 2018

APPROVAL OF THE
FOURTH
PRESIDENT OF
THE COUNCIL ON
POSTSECONDARY
EDUCATION

MOTION: Ms. Donna Moore moved that the Council approve Dr. Aaron Thompson as the fourth president of the Council on Postsecondary Education. Dr. Staat seconded the motion.

VOTE: The motion passed unanimously.

Following applause and congratulations, Dr. Thompson thanked the Council, staff and leadership for the show of confidence.

ADJOURNMENT

The meeting adjourned at 6:40 p.m., ET.

Aaron Thompson, Ph.D.
President

Heather M. Faesy
Associate, Board Relations & Special Projects

Council on Postsecondary Education
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CPE President Contract

On October 25, 2018, the Council unanimously approved Dr. Aaron Thompson for the fourth president of the Council on Postsecondary Education. Since that time, the Council's executive committee has been finalizing his two-year contract of service. The contract will be reviewed by the full Council for approval.

New Academic Programs

ACTION: The staff recommends that the Council approve the following new academic programs:

1. Murray State University: Bachelor of Science in Civil and Sustainability Engineering (CIP 14.0801)
2. Northern Kentucky University: Bachelor of Arts in Law (CIP 22.0000)
3. Northern Kentucky University: Master of Science in Exercise Science (CIP 31.0505)

KRS 164.020 (15) empowers the Council on Postsecondary Education to 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. Council staff has reviewed and recommends approval of the following programs:

Murray State University

Bachelor of Science in Civil and Sustainability Engineering (CIP 14.0801)

This 121-credit program directly responds to Governor Matt Bevin's challenge to public universities at the 2017 Governor's Conference on Postsecondary Education Trusteeship conference to increase the number of engineering graduates in the state as well as to the state's postsecondary strategic emphasis on STEM degrees. The program will equally focus on sustainability, environmental, structural, and transportation issues. After implementation, Murray will close some tracks of its current Civil Engineering Technology program. This is also in response to employer demand, which has shifted from engineering technology to engineering graduates.

Northern Kentucky University

Master of Science in Exercise Science (CIP 31.0505)

This 31-credit hour program will prepare clinicians for the American College of Sports Medicine's Registered Clinical Exercise Physiology certification and strength and conditioning coaches for the National Strength and Conditioning Association Certified Strength and Conditioning Specialist exam. This will be an accelerated

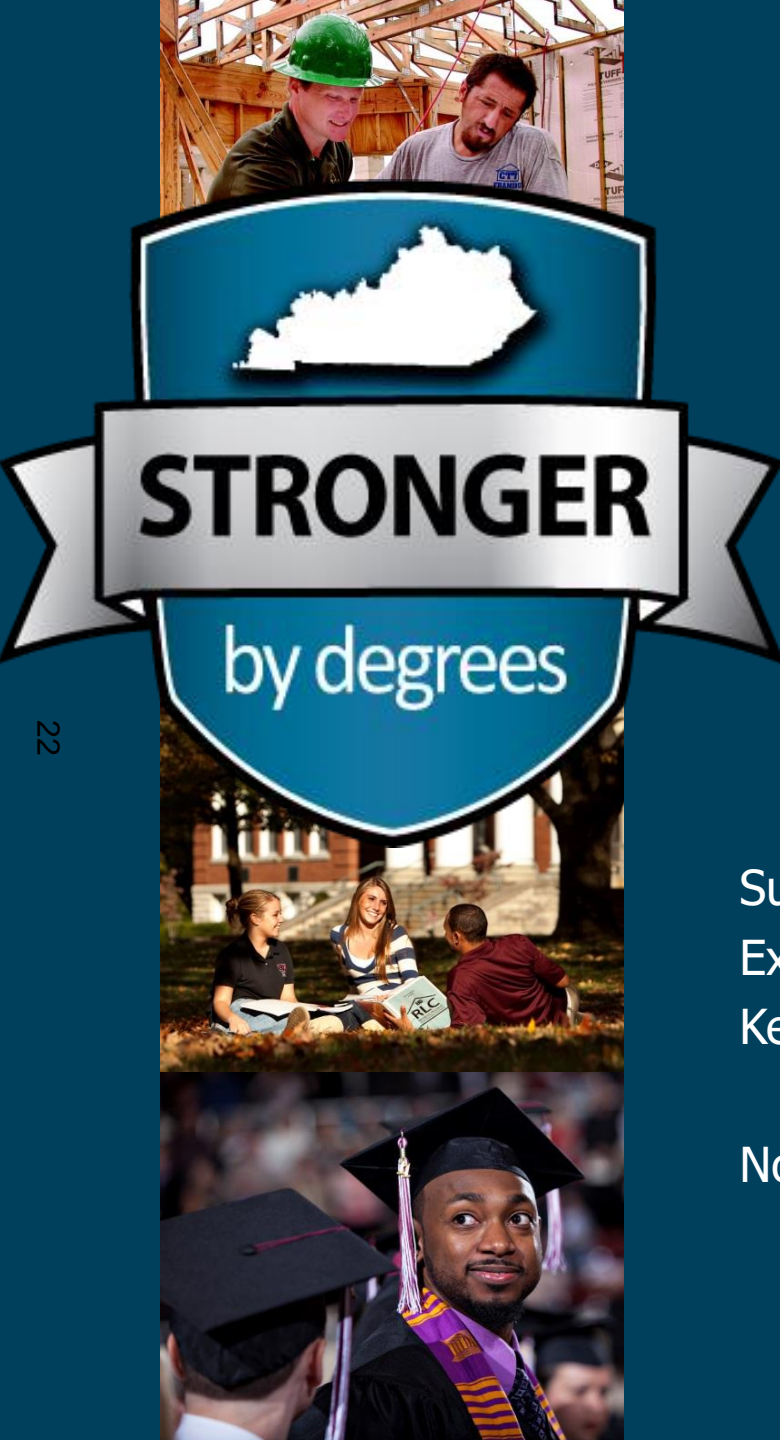
online program with courses offered in seven-week semesters, rather than traditional 16-week semesters. Many clinical settings now require employees to hold or obtain graduate degrees. With this program, graduates would be qualified for those high-level clinical positions in hospital and research networks.

Bachelor of Arts in Law (CIP 22.0000)

This 120-credit hour program would be the second baccalaureate-level degree in law offered in the United States. It would provide a multidisciplinary curriculum that includes opportunities for undergraduate students to take courses offered by faculty of the Chase College of Law. In a survey of regional employers in the manufacturing, training and consulting, banking, marketing, information technology, insurance and other industries, 89% agreed or strongly agreed the degree program is needed, and the majority of respondents indicated that their organizations would have openings for graduates with this degree over the next five years.

Strengthening Outreach and Communications

CPE President Aaron Thompson and Sue Patrick, executive director of Communications, will brief the board about upcoming outreach and communications initiatives including the president's statewide listening tour and increased communication from the agency and president's office about policy issues, state-level projects and initiatives, and higher education performance. They will also discuss strategies to engage the board more deeply in communications and advocacy efforts supporting student access and success, and the broader work of the Council.



Priorities for Communications and Outreach

Sue Patrick

Executive Director, Communications and Marketing
Kentucky Council on Postsecondary Education

November 16, 2018

Statewide Listening Tour



Purpose: Promote the value of higher education in local communities and regions.



Invitees: CPE members, campus leaders, faculty, staff, students, K-12 educators, students, regional business, political leaders, Kentucky Workforce Innovation Board, media.



Timeframe: Throughout 2019.

Statewide Listening Tour



Concept: 20-minute overview presentation on value with data points with opportunity for Q&A.

Additional opportunities:

- Invitation-only roundtable for listening session.
- Campus tours and presentations.
- Editorial boards and media interviews.
- Visiting local schools.
- Meetings with legislators.

How you can help: Help plan and engage in tour.

President's Quarterly Newsletter



Purpose: Highlight big successes and initiatives in the state that connect to the strategic agenda, key issues and what lies ahead.



Content: Include president's message, policy news, strategic agenda initiatives, campus success stories, infographics, links to reports.



Distribution: CPE members, campus and K-12 representatives, media, legislators/key leaders, the Governor's Office.

Communications for CPE Members



Purpose: To equip CPE members with information to be higher education advocates in your communities.



Deliverables: Quarterly communications, such as guest editorials, letters to the editor, FAQs, infographics.

Latest addition: Work Ready Kentucky Scholarships FAQ, letter to the editor.

Ongoing Communications

- **Media relations**
- **CPE website:** <http://cpe.ky.gov>.
 - Interactive data portal: <http://cpe.ky.gov/data/>.
 - News release archive: <http://cpe.ky.gov/news/archive>.
- **Social media**
 - Twitter: <https://twitter.com/CPENews>.
 - Facebook: <https://www.facebook.com/KYCPE/>.
- **News Clips:** Daily email distribution.
- **Policy Insight:** <http://insight.councilonpostsecondaryeducation.org>.

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Your Feedback



Sue Patrick
Executive Director, Communications and Marketing
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QUESTIONS?

Work Ready Kentucky Scholarship FAQ

What is the Work Ready Scholarship? Governor Matt Bevin and the legislature created the scholarship program to meet the increasing demand for skilled workers in Kentucky's fastest growing industry sectors: healthcare, business and information technology, construction trades, transportation and logistics, and advanced manufacturing. The scholarship covers the remaining cost of tuition and fees after federal, state and campus grants and scholarships are applied. The result is a free college education for eligible programs.

Why is this important for Kentucky? Kentucky is working to increase workforce participation and the education levels of the population to help build the economy, strengthen business and industry, and provide more opportunity for citizens. While progress is being made in both areas, many citizens need financial help to make the dream of college then career come true. The Work Ready Scholarship program gives people of all ages and backgrounds significant tuition assistance to pay for career-related certificates, diplomas and Associate in Applied Science degrees in fields where there are good paying jobs.

Who administers the scholarship program? The Kentucky Higher Education Assistance Authority (KHEAA) administers the Work Ready KY Scholarship program in partnership with the Education and Workforce Development Cabinet.

Who is eligible?

- Kentucky high school students enrolled in dual credit coursework that is part of an approved Career and Technical Education (CTE) pathway.
- Kentucky residents who are high school or GED graduates, but have not earned an associate degree or higher.
- Kentucky residents working toward a GED with Accelerating Opportunity Kentucky (AOKY), a program that pairs GED instruction with career training at a KCTCS college.

How do these scholarships work? Scholarship awards are on a first-come, first-served basis. Participating campuses verify each student's eligibility, including enrollment in an approved program. Students are required to maintain a 2.0 GPA to retain eligibility from one semester to another. Scholarship eligibility is limited to sixty credit hours or four semesters; or receipt of first associate degree, whichever condition occurs first.

Which postsecondary institutions are eligible for participation? Kentucky community and technical colleges, four-year Kentucky public universities, and other Kentucky institutions that participate in the Federal Pell grant program that are accredited by a recognized regional or national accrediting body, and are licensed by the KY Council on Postsecondary Education. KCTCS institutions offer the majority of programs. However, four-year institutions offering approved programs for the 2018-2019 academic year are Eastern Kentucky University, Northern Kentucky University, University of Kentucky, Western Kentucky University, Campbellsville University, Spalding University, Sullivan University and the University of the Cumberlands.

What academic programs are eligible for the scholarship? The list of approved programs is subject to changes from year to year. The current list of approved programs is available on KHEAA's website at https://www.kheaa.com/pdf/wrks_approved_programs.pdf.

What does the scholarship cover? Work Ready Scholarship amount is equal to the amount remaining after subtracting federal and state grants and scholarships from the tuition and fees charged by the postsecondary institution, not to exceed the KCTCS in-state hourly tuition rate and fees up to \$400 per year. For example, a student enrolled full-time with tuition and fee charges of \$4,500 and federal/state aid of \$1,500 would receive a Work Ready KY Scholarship for \$3,000.

Can the scholarship help pay for dual credit courses? Kentucky high school students in grades 9-12 may receive a Work Ready KY Scholarship to pay for up to two dual credit courses that are part of a KDE-approved Career and Technical Education pathway. Students in grades 11-12 must exhaust their eligibility for the Dual Credit Scholarship program before they can receive a Work Ready KY Scholarship. (The Dual Credit Scholarship can be used for either general education or CTE dual credit coursework.)

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Sample letter to the editor

(Suggested length is 200 words or less. The body is 195. Some news outlets will let you go up to 250).

Dear Editor,

I know there are many young people and adults in our community who want to attend college to get on a career ladder, but worry that it is financially beyond their reach.

As a member of the Council on Postsecondary Education, the state's coordinating agency for higher education, I'd like to remind everyone that Kentucky has a great scholarship program called Work Ready Kentucky. These scholarships are for those who need a certificate or associate degree to pursue a career in high-demand industries such as healthcare, business, information technology, construction, transportation or manufacturing. The scholarship is a great way to attend college free: the scholarship amounts cover whatever federal and state grants do not cover, based on individual circumstances.

The scholarship is also a great way to skill up our area's workforce in these high-demand industries, which will make our region much more attractive to industries looking to locate in the area or expand their operations.

So, if you're the parent of a high school student, a student yourself, or even someone who has already graduated from high school or earned a GED, please check out the information about Work Ready Kentucky's scholarships at <https://workreadykentucky.com/>.

Thank you.

NAME

Report from the Commissioner of Education

The following is a report from Dr. Wayne Lewis, Commissioner of the Kentucky Department of Education.

DR. LEWIS SELECTED AS KENTUCKY COMMISSIONER OF EDUCATION

The Kentucky Board of Education selected Dr. Wayne Lewis as permanent commissioner. Following contract negotiations, the board set his salary at \$200,000 per year plus benefits.

NEW HIGH SCHOOL GRADUATION REQUIREMENTS

The Kentucky Board of Education voted unanimously Wednesday to approve a proposal that will change minimum high school graduation requirements for students who will graduate in the Classes of 2023 and 2024. The requirements will be subject to a 30-day public comment period, likely to begin on November 1.

“Oct. 3, 2018 should be remembered as a day which will change the trajectory for Kentucky’s students,” said Kentucky Board of Education Chairman Hal Heiner. “Through these requirements we are setting a bar for students that will ensure that all Kentucky public high school graduates will be ready for college or a career immediately upon graduation.”

Kentucky Education Commissioner Wayne Lewis spoke to the board preceding the vote about the challenges facing students in today’s classrooms, providing data from K-PREP, NAEP, and ACT test scores. In 2018, he said, 63 percent of 8th-grade students were scored Proficient or higher in reading, and 46 percent in math. The 2017 NAEP scores showed 25 percent of 8th-graders scoring below basic in reading, and 35 percent in math. The scores for individual student groups, particularly low-income, and African American students were much lower. Nonetheless, Kentucky boasts one of the highest high school graduation rates in the country – awarding 93 percent of its 12th-grade students a high school diploma.

Lewis also cited data from the Kentucky Center for Statistics that shows that of the 37,217 students who graduated in the Class of 2010, only 6,851 completed a 4-year degree over a 7-year period and are earning an average annual wage of \$33,793.

"Rather than celebrate our high school graduation rate, we should hang our heads in shame that what we've given to many students is a certificate of attendance."

The proposed minimum high school graduation requirements are aligned to the "profile of a graduate" described by post-secondary educators and business and industry leaders that say that high school graduates should be able to clearly communicate, achieve academically, critically think, adapt to change and collaborate.

In order to develop these skills, under the proposed requirements a graduate would complete a minimum of 22 credits and demonstrate foundational skills in reading and mathematics on high school assessments. These assessments can be taken more than once and appeals could be made to a local superintendent if necessary.

High School Graduation additional requirements include:

- completing the state science and social studies assessments
- passing a state-mandated civics test
- receiving instruction in financial literacy
- demonstrating essential skills and technology

The requirements are divided into three components: **foundational, personalized, and transition-ready.**

Under the foundational and personalized components students must successfully complete:

- English I and II AND 2 additional English language arts credits aligned with the student's Individual Learning Plan (ILP)
- Algebra I and Geometry AND two additional mathematics credits aligned with the student's ILP
- 3 credits social studies (at least 1 aligned with the student's ILP)
- 3 credits science (at least 1 aligned with the student's ILP)
- 1/2 credit health
- 1/2 credit physical education
- 1 credit visual and performing arts
- 6 additional credits aligned with the student's ILP

Students must be able to demonstrate that they are transition ready through academic readiness by:

- Scoring at or above the benchmark score as determined by the Council on Postsecondary Education (CPE) on the college admissions examination; or

- Completing 6 or more hours of KDE-approved dual credit courses and receiving a grade of B or higher in each course; or
- Completing 2 or more Advanced Placement (AP) courses and receiving a score of 3 or higher on each AP assessment; or
- Receiving a score of 5 or higher on 2 examinations for International Baccalaureate (IB) courses; or
- Scoring at or above the benchmark on 2 or more Cambridge Advanced examinations; or
- Completing a combination of academic readiness indicators listed above.

Or, students could demonstrate that they are transition ready through career readiness by:

- Scoring at or above the benchmark on industry certifications as approved by the Kentucky Workforce Innovation Board (KWIB) on an annual basis; or
- Scoring at or above the benchmark on Career and Technical Education (CTE) end-of-program assessments for articulated credit; or
- Completing 6 or more hours of KDE approved CTE dual credit courses, and receiving a grade of C or higher in each course; or
- Completing a KDE-approved or Labor Cabinet-approved apprenticeship; or
- Completing a KDE-approved alternate process to verify exceptional work experience.

The Kentucky Department of Education will accept public comments on the regulation through November 30. The board will review and consider any public comments submitted during the 30-day comment period at an upcoming meeting this fall, and the requirements will then move to the Kentucky General Assembly legislative committee for final approval.

KENTUCKY ACADEMIC STANDARDS UPDATE

On Oct. 2 and 3, the Kentucky Board of Education approved new or revised standards for reading and writing, mathematics, health, physical education and computer science. Each of the standards will now move on to the next step of the regulatory process, which will include a public hearing and legislative review. The standards are scheduled to be implemented during the **2019-20** school year.

The Kentucky Academic Standards contain the minimum required standards that all Kentucky students should have the opportunity to learn before graduating from Kentucky high schools. The standards address what is to be learned, but do not

address how learning experiences are to be designed or what resources, such as books or software, should be used. Of note, this is the first time Kentucky has developed computer science standards.

Senate Bill 1 (2017) calls for the Kentucky Department of Education to implement a process for reviewing all academic standards and aligned assessments.

ASSESSMENT AND ACCOUNTABILITY UPDATE

On September 26th the 2017-2018 assessment and accountability results were released and identified the state's lowest performing schools as well as those struggling to meet the needs of specific groups of students.

Fifty-One (51) schools were identified for Comprehensive Support and Improvement (CSI), meaning they are in the bottom 5 percent of schools at their level (elementary, middle or high) in the state or had a graduation rate below 80 percent. CSI schools will receive state support in the current school year to help them improve.

Four hundred and eighteen (418) schools were identified for Targeted Support and Improvement (TSI) as a result of having at least one student group performing as poorly as schools in the bottom 5 percent. Schools not identified as CSI or TSI are identified as "Other" this year.

TSI identification allows schools to focus on raising achievement for groups of students who have been underserved, and may have previously been hidden by overall school achievement data.

ACT scores, which are based on all public school juniors taking the test last spring, also mimicked a national downturn, with across the board performance declines in English, mathematics, reading and science.

Kentucky is in the process of phasing in a new accountability system, which is scheduled to be fully implemented in the 2018-2019 school year and conforms to requirements of the federal Every Student Succeeds Act (ESSA) and Senate Bill 1 (2017). Once implemented fully, school and district performance will be classified using Kentucky's 5-star rating system.

FIVE KENTUCKY SCHOOLS WIN BLUE RIBBON HONORS

The U. S. Department of Education (USED) named five Kentucky public schools as 2018 National Blue Ribbon Schools, based on their overall academic excellence.

The five Kentucky schools and their districts are:

- Huntertown Elementary – Woodford Co
- Oak Hill Elementary – Pulaski Co.
- Paintsville Elementary – Paintsville Ind.
- Spottsville Elementary – Henderson Co.
- Wyan-Pine Grove Elementary – Laurel Co.

The Kentucky schools are among an elite group of public and private, elementary, middle and high schools across the country recognized this year. There also are six private schools in Kentucky named as part of the 2018 cohort of Blue Ribbon Schools.

Strengthening Partnerships and Alignment between Higher Education and the Workforce

The 2016-21 Statewide Strategic Agenda sets forth a long-term, ambitious goal for the state of Kentucky: by the year 2030, 60 percent of Kentucky's adults will have a high quality postsecondary degree or certificate that is aligned with the state's workforce needs. Achieving this goal will take multiple strategies. This five-part series is focusing on several programs and strategies that highlight postsecondary education's efforts to prepare students for dynamic, meaningful careers and respond to the needs of Kentucky employers.

Part Two of Five: **The Quality Assurance Commons for Higher Education**

Increasingly, employers are saying that transcripts are not useful. They are looking for better ways to identify whether college graduates have the skills needed to be successful in employment. The QA Commons is leading one effort to respond to this need. QA Commons' Essential Employability Qualities Certification is a quality assurance process that identifies certificate, associate, and baccalaureate programs that prepare graduates with the Essential Employability Qualities (EEQs).

The EEQs are centered on people skills, problem-solving abilities, and professional strengths that are needed to thrive in the 21st century workforce. EEQ certification will signal to employers that a program focuses on these EEQs and engages employers in program design and evaluation.

Kentucky is the first state to pilot this certification process. Three KCTCS institutions (Bluegrass Community and Technical College, Gateway Community and Technical College, and Jefferson Community and Technical College) will participate, as will Kentucky State University, Murray State University, and the University of Kentucky. Each institution will choose at least three academic programs that will go through the EEQ certification process.

The programs will be evaluated on criteria related to graduate preparation, career support services, employer engagement, student and alumni engagement, and public

information. Programs that meet all of the criteria will be EEQ Certified in spring 2020. The six participating campuses will work together in a learning community to share resources and good practices. A Steering Committee comprised of institutional leadership and key employers in the state will guide the initiative.

Dr. Melissa Bell, CPE's associate vice president for academic affairs, and Dr. Ralph Wolff, founder and president of The Quality Assurance Commons, will provide a high level overview of the process and answer questions from the Council.

**Strengthening Partnerships and Alignment between
Higher Education and the Workforce
Five Part Series – Full Schedule**

Part 1	<u>The On-Ramp Initiative</u> : A focus on Adult Education's role in addressing the skills gap.	Sept 21, 2018
Part 2	<u>QA Commons</u> : A focus on how quality assurance for work and life is being integrated at our postsecondary institutions and its benefits for our students.	Nov 16, 2018
Part 3	<u>Career Services</u> : A focus on the role of our institutions' career navigators from admission to graduation.	Feb 22, 2019
Part 4	<u>Curricular Pathways</u> : A focus on student courses that address needed skills in changing workforce.	Apr 26, 2019
Part 5	<u>The Four-Year Degree</u> : Balancing academic mission with workforce preparedness.	June 28, 2019



the **QA** commons

THE QUALITY ASSURANCE COMMONS
for HIGHER and POSTSECONDARY EDUCATION

The EEQ CERT

A New Approach For Assuring Workforce Readiness

The Essential Employability Qualities Certification (EEQ CERT) is a new form of higher and postsecondary education quality assurance that will certify bachelors, associates, and certificate programs that prepare graduates with Essential Employability Qualities:



People skills such as collaboration, teamwork, and cultural competence

Problem-solving abilities such as inquiry, critical thinking, and creativity

Professional strengths such as communication, work ethic, and technological agility

Criteria for Certification

The EEQ CERT will certify programs based on demonstration and evidence of meeting the following criteria:

1. The program assures that all learners graduate with the Essential Employability Qualities.
2. The program prepares all students for employability.
3. Employers are engaged in assuring program relevance and quality.
4. Students and graduates are engaged in assuring program relevance and quality.
5. The program provides information to the public regarding employability preparation and outcomes.

What The EEQ CERT Will Do

For Employers

- ✓ Provides a signal to employers that an EEQ certified program prepares its graduates effectively for the world of work.
- ✓ Makes visible quality programs that could become “preferred providers” of talent for employers.
- ✓ Ensures that employers are substantively engaged in the design and evaluation of certified programs.



For Prospective Students

- ✓ Communicates relevance and value of a given program.
- ✓ Provides third-party validation to reduce risk and increase confidence.
- ✓ Gives graduates of EEQ CERT programs a way to communicate the quality of their preparation to prospective employers.

For Higher Educational Leaders

- ✓ Allows leaders to demonstrate to stakeholders that they are meeting their institutional mission and contributing to the public good by preparing their students for employability.
- ✓ Provides external third-party certification to greatly support efforts in student admissions, retention, completion, and satisfaction; employer and community-based partnership development and satisfaction; and alumni engagement and satisfaction.

For Faculty & Administrators

- ✓ Supports and ensures that programs are relevant and valuable given the changing world of work.
- ✓ Provides insights and capacity-building resources for developing and integrating important institutional support services, such as career services.
- ✓ Offers a national learning community to share promising and successful practices across disciplines and institutions.

About The Quality Assurance Commons

The Quality Assurance Commons for Higher & Postsecondary Education (The QA Commons) was established with funding from Lumina Foundation to create a new approach to quality assurance to respond to the changing landscape of higher and postsecondary education and to serve the needs of learners, employers, and our larger society. As a result of our work—and in partnership with 27 academic programs from 14 institutions across the country—we have designed the Essential Employability Qualities Certification, or EEQ CERT.

Contact

Interested in learning more about the EEQ CERT?

Melanie Booth, Executive Director: melanie@theqacommons.org

Ralph Wolff, President & Founder: ralph@theqacommons.org

Kentucky EEQ Certification Initiative

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CPE Meeting
Nov 16, 2018
Bowling Green



the QA commons
THE QUALITY ASSURANCE COMMONS
for HIGHER and POSTSECONDARY EDUCATION

The Quality Assurance Commons for Higher & Postsecondary Education

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MISSION:

To develop a new approach for quality assurance that responds to the changing landscape of higher and postsecondary education and will serve the needs of learners, employers, and the larger society.



Gaps Between Higher Education & Employers

98% of Chief Academic Officers rate their institutions as very or somewhat effective at preparing students for the world of work,

BUT ...

Only 11% of business leaders strongly agree that graduating students have the skills and competencies they need.

Source: 2015 Gallup-Purdue Index



Students' Perspectives

Only 25% of students are in
a major with established
career paths at their
institutions

AND...

Only 40% of seniors feel
their college experience
has been very helpful in
preparing for a career.

Source: McGraw Hill's 2016 Workforce Readiness
Survey

3 DIMENSIONS OF THE GAP

1. Skills Gap

2. Documentation of Students' Abilities

3. Identification of /Alignment with Employer Needs



The EEQ CERT Pilot

In 2017-18, we partnered with 27 programs from 14 colleges and universities to co-design a certification for educational programs that found:

- The self-assessment and feedback led to change and added value
- Value was found in sharing through a learning community
- Many good practices
- Likely certification would require program change



LESSONS LEARNED – FIVE CRITERIA

1. Graduate Preparation

- Lack of clear graduate proficiencies
- Not job related
- Not well assessed

2. Career Support Services

- Too little too, too late
- Disconnected from other services/academic programs
- Little support for humanities and social science majors



LESSONS LEARNED – FIVE CRITERIA

3. Employer Engagement

- Too often promotional
- Little connection to taught curriculum/assignments
- Increasingly frustrated, seeking other approaches

4. Student and Alumni Engagement

- Little beyond course evaluation
- Lack of adaptation to adult students
- No attention to alumni



LESSONS LEARNED – FIVE CRITERIA

5. Public Information

- Typically lists courses not career pathways
- Little connection to employers
- Lack of completion or salary and other information



Overview of the Kentucky EEQ Certification Initiative



6 Campuses - 20 Participating Programs

3 KCTCS Campuses

Bluegrass Community and Technical College

Gateway Community and Technical College

Jefferson Community and Technical College

- AAS in Computer and Information Technologies
- AAS in Industrial Maintenance Technology (Advanced Manufacturing Track)
- AAS in Medical Assisting

University of Kentucky

- BS in Accountancy
- BHS in Clinical Leadership and Management
- BS in Equine Science and Management

Kentucky State University

- BS in Nursing
- BA in Elementary Education
- BA in Business Administration
- BS in Computer Science

Murray State University

- BS in Construction Engineering Technology
- BS in Telecommunications Systems Management
- BS In Occupational Safety and Health

Initiative Outcomes

The QA Commons' and CPE's draft outcomes:

- Enhance strategic partnerships between institutions and employers.
- Bolster employability and career development supports for students.
- Demonstrate students' achievement of Essential Employability Qualities.
- Identify and disseminate evidence-based employability practices.

Timeline – Future Steps

- Initiative Launch – November 2018
- Monthly learning community meetings
- Self-assessments submitted 1/31/19; Action plans submitted 4/1/19
- Summer break for faculty, employer/administrator convening
- Portfolios submitted 11/22/19; independent review and feedback reports
- Wrap up convening 2/14/20
- Scale to larger number of programs/institutions?



Employer Advisory Committee

- Include key employers, provosts, students
- chaired by Pat Murphy, UPS

Goals

- Connect the Initiative to Statewide Needs
- Follow program progress and offer advice
- Build business and industry endorsements
- Support funding requirements



Questions?

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How would the Council like to be informed/involved?



the **QA** commons

THE QUALITY ASSURANCE COMMONS
for HIGHER *and* POSTSECONDARY EDUCATION



the **QA** commons
THE QUALITY ASSURANCE COMMONS
for HIGHER and POSTSECONDARY EDUCATION

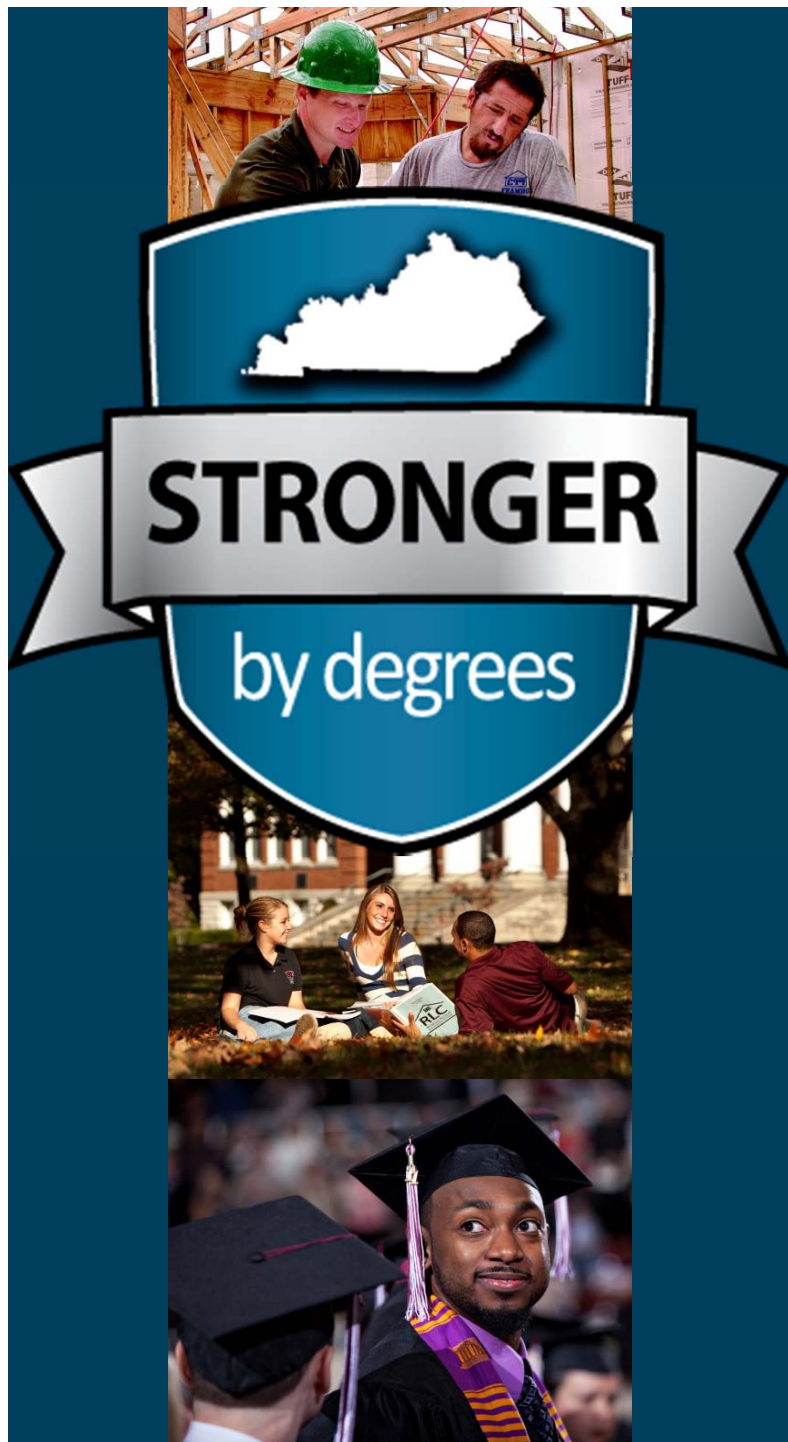
Improving Opportunity and Access to Postsecondary Education: Kentucky's New GEAR UP Program

The Kentucky Council on Postsecondary Education was awarded a \$24.5 million GEAR UP federal grant to increase the number of low-income students graduating from high school and enrolling in college. The program is designed to serve a minimum of 10,000 students in middle and high schools in at least 10 school districts, and continue to provide support through their first year of college.

GEAR UP focuses on identifying and closing achievement gaps of low-income, underrepresented and underprepared students. The program provides three categories of services to boost student success: direct services for students and parents, school support services, and statewide and community services.

GEAR UP has three nation goals: increasing academic performance and college preparation; high school graduation and participation in college; and increasing student/family knowledge of options, preparation and financing.

The federal funds are matched dollar-for-dollar by local, state, and national partnerships, for a total impact of \$49 million over a seven-year funding cycle. This is the fourth GEAR UP grant awarded to CPE.



GEAR UP Kentucky 4

Gaining Early Awareness & Readiness for
Undergraduate Programs

Melissa Bell

Associate Vice President, Academic Affairs
Kentucky Council on Postsecondary Education

November 16, 2018

GEAR UP Kentucky

Funded: October 1, 2018

Amount: Federal - \$24.5 million (3.5 annually)

Total impact w/match - \$49 million

Grant Cycle: Seven Years (2018 – 2025)

Serving: at least 10,000 students and their families (3 cohorts)

at least 10 school districts (20+ schools)

Statewide outreach and support

GEAR UP Kentucky

A U.S. Department of Education competitive grant program

Goal: To increase the number of low-income students that graduate from high school ***and*** enroll ***and*** complete postsecondary education.

GEAR UP Kentucky

National Objectives:

Objective #1

Increase academic performance & preparation for postsecondary education

Objective #2

Increase high school graduation and postsecondary enrollment rates

Objective #3

Increase student and family knowledge of postsecondary education options, preparation, and financing



GEAR UP Kentucky

Program Mission:

Pillar: Self	Pillar: Family	Pillar: Institution	Pillar: Community
Curriculum	Curriculum	Technology & Assessments	Communication Campaign
Advising & Assessments	Advising & Support	Peer Learning Community	Statewide Institute
Campus Experiences	Campus Experiences	Professional Development	Partnership Development
Leadership Development	Leadership Development	Leadership Development	Leadership Development



GEAR UP Kentucky

Key partnerships include:

Kentucky Department of Education,
Kentucky Broadcasters' Association,
Kentucky Postsecondary Institutions,
National Council for Community and Education
Partnerships (NCCEP),
Texas Instruments,
Prichard Committee for Academic Excellence,
College Equipped Readiness Assessment (CERT),
KnowHow2GOKy,
Dave Ramsey Solutions



GEAR UP Kentucky

Progress To-date:

The leadership staff have been recruited and most will start on the first of December.

Schools are being finalized this week and should be announced by the end of next week.

Data collection and full staff training will begin in January and a curriculum committee will begin reviewing and customizing the resources, standards, student learning outcomes soon after



Melissa Bell
Associate Vice President, Academic Affairs
Kentucky Council on Postsecondary Education



QUESTIONS?

Council on Postsecondary Education
November 16, 2018

Preview of the Upcoming Legislative Session

The 2019 Legislative Session is set to begin on January 8, 2019 and conclude on March 29, 2019. Some important dates to highlight (pending no changes) include:

- Last day for new Senate bills: February 15
- Last day for new House bills: February 19
- Concurrence: March 12-13
- VETO session: March 14-25
- SINE DIE: March 29

Mr. Ron Carson, legislative liaison, and Mr. Travis Powell, general counsel and associate vice president, will provide the Council with legislative news of interest.



Program Review and Investigations Committee

Aaron Thompson, Ph.D.

President

Kentucky Council on Postsecondary Education

11/8/2018

Overview

1. CPE response to report
2. Core issues
3. Challenges to college affordability
4. Efforts to maintain affordability
5. Current status
6. Areas of Concern
7. Solutions going forward

1. Response to Program Review Report

- Comprehensive study
- Standard affordability indicators
- Includes trend and comparative data
- Appropriate comparison groups
- Recognized data sources
- Fact-based analysis
- Findings are as expected

2. Core Issues

- A convergence of factors has strained campus budgets and placed upward pressure on tuition and fees
- Although funding cuts in Kentucky ranked among the worst nationally, tuition increases were near average
- Average net price at Kentucky colleges and universities compares favorably both regionally and nationally
- Council adopted tuition ceilings and growth in campus student aid funding have helped maintain affordability
- Students and families are paying a larger share of college costs than was the case a decade ago



Core Issues (Cont'd)

- Growth in student loan debt is an indicator that college has become less affordable for some Kentucky students and families
- A challenge to affordability for low-income students has been insufficient funding for CAP and KTG
- Additional reductions in state support will continue to make college less affordable and move the state toward a privatized system of higher education

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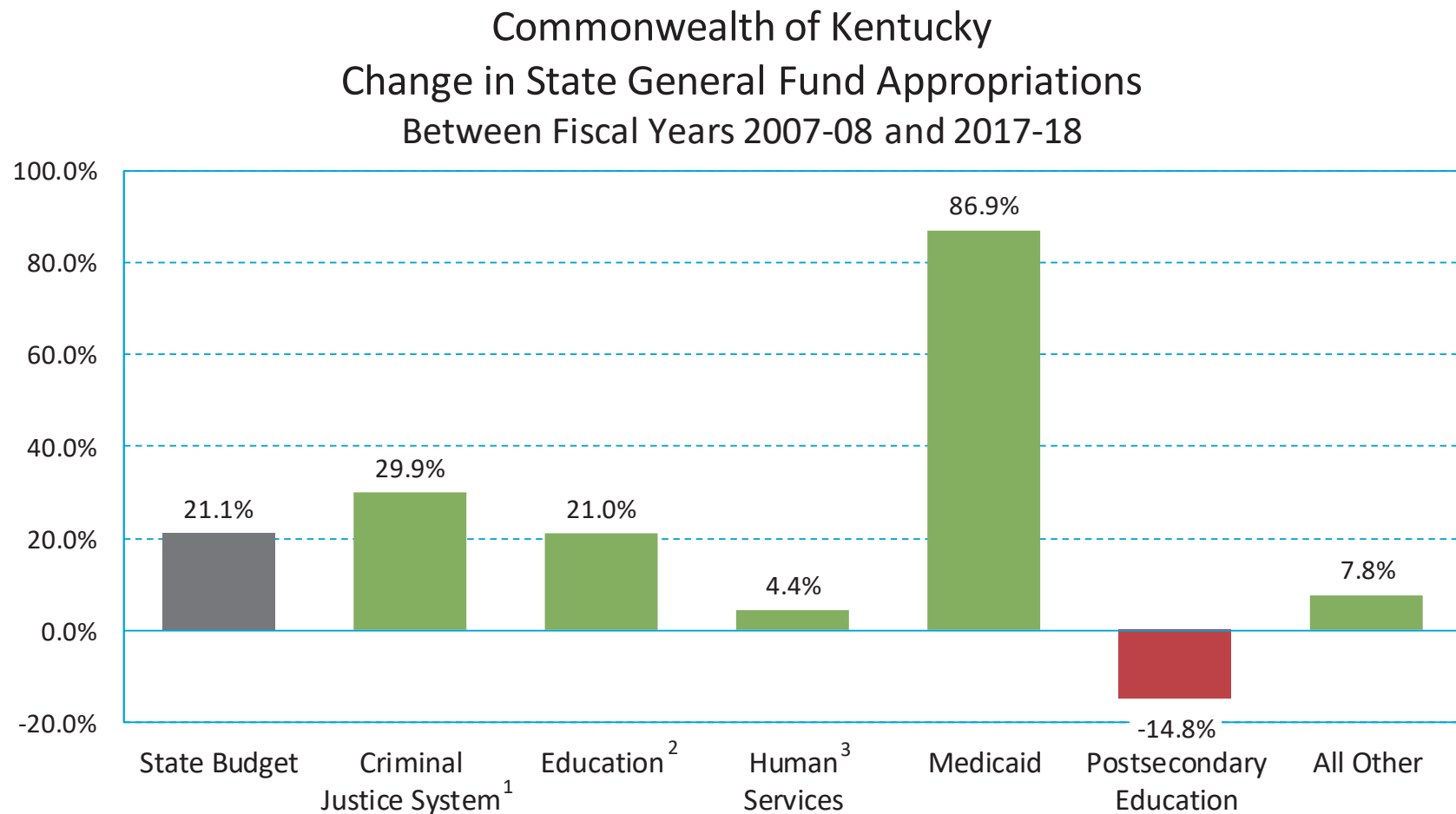
3. Challenges to Affordability

- Over the past decade, allocation of state budgets has focused on other priorities (e.g., Medicaid, corrections)
- Public colleges and universities have sustained a decade of funding cuts (9 cuts over 10 years)
- There has been a shifting of responsibility for M&O and other costs from the state to institutions
- Mandated KERS rate increases have more than doubled employer-paid retirement contributions
- State funding cuts and mandated cost increases have placed upward pressure on tuition and fees



Challenges to Affordability

Focus on Other Priorities



¹ Criminal Justice includes the Unified Prosecutorial System, Justice and Public Safety Cabinet, and the Judicial Branch.

² Education includes the Department of Education, Teachers' Retirement System, School Facilities Construction Commission, and Education Professional Standards board.

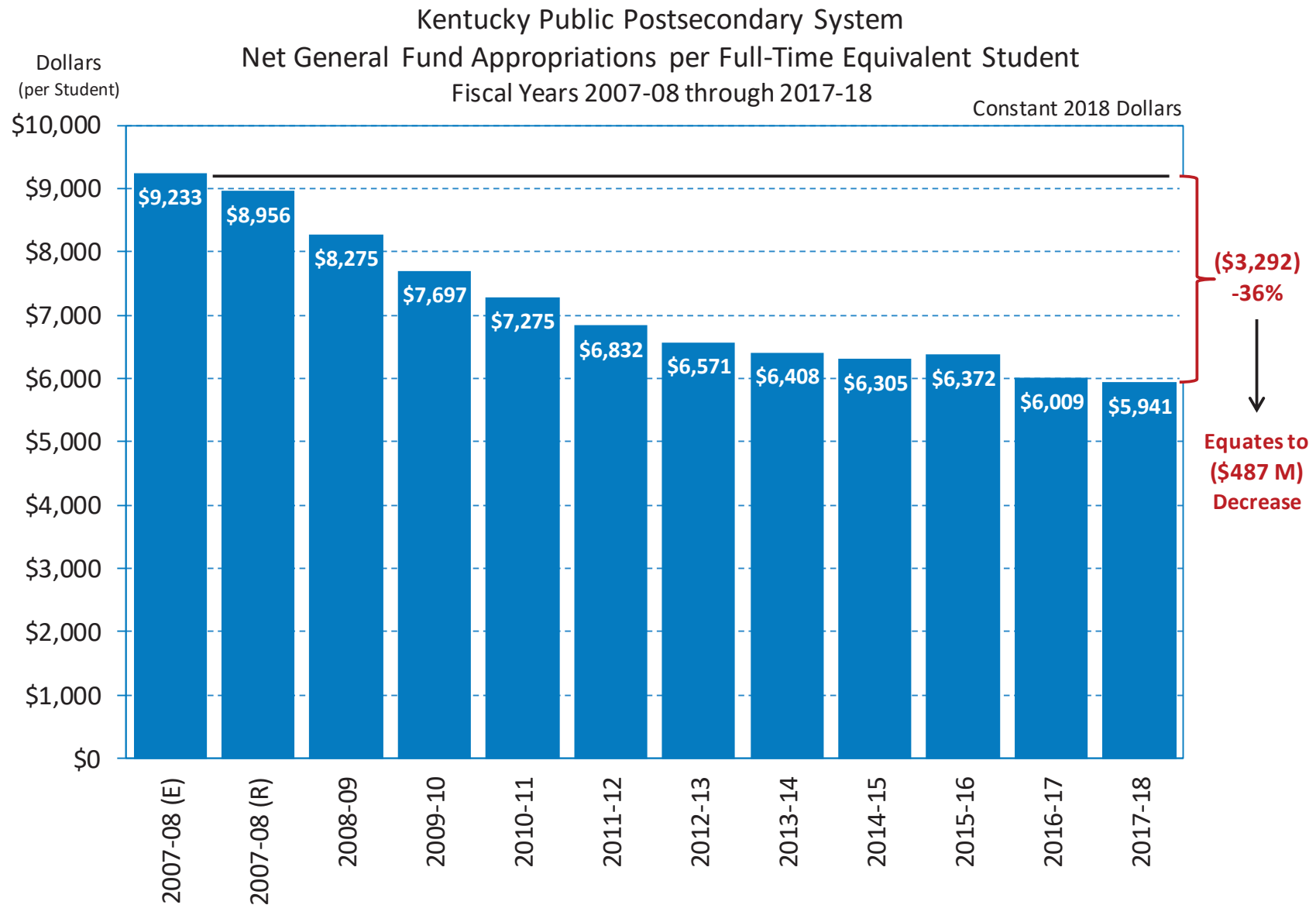
³ Human Services includes the Health and Family Services Cabinet (net of Medicaid).

Source: Kentucky Budgets of the Commonwealth, various years.



Challenges to Affordability

Decade of Funding Cuts

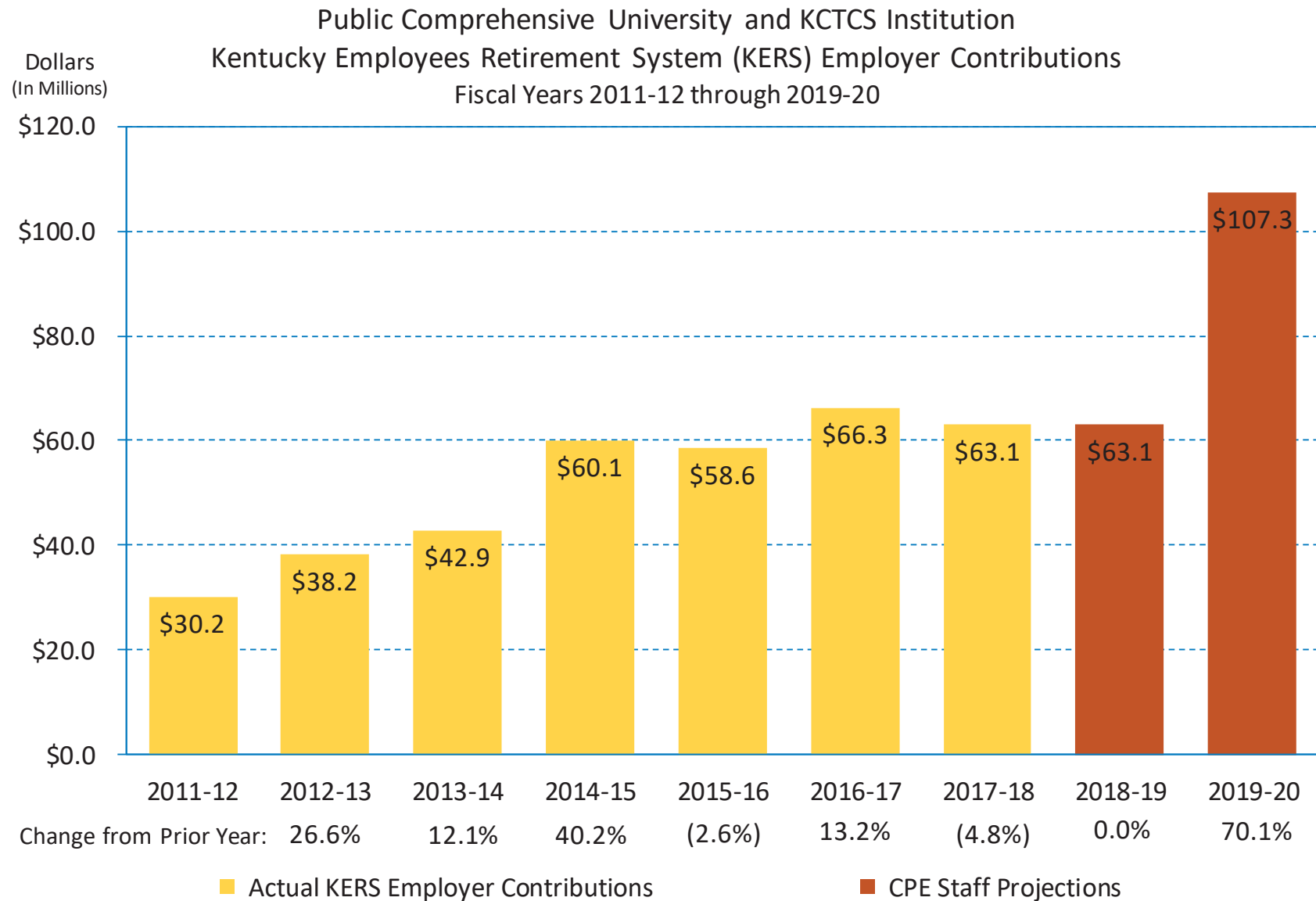


Sources: Kentucky Budgets of the Commonwealth; Commonfund Institute, Higher Education Price Index.

(E) = Enacted; (R) = Revised.

Challenges to Affordability

Growth in KERS Contributions



Source: Kentucky Retirement System (KRS).



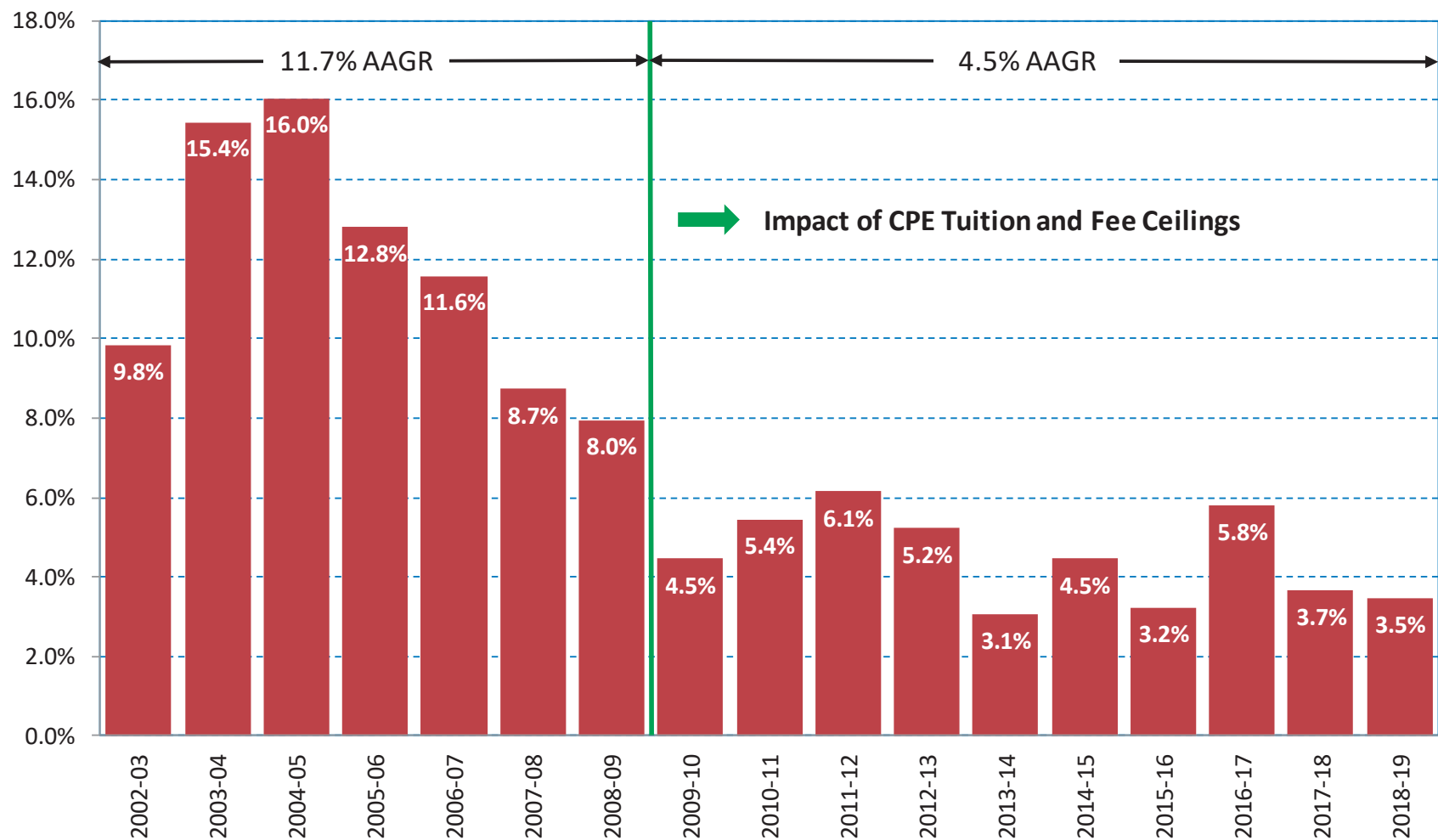
4. Efforts to Maintain Affordability

- Every year since 2009-10, the Council has adopted tuition ceilings to limit the magnitude of increases
- Institutions have not been allowed to fully recover losses in state support and mandated cost increases
- Sizable state investment in student aid programs
- Institutions have increased funding for campus-based student aid programs
- Efforts to encourage timely completion, such as 15 to Finish and dual credit enrollment initiatives

Efforts to Maintain Affordability

Impact of Tuition Ceilings

Kentucky Public Postsecondary System
Annual Change in Resident Undergraduate Tuition and Fees
Academic Years 2002-03 through 2018-19



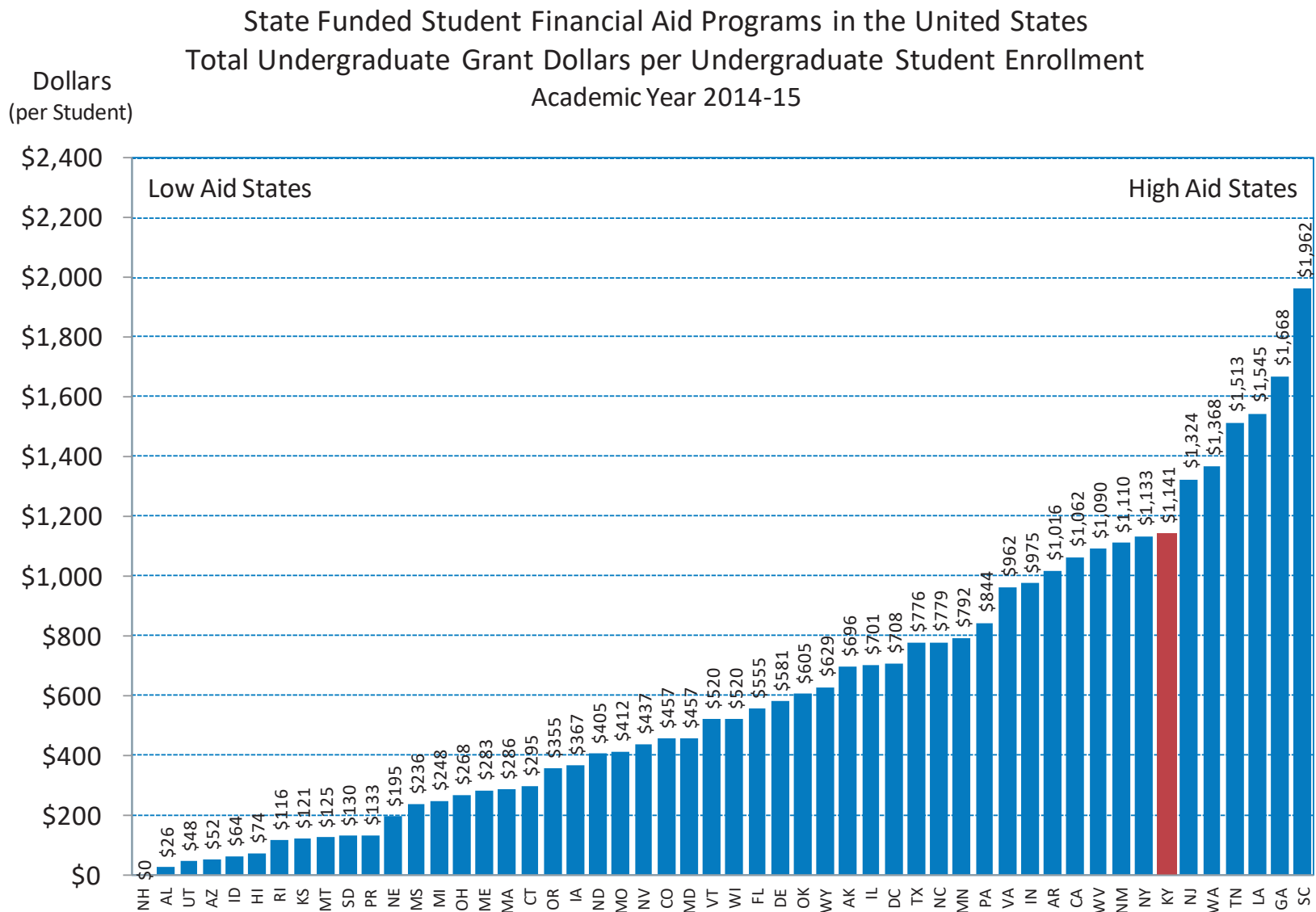
Source: Council on Postsecondary Education, Comprehensive Database.

AAGR = Average Annual Growth Rate



Efforts to Maintain Affordability

Kentucky is "High Aid" State

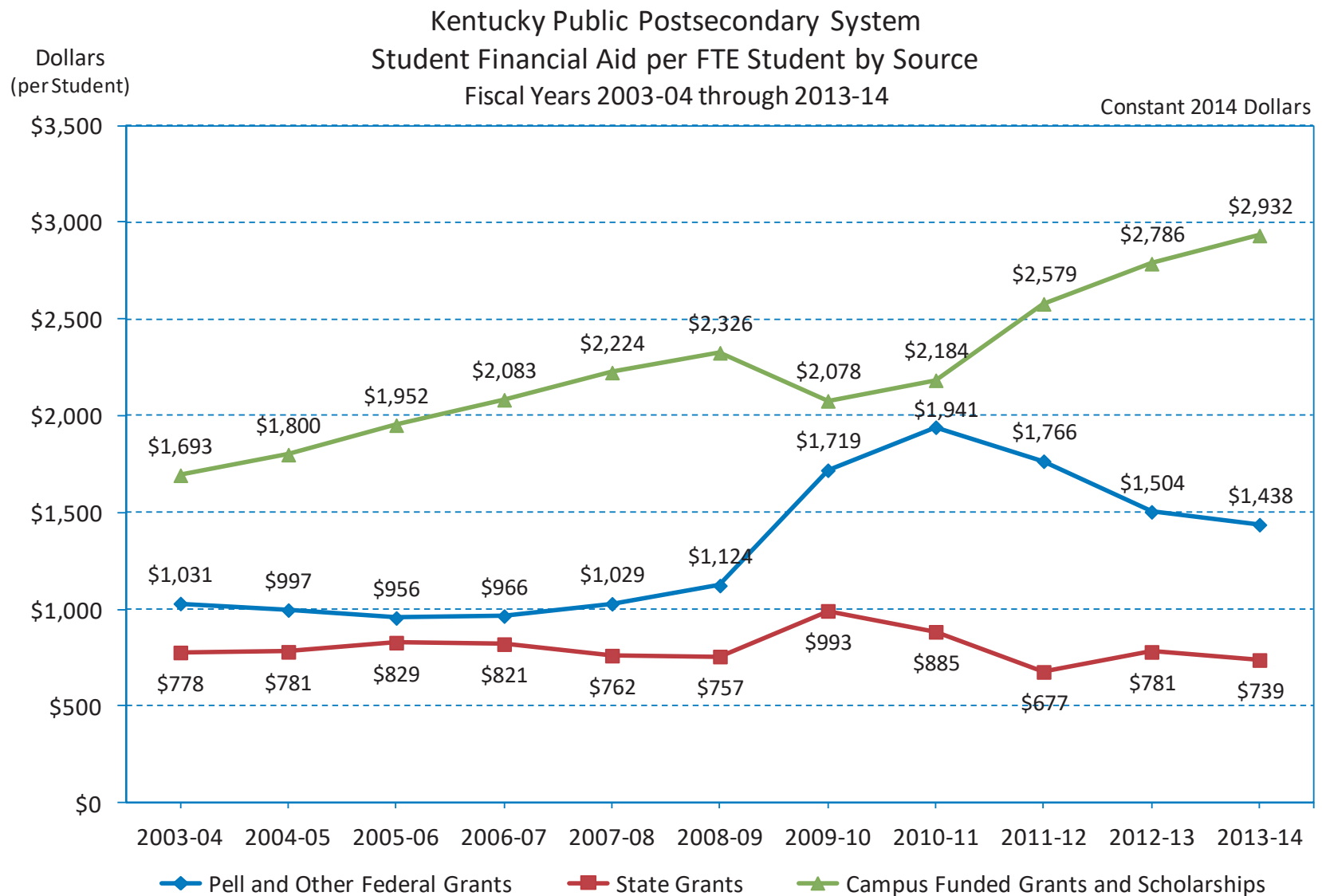


Source: National Association of State Student Grant and Aid Programs (NASSGAP), 46th Annual Survey Report on State-Sponsored Student Financial Aid.



Efforts to Maintain Affordability

Campus-Based Aid is Growing



Source: Integrated Postsecondary Education Data System (IPEDS); Commonfund Institute, Higher Education Price Index (HEPI).

5. Current Status

- Sticker prices at Kentucky public universities rank at or below regional and national averages
- The average net price at Kentucky comprehensive universities is among the lowest in our region
- The net price at comprehensive universities and KCTCS institutions has remained relatively flat in recent years
- Kentucky students pay a smaller percentage of family income to attend public colleges and universities than students in most SREB member states

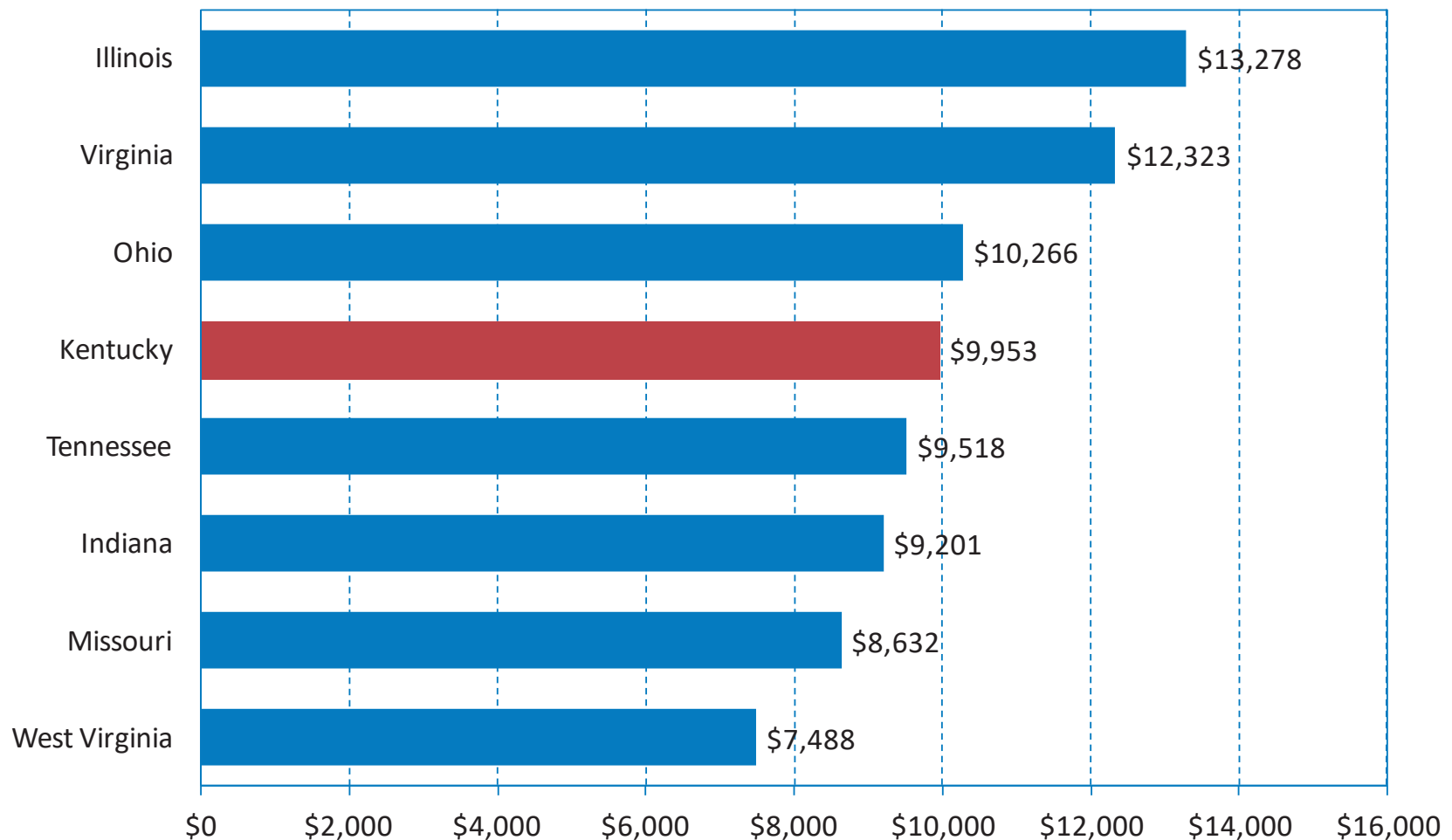
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Current Status

Sticker Price Comparison (Four-Year)

Public Four-Year Universities in Kentucky and Surrounding States
Resident Undergraduate Tuition and Fees
Academic Year 2016-17

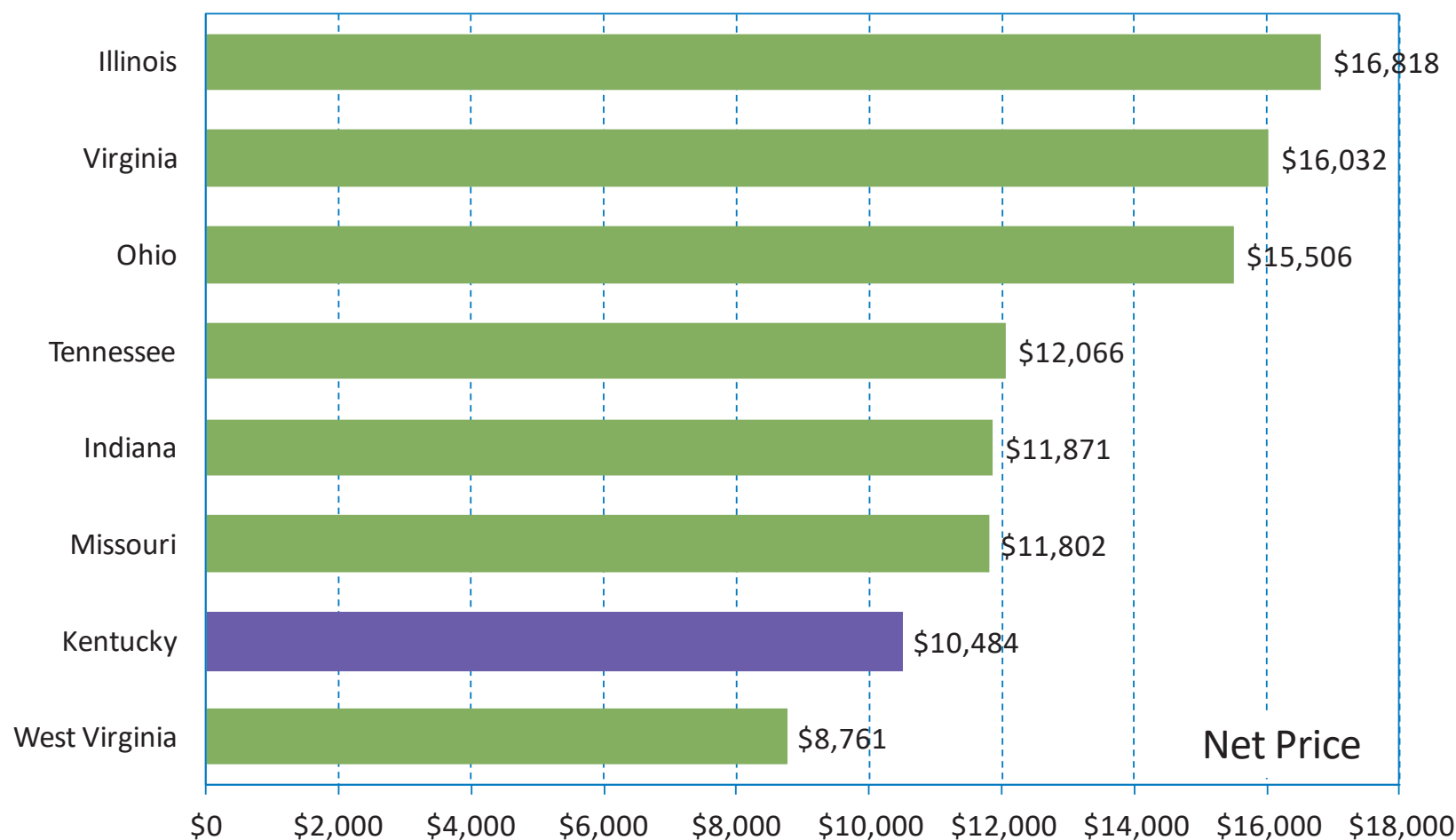


Source: College Board, Trends in College Pricing 2016.

Current Status

Net Price Comparison (Comprehensive)

Comprehensive Universities in Kentucky and Surrounding States
Average Net Price of First-Time Full-Time Resident Undergraduate Students
Academic Year 2014-15



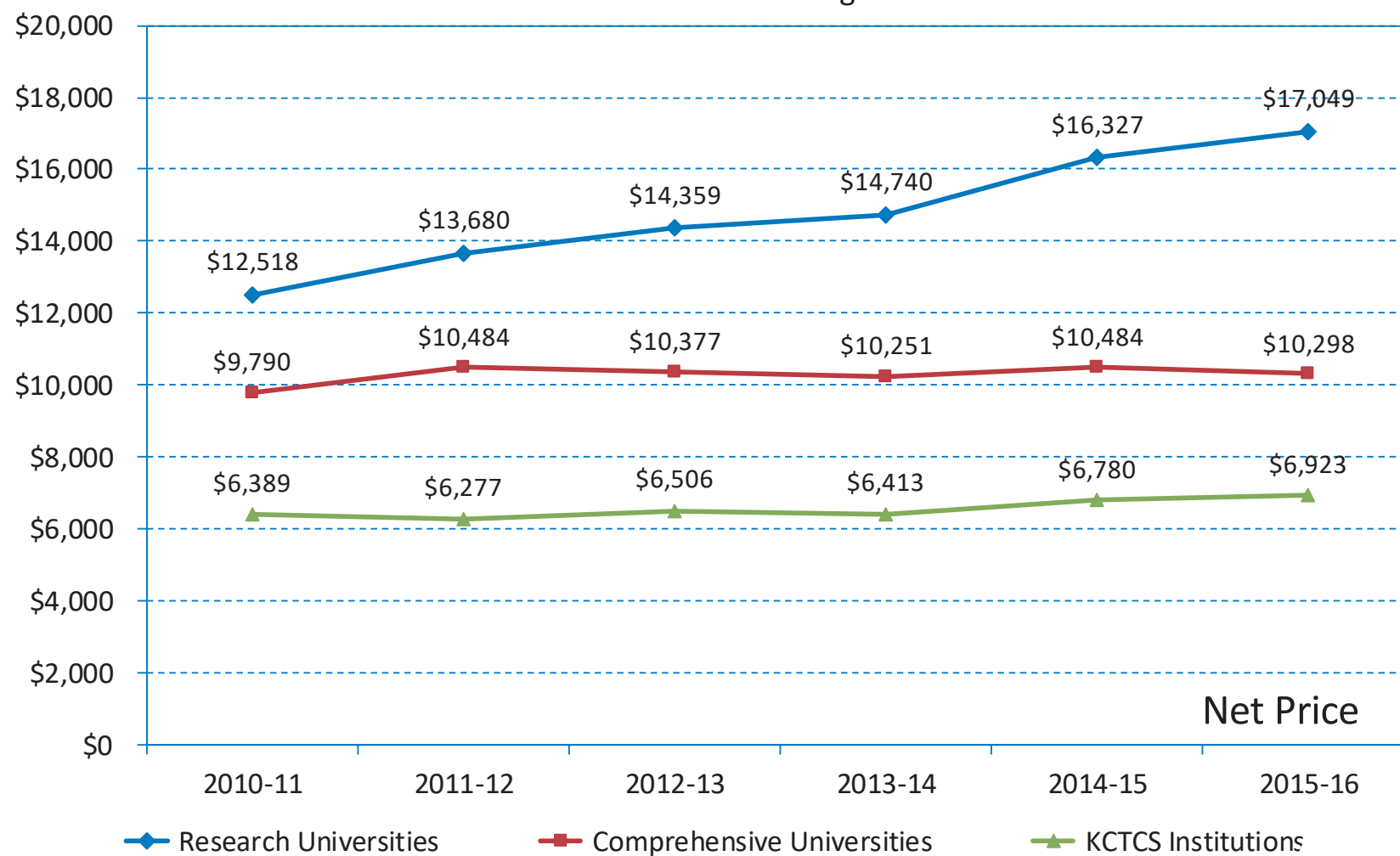
Source: Integrated Postsecondary Education Data System (IPEDS).

Net price = total cost of attendance minus all forms of grant aid.

Current Status

Trend in Net Price (By Sector)

Kentucky Public Postsecondary Sectors
Average Net Price of First-Time Full-Time Resident Undergraduate Students
Academic Years 2010-11 through 2015-16



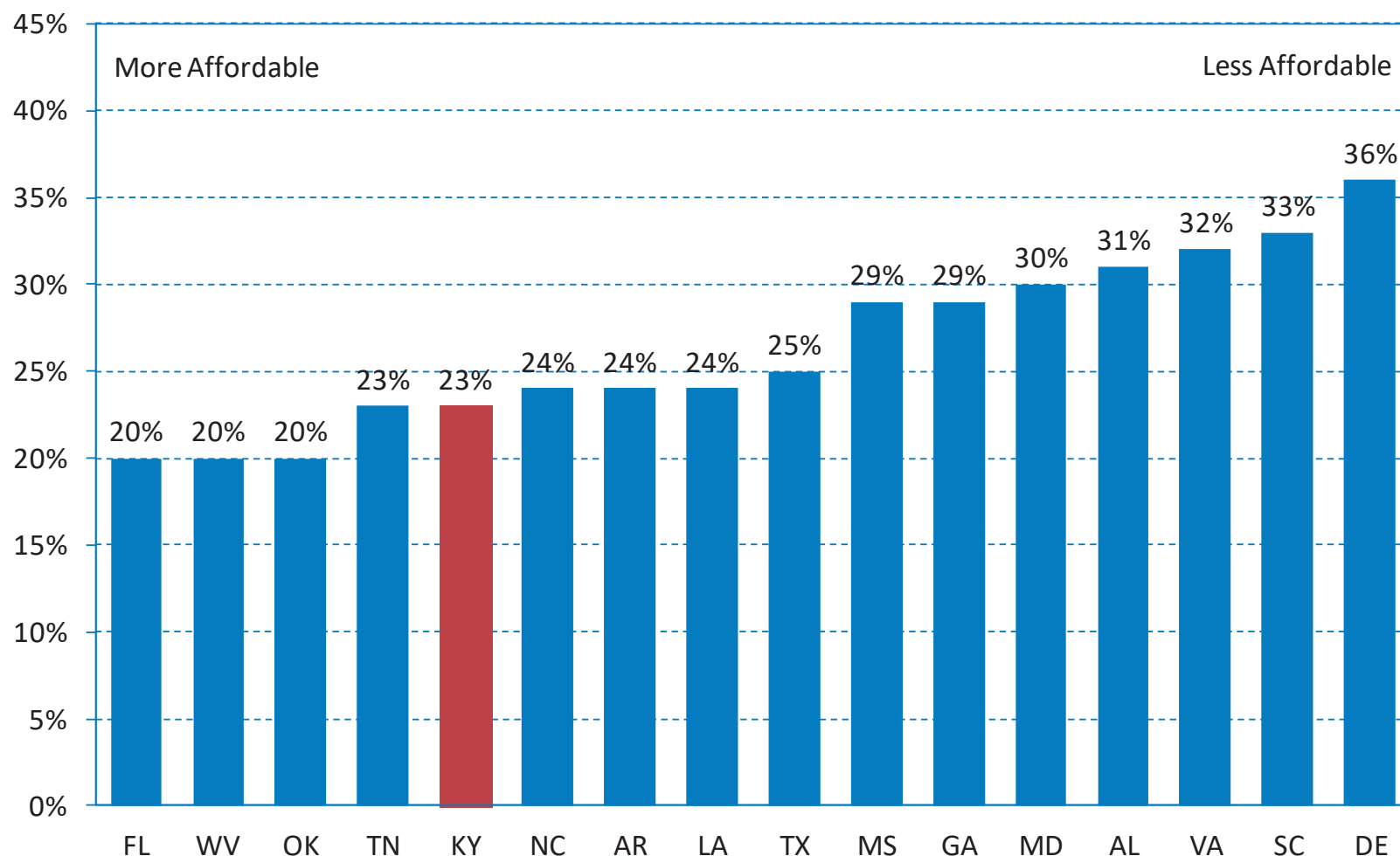
Source: Integrated Postsecondary Education Data System (IPEDS).

Net price = total cost of attendance minus all forms of grant aid.

Current Status

Net Price % of Income (Four-Year)

Public Four-Year Colleges in SREB Member States
Average Net Price as a Percent of Median Family Income
Academic Year 2013-14



Source: Penn Graduate School of Education, Institute for Research on Higher Education, 2016 College Affordability Diagnosis.

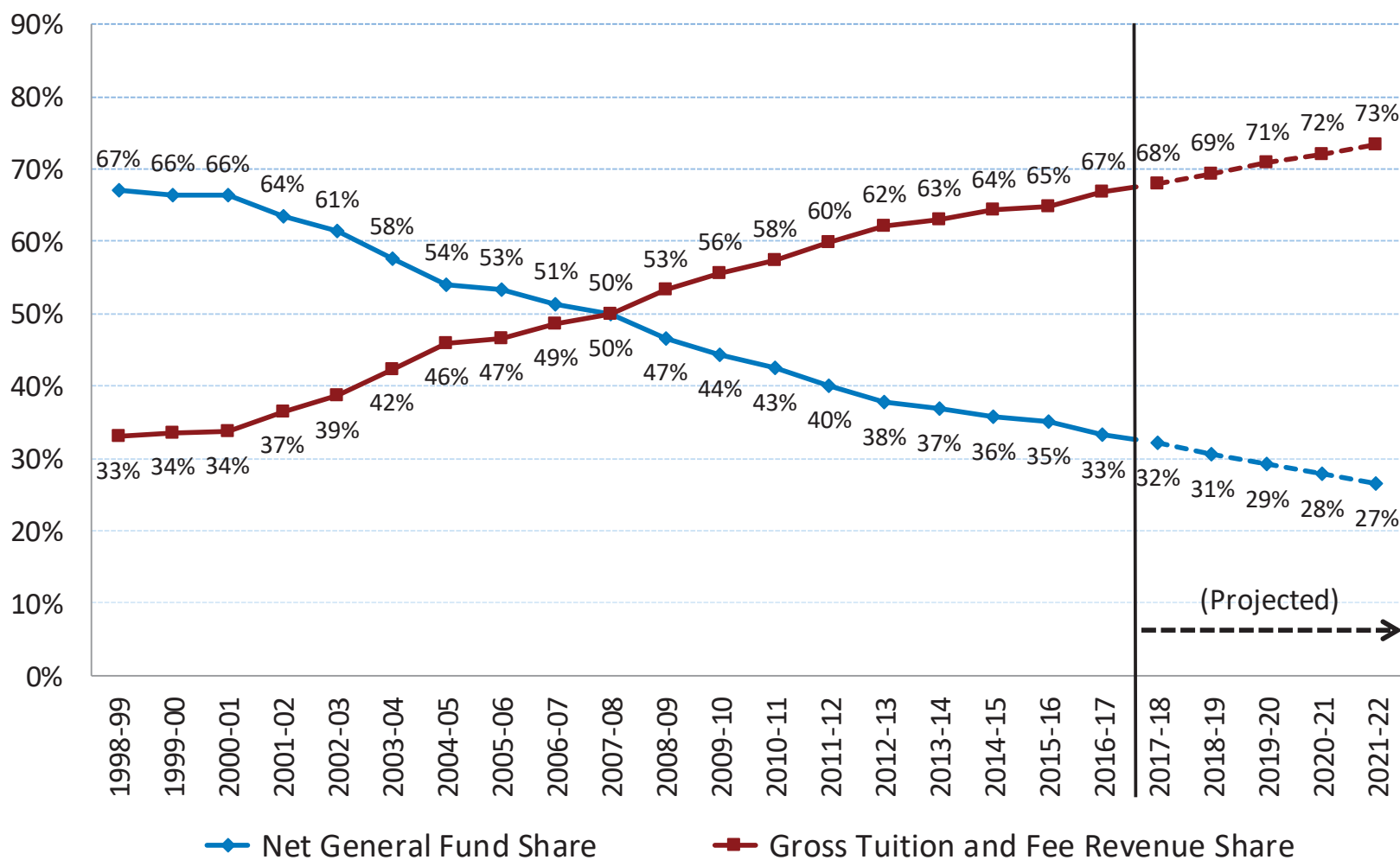
6. Areas of Concern

- Since the early 2000s, responsibility for college costs has shifted from the state to students and families
- Average amounts of student loan debt have been trending up since the graduating class of 2008
- Kentucky is one of only a handful of states that has not begun reinvesting in postsecondary education
- Unless action is taken by the General Assembly, KERS contributions will increase by about 70% next year

Areas of Concern

Shifting of Responsibility (Who Pays)

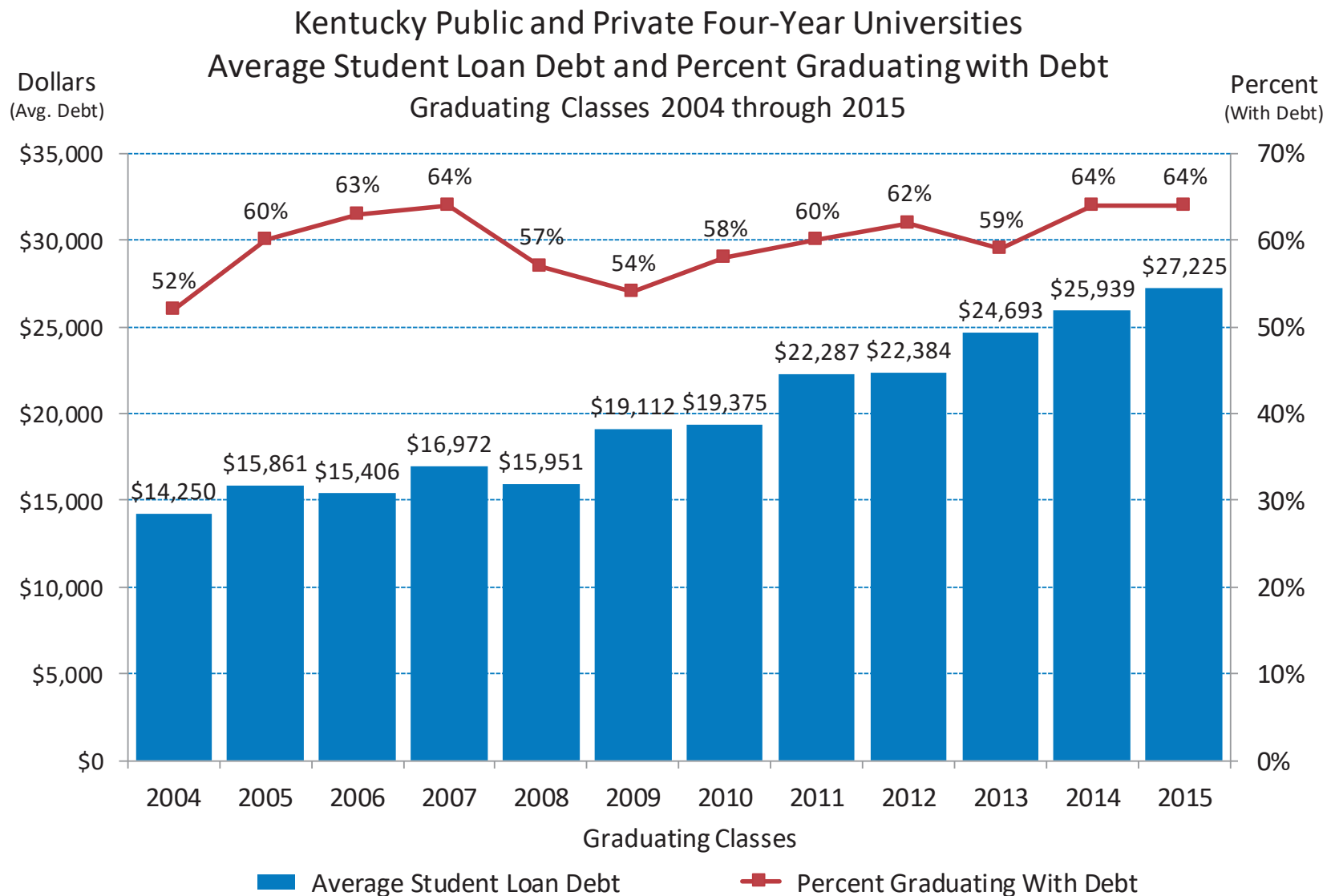
Kentucky Public Postsecondary System
Change in State and Student Shares of Total Public Funds
Fiscal Years 1998-99 through 2021-22



Sources: Kentucky Budget of the Commonwealth, multiple biennia; CPE Comprehensive Database.

Areas of Concern

Growing Student Loan Debt

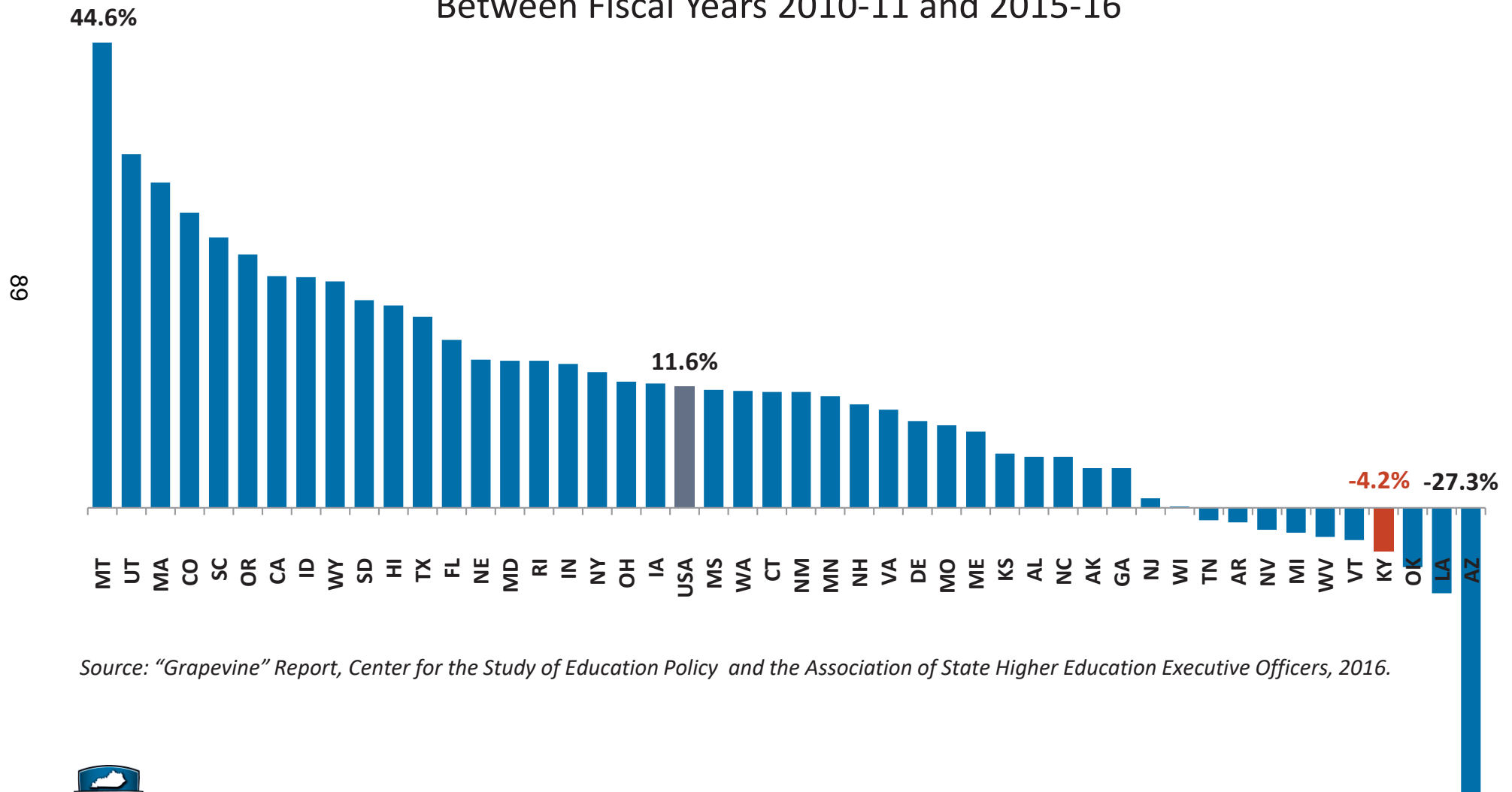


Source: The Project on Student Debt, Student Debt and the Class of 2015, October 2016.

Areas of Concern

Most States Reinvesting

Change in State Support for Higher Education
Between Fiscal Years 2010-11 and 2015-16



Source: "Grapevine" Report, Center for the Study of Education Policy and the Association of State Higher Education Executive Officers, 2016.



7. Solutions Going Forward

State Strategies to Improve Affordability

- Reinvest in postsecondary education, including:
 - postsecondary institution operations
 - funding for asset preservation
- Work with KRS and the campuses to address rising pension costs
- Support and expand Kentucky's student aid programs, including CAP, KTG, KEES, and the new Work Ready Scholarship Program
- Encourage early college going, through continued support of dual credit, AP and other programs
- Continue to promote and support career pathways into high-demand industries such as healthcare, manufacturing and IT

Solutions Going Forward

CPE Strategies to Improve Affordability

- Manage tuition and fee growth
- Encourage and facilitate increased transfer opportunities between KCTCS and the universities
- Eliminate the cost and barrier of developmental education through new models such as co-requisite education
- Encourage early college-going and shorten time to degree through strong dual credit opportunities
- Encourage on-time completion through strategies like *15 to Finish*
- Support and promote a range of strategies to ensure more students complete the programs they start

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Solutions Going Forward

Campus Strategies to Improve Affordability

- Increase targeted financial support for students with financial need (UK LEADS, Murray Promise)
- Moderate tuition increases
- Implement strategies like *15 to Finish* to encourage students to decrease the time it takes to earn degrees
- Expand transfer articulation agreements
- Continue to implement cost savings and efficiency measures
- Develop innovative program models (competency-based education)
- Improve curricular pathways so students will complete programs in a more timely manner

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Program Review and Investigations Committee

Dr. Aaron Thompson, President
Kentucky Council on Postsecondary Education
November 8, 2018

Update from the Committee on Equal Opportunities

The Committee on Equal Opportunities met on October 22, 2018 on the Leestown campus of Bluegrass Community and Technical College. Some highlights from the meeting are detailed below:

Bluegrass Community and Technical College Spotlight

Dr. Augusta A. Julian, President of BCTC welcomed the attendees to the campus and spoke highly of the efforts of the BCTC staff as they related to diversity, equity and inclusion. Following the welcome, Dr. Palisa Williams Rushin gave updates to the institution's diversity initiatives. In addition, staff and students shared information on BCTC's diversity, equity and inclusion efforts as they relate to opportunity, success and impact for low-income and underrepresented minority students. Programs and departments highlighted included: ASPIRE, A Few Good Men, Latino Outreach and Community Empowerment Initiatives, BLINKS Scholars, LSAMP Scholars. Additionally, discussions were held about their recruitment success strategies for students and the cultural competency certification program for faculty and staff.

Updates to Strategies for Institutional Diversity Plans

Jefferson Community and Technical College, Southeast Kentucky Community and Technical College and Morehead State University sought approval for changes to their previously approved strategies based on their institution's programmatic needs. All were approved.

Other Business

A report from KentuckyWorks and the Human Development Institute & Early Childhood, Special Education & Rehabilitation Counseling Center at the University of Kentucky was presented to the CEO. It is a preliminary review of each institutions diversity plan and how it impacts individuals with disabilities.

2019 CEO Meeting Dates:

The following dates for CEO meetings were approved with locations to be determined:

- January 28, 2019
- April 29, 2019
- June 24, 2019
- October 28, 2019

Council on Postsecondary Education
November 16, 2018

Executive Committee Report

The Executive Committee will review the Financial Statements and Auditor's Report for fiscal year end, June 30, 2018, at its November 15, 2018 Executive Committee meeting.

Chair Zimmerman will present the results to the full Council, and a copy of the reports will be provided to all members in their BoardBooks.

DRAFT



KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION

MATTERS TO BE COMMUNICATED TO

THE COUNCIL MEMBERS

JUNE 30, 2018



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main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

---DATE---

To the Council Members
Council on Postsecondary Education
Frankfort, Kentucky

We have audited the financial statements of the Council on Postsecondary Education (the Council) for the year ended June 30, 2018, and have issued our report thereon dated as of the date of this letter. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America, *Government Auditing Standards* and the Uniform Guidance

As stated in our engagement letter dated July 1, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform*

To the Council Members
Council on Postsecondary Education
Page 2

Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance").

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the Council's compliance with the types of compliance requirements described in the Uniform Guidance applicable to each of its major federal programs for the purpose of expressing an opinion on the Council's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the Council's compliance with those requirements.

SIGNIFICANT AUDIT FINDINGS

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Council are described in Note 1 to the financial statements. As described in Note 16, the Council adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in 2018. We noted no transactions entered into by the Council during the year for which there was a lack of authoritative guidance or consensus. We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

To the Council Members
Council on Postsecondary Education
Page 3

Management's estimate of compensated leave is accrued when incurred in the government-wide financial statements. Only the accumulated annual and compensatory leave that is estimated 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. We evaluated the key factors and assumptions used to develop the estimate pertaining to compensatory leave in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability, net OPEB (Other Post-employment Benefits) liability and related deferred outflows/inflows of resources determined by the actuary. We evaluated key factors and assumptions used to develop these liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

We believe the disclosures in the financial statements are neutral, consistent and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

To the Council Members
Council on Postsecondary Education
Page 4

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Council's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Council's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America. The method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

REQUIRED SUPPLEMENTARY INFORMATION

With respect to the required supplementary information accompanying the financial statements, 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.

To the Council Members
Council on Postsecondary Education
Page 5

OUR RECOMMENDATIONS FOR THE COUNCIL

During the course of an audit, we frequently become aware of matters which are opportunities to strengthen internal controls or improve operating efficiency or effectiveness.

CURRENT YEAR RECOMMENDATIONS

During the course of our 2018 audit, we have developed the following additional recommendations for your consideration.

Timely Request for Reimbursement of Pass-Through Federal Grants

The Supplemental Nutrition Assistance Program (SNAP) and Perkins pass-through grants specify the Council invoice their primary federal grantee state agency monthly. During the 2018 audit, we noted the Council submitted invoices on these pass-through grants quarterly. Accordingly, funds were not reimbursed as frequently as permitted and the Council was required to use cash from the Technology Initiative Trust Fund (TTF) to pay for federal grant expenditures. The TTF is in an interest bearing account and the Council missed the opportunity to collect interest because the reimbursement was not submitted as frequently as permitted. We recommend that the Council submit to invoices to the primary awarding state agency on a monthly basis.

* * * * *

This communication is intended solely for the use of management, the Council Members, others within the Council, and the Auditor of Public Accounts of the Commonwealth of Kentucky, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to be of service and extend our thanks to everyone at the Council for their cooperation and assistance. We would be pleased to discuss any of the above matters with you at your convenience.

Blue & Co., LLC



KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2018

COUNCIL ON POSTSECONDARY EDUCATION

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COUNCIL ON POSTSECONDARY EDUCATION

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REPORT OF INDEPENDENT AUDITORS

To the Council Members
Council on Postsecondary Education

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), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with auditing principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Council Members
Council on Postsecondary Education

Opinions

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, 2018, 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.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, the Council adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 11, the schedules of proportionate share of the net pension liability and schedules of pension contributions on pages 59 through 62, the schedules of proportionate share of the net Other Postemployment Benefits (OPEB) liability and the schedules of OPEB contributions on pages 63 through 66, and the budgetary comparison information on pages 67 through 72, be presented to supplement the basic financial statements. Such information, 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.

Report on 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 Regulation (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented on pages 80 and 81 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 73 through 79 is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Council Members
Council on Postsecondary Education

The accompanying schedule of expenditures of federal awards and supplementary information are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 accompanying 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018 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 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 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
November 21, 2018

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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, including Adult Education.

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, 2018. 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 liabilities of the Council exceeded its assets at the close of FY 2018 by \$24,011,104.
- Net position decreased \$7,900,861 between FY 2017 and FY 2018, of which the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* decreased net position by \$4,008,444 during FY 2018.
- As of the close of FY 2018, the Council's governmental funds reported an ending fund balance of \$6,977,109, which includes balances in the strategic investment and incentive funding programs appropriated to the Council on behalf of the public postsecondary education institutions and agency operations.
- Total fund revenues for FY 2018 were \$53,474,580, representing a 5% decrease from FY 2017. Most of the decrease is due to the federal programs fund losing the Gear-up grant with an decrease of revenue of approximately \$1,259,327 in the current year.
- Total fund expenditures for FY 2018 were \$54,222,234, representing a 1% decrease from FY 2017.

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.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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 of the Council's assets and liabilities, 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.

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.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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 19.

FINANCIAL ANALYSIS OF THE COUNCIL

Government-wide Financial Analysis:

Condensed Financial Information Statements of Net Position

	June 30, 2018	June 30, 2017
Assets:		
Current	\$ 13,024,222	\$ 7,016,777
Noncurrent	4,698,055	4,513,163
Total assets	17,722,277	11,529,940
Deferred outflows of resources	6,091,309	4,913,707
Total assets and deferrals	\$ 23,813,586	\$ 16,443,647
Liabilities:		
Current	\$ 10,247,329	\$ 2,914,857
Noncurrent	31,486,052	25,975,667
Total liabilities	41,733,381	28,890,524
Deferred inflows of resources	2,990,627	562,684
Total liabilities and deferrals	\$ 44,724,008	\$ 29,453,208
Net position (deficit):		
Net investment in capital assets	\$ 20,331	\$ 133,117
Restricted	3,738,053	4,416,970
Unrestricted deficit	(24,668,806)	(17,559,648)
Total net position (deficit)	\$ (20,910,422)	\$ (13,009,561)

Current assets consist primarily of program cash and cash equivalents, intergovernmental receivables, amounts due from the Federal government under the Council's Federal programs, and prepaid expenses. Noncurrent assets consist primarily of investments.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Current liabilities consist primarily of operating accounts payable, intergovernmental payables, accrued payroll, and accrued compensated absences. As of June 30, 2018, current liabilities also include amounts due to the state investment pool (amounts temporarily advanced by the state pending reimbursement from Federal grantor agencies). The portion of accrued compensated absences not expected to be liquidated with expendable financial resources has been estimated and included as a noncurrent liability.

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*, 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.

As of the close of the fiscal year, net position represents the difference between assets and liabilities mentioned above. Liabilities exceeded assets by approximately \$24.0 million. Total assets and deferrals increased by approximately \$7.4 million, primarily in the cash and cash equivalents and prepaid expenses. Total liabilities increased by approximately \$12.8 million primarily related to an increase in net pension liability and the addition of net OPEB liability. Total deferred inflows of resources increased by \$2.4 million relating to an increase in net pension liability and the additional of the net OPEB liability. Therefore, net position decreased \$7.9 million between FY 2017 and FY 2018.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Condensed Financial Information Statements of Activities For the Fiscal Years Ended		
	June 30, 2018	June 30, 2017
Revenues:		
Program revenues:		
Charges for services	\$ 3,486,095	\$ 3,938,465
Operating grants and contributions	11,797,657	14,181,210
Capital grants and contributions	651,074	684,863
General revenues:		
State appropriations	37,539,754	37,389,514
Loss on disposal of capital assets	(106,618)	(6,717)
Total revenues	53,367,962	56,187,335
Expenses:		
Strategic investment and incentive funding programs	35,076,809	34,482,137
Agency, Kentucky Adult Education, and KYVC/KYVL Operations	10,147,900	9,363,684
Federal Programs	11,424,433	12,640,272
Postsecondary Education Equine Trust Fund	600,000	750,211
Other	11,237	50,154
Total expenses	57,260,379	57,286,458
Change in net position	(3,892,417)	(1,099,123)
Net position (deficit), beginning of year (as previously reported)	(13,009,561)	(11,910,438)
Adjustment for net OPEB liability	(4,008,444)	-0-
Net position (deficit), beginning of year (as restated)	(17,018,005)	(11,910,438)
Net position (deficit), end of year	\$ (20,910,422)	\$ (13,009,561)

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 was a decrease in operating grants and contributions by

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

approximately \$2.4 million. The decrease in appropriations is mostly within the Federal Fund due to the Gear-Up grant not being renewed for FY 18.

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 61% of the Council's total expenses. 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 Sheets

	June 30, 2018	June 30, 2017
Total assets	<u>\$ 17,667,614</u>	<u>\$ 11,429,191</u>
Total liabilities	10,690,505	3,704,428
Fund balances	<u>6,977,109</u>	<u>7,724,763</u>
Total liabilities and fund balances	<u>\$ 17,667,614</u>	<u>\$ 11,429,191</u>

The fund balance primarily represents the cash balances, investment balances, amounts due from the Federal government, and intergovernmental receivables. The fund balances of the Council decreased approximately \$748,000 between fiscal years.

COUNCIL ON POSTSECONDARY EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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

	June 30, 2018	June 30, 2017
Revenues:		
State appropriations	\$ 37,539,754	\$ 37,389,514
Charges for services	3,486,095	3,938,465
Intergovernmental revenues	651,074	1,549,863
Federal programs	11,607,695	12,867,022
Other	133,802	414,785
Income from investments	56,160	34,403
Total revenues	53,474,580	56,194,052
Expenditures:		
Personnel services	13,021,055	14,715,181
Grants and subsidies	35,828,579	33,378,748
Intergovernmental expenditures	-0-	211
Other	5,372,600	6,533,301
Total expenditures	54,222,234	54,627,441
Net change in fund balances	(747,654)	1,566,611
Fund balances, beginning of year	7,724,763	6,158,152
Fund balances, end of year	\$ 6,977,109	\$ 7,724,763

The most significant change in this year's revenue is with a decrease in federal program revenues of \$1.3 million.

Grants and subsidies primarily consist of payments to institutions, state agencies, and other service providers for costs related to discrete authorized activities. The expenditures are consistent between FY 2018 and FY 2017.

Other expenses 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, 2018

BUDGETARY HIGHLIGHTS

Final budgeted revenues remained consistent from original budgeted with minor modifications noted.

Final budgeted expenditures decreased from original budgeted expenditures by approximately \$6.1 million. The total decrease is primarily related to the decrease in Federal Program of \$2.6 million dollars due to the loss of the Gear-Up grant in the current fiscal year and the decrease of \$2.8 million in Technology Initiative Trust Fund.

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, 1024 Capital Center Drive, Suite 320, Frankfort, Kentucky, 40601. Both individuals can be contacted by phone at (502) 573-1555.

COUNCIL ON POSTSECONDARY EDUCATION

STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 1,144,491
Cash and cash equivalents - restricted	7,336,347
Accounts receivable	24,247
Intergovernmental receivables	1,629,908
Due from the Federal government	2,411,721
Prepaid expenses	477,508
Total current assets	13,024,222
Noncurrent assets:	
Investments	3,602,478
Investments - restricted	1,075,246
Capital assets - net	20,331
Total noncurrent assets	4,698,055
Total assets	17,722,277
Deferred outflows of resources	
Deferred outflows - pension	5,200,691
Deferred outflows - OPEB	890,618
Total deferred outflows of resources	6,091,309
Total assets and deferrals	\$ 23,813,586
<u>LIABILITIES</u>	
Current liabilities:	
Accounts and other payables	\$ 9,296,991
Accrued expenses	560,959
Accrued compensated absences - current portion	389,379
Total current liabilities	10,247,329
Noncurrent liabilities:	
Accrued compensated absences - noncurrent portion	356,100
Net pension	26,128,115
Net OPEB	5,001,837
Total noncurrent liabilities	31,486,052
Total liabilities	41,733,381
Deferred inflows of resources	
Deferred inflows - pension	2,887,115
Deferred inflows - OPEB	103,512
Total deferred inflows of resources	2,990,627
Total liabilities and deferrals	\$ 44,724,008
<u>NET POSITION (DEFICIT)</u>	
Net investment in capital assets	\$ 20,331
Restricted	3,738,053
Unrestricted deficit	(24,668,806)
Total net position (deficit)	\$ (20,910,422)

COUNCIL ON POSTSECONDARY EDUCATION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>FUNCTIONS/PROGRAMS:</u>					
Operations	\$ 10,147,900	\$ 461,250	\$ 128,991	\$	\$ (9,557,659)
Federal Programs	11,424,433		11,478,704		54,271
Postsecondary Education Equine Trust Fund	600,000			651,074	51,074
Kentucky Adult Education Funding Program	15,981,228				(15,981,228)
Science and Technology Funding Program	4,511,700				(4,511,700)
Research Challenge Trust Fund	6,612,601		11,822		(6,600,779)
Technology Initiative Trust Fund	6,753,924	3,024,845	178,140		(3,550,939)
Assessment and Professional Development	1,217,356				(1,217,356)
Unallocated depreciation expense	11,237				(11,237)
Total governmental activities	<u>\$ 57,260,379</u>	<u>\$ 3,486,095</u>	<u>\$ 11,797,657</u>	<u>\$ 651,074</u>	<u>(41,325,553)</u>
General revenues:					
State appropriations					37,539,754
Loss on disposal of capital assets					(106,618)
Total general revenues					<u>37,433,136</u>
Change in net position					(3,892,417)
Net position (deficit), beginning of year (as previously reported)					(13,009,561)
Recording of net OPEB liability					(4,008,444)
Net position (deficit) , beginning of year (as restated)					<u>(17,018,005)</u>
Net position (deficit), end of year					<u>\$ (20,910,422)</u>

See accompanying notes
to the financial statements.

COUNCIL ON POSTSECONDARY EDUCATION

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2018

	Operations	Federal Programs	Kentucky Adult Education Funding Program	Research Challenge Trust Fund	Technology Initiative Trust Fund	Other (Non- major) Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 536,488	\$	\$	\$	608,003	\$	\$ 1,144,491
Cash and cash equivalents - restricted				4,221,256	3,050,699	64,392	7,336,347
Investments	2,980,570				621,908		3,602,478
Investments - restricted				717,531		357,715	1,075,246
Accounts receivable	24,247						24,247
Intergovernmental receivables		113,676	1,516,232				1,629,908
Due from the Federal government	7,191	2,404,530					2,411,721
Interfund receivable	314,750	14,750			113,676		443,176
Total assets	<u>\$ 3,863,246</u>	<u>\$ 2,532,956</u>	<u>\$ 1,516,232</u>	<u>\$ 4,938,787</u>	<u>\$ 4,394,286</u>	<u>\$ 422,107</u>	<u>\$ 17,667,614</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts and other payables	\$ 24,368	\$ 2,385,492	\$ 1,516,232	\$ 4,908,197	\$ 222,702	\$ 240,000	\$ 9,296,991
Accrued expenses	466,358	19,038	13,694		32,487	29,382	560,959
Accrued compensated absences	367,236	276	13,761		5,769	2,337	389,379
Interfund payable		128,426			314,750		443,176
Total liabilities	<u>857,962</u>	<u>2,533,232</u>	<u>1,543,687</u>	<u>4,908,197</u>	<u>575,708</u>	<u>271,719</u>	<u>10,690,505</u>
Fund balances:							
Restricted:							
for SHEEHO Multi-State Collaborative Agreement					18,754		18,754
for Technology Initiative					2,687,180		2,687,180
for Automated residency application system					318,765		318,765
for James Graham Brown Foundation					26,000		26,000
for University Equine programs						422,100	422,100
Committed:							
for Lung Cancer Research				30,588			30,588
for Research Challenge				2			2
for Regional University Excellence						7	7
Assigned:							
for agency operations	3,005,284						3,005,284
for Technology Trust Fund					767,879		767,879
Unassigned		(276)	(27,455)			(271,719)	(299,450)
Total fund balances	<u>3,005,284</u>	<u>(276)</u>	<u>(27,455)</u>	<u>30,590</u>	<u>3,818,578</u>	<u>150,388</u>	<u>6,977,109</u>
Total liabilities and fund balances	<u>\$ 3,863,246</u>	<u>\$ 2,532,956</u>	<u>\$ 1,516,232</u>	<u>\$ 4,938,787</u>	<u>\$ 4,394,286</u>	<u>\$ 422,107</u>	<u>\$ 17,667,614</u>

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, 2018

Fund balances - total governmental funds		\$	6,977,109
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.			
			6,091,309
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			477,508
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
Governmental capital assets	89,826		
Less accumulated depreciation	(69,495)		20,331
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			(356,100)
The deferred inflows of resources is not due and payable in the current year and, therefore, is not reported in the governmental funds.			
			(2,990,627)
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.			
			(31,129,952)
Net position of governmental activities		\$	<u>(20,910,422)</u>

COUNCIL ON POSTSECONDARY EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2018

	Operations	Federal Programs	Kentucky Adult Education Funding Program	Research Challenge Trust Fund	Technology Initiative Trust Fund	Other (Non- major) Governmental Funds	Total Governmental Funds
REVENUES:							
State appropriations	\$ 6,935,186	\$	\$ 15,926,768	\$ 5,176,100	\$ 3,638,000	\$ 5,863,700	\$ 37,539,754
Charges for services	461,250				3,024,845		3,486,095
Intergovernmental revenues						651,074	651,074
Federal programs	128,991	11,478,704					11,607,695
Other revenues					133,802		133,802
Income from investments				11,822	44,338		56,160
Total revenues	7,525,427	11,478,704	15,926,768	5,187,922	6,840,985	6,514,774	53,474,580
EXPENDITURES:							
Personnel services	6,047,779	1,453,076	159,374	4,404	3,288,767	2,067,655	13,021,055
Utilities, rental, and other services	765,311	756,312	188,790		508,784	408	2,219,605
Commodities and supplies	194,023	14,187	2,505		2,658,910	55,988	2,925,613
Grants and subsidies	11,129	9,119,891	15,589,784	6,608,197	169,778	4,329,800	35,828,579
Travel	105,391	81,061	12,275		19,650	9,005	227,382
Total expenditures	7,123,633	11,424,527	15,952,728	6,612,601	6,645,889	6,462,856	54,222,234
Excess (deficiency) of revenues over expenditures	401,794	54,177	(25,960)	(1,424,679)	195,096	51,918	(747,654)
Net change in fund balances	401,794	54,177	(25,960)	(1,424,679)	195,096	51,918	(747,654)
Fund balances, beginning of year	2,603,490	(54,453)	(1,495)	1,455,269	3,623,482	98,470	7,724,763
Fund balances, end of year	\$ 3,005,284	\$ (276)	\$ (27,455)	\$ 30,590	\$ 3,818,578	\$ 150,388	\$ 6,977,109

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, 2018

Net change in fund balances - total governmental funds	\$ (747,654)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report as expenditures for certain payments that benefit future periods. In the statement of activities, this future benefit is deferred until the service has been received.

Change in prepaid expenses	(279,695)
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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.

Current year expenditures for capital assets	5,069	
Current year depreciation expense	<u>(11,237)</u>	(6,168)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Current year loss on disposal of capital assets	(106,618)
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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.

(2,677,282)

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.

Change in the noncurrent portion of accrued compensated absences	<u>(75,000)</u>
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Change in net position of governmental activities	<u><u>\$ (3,892,417)</u></u>
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COUNCIL ON POSTSECONDARY EDUCATION

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2018

	Agency Fund
<u>ASSETS</u>	
Cash and cash equivalents - restricted	\$ 17,550
Investments - restricted	97,500
	<hr/>
Total assets	\$ 115,050
	<hr/> <hr/>
<u>LIABILITIES</u>	
Accounts payable	\$ 115,050
	<hr/> <hr/>

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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 of Kentucky. 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 State's postsecondary education system and its compliance with the strategic plan; to revise and approve the missions of the State'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 State's postsecondary educational institutions; and identifying standardized degree programs and eliminating or making changes in existing academic programs at the State's postsecondary educational institutions.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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.

Kentucky Adult Education:

The Adult Education Reform Act of 2000 provided the foundation for improving the educational status of adult Kentuckians who do not have a high school diploma, who function at low levels of literacy, or who want to learn the English language. With the passage of Senate Bill 105 during the 2006 Regular Session, all functions and activities associated with adult education and literacy were assigned to the Council to facilitate the program's next level of achievement. Kentucky Adult Education has developed and incorporated ten priorities for its programs and activities: Base Funding for Students, Corrections Education, English Literacy/Civics, Family Literacy, Go Higher/P-16 Communities, Kentucky Virtual Adult Education, Professional Development, Tuition Discounts, Employer Contributions, and Workforce Education Initiatives. Kentucky Adult Education will continue to create new avenues for reaching adult learners, helping them transition to postsecondary education.

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.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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 of 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.

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 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 and adult education. 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.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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 Adult Education State Administered Program, Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), Improving Teacher Quality State Grant (IEQ), pass-through funds from the Kentucky Department of Education for Statewide Longitudinal Data Systems and Career and Technical Education-Basic Grants to States, and pass through funds from the Department for Community Based Services (DCBS) for Pilot Project Path 2 Promise for Supplemental Nutrition Assistance Program (SNAP).

Kentucky Adult Education Funding Program - Policy leadership and planning responsibility for adult education and literacy has been assigned to the Council. The Council's responsibility is to establish guidelines for the use, distribution, and administration of the fund and for the fiscal agents to assess area needs and to develop strategies to meet those needs.

Research Challenge Trust Fund - The goal of this fund is to encourage research activities at the University of Kentucky and the University of Louisville. This fund is used to administer two main programs: the Endowment Match Program and the Lung Cancer Research Program.

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.

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 Science and Technology Funding Program, the Regional University Excellence Trust Fund, Postsecondary Education Equine Trust and Revolving Fund, and the Assessment and Professional Development Fund.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Fiduciary funds (not included in the government-wide financial statements) include:

Agency Funds - Agency 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
- Contract Spaces Program
- Governor's Minority Student College Preparation Program
- Professional Education Preparatory Program
- Southern Regional Education Board Doctoral Scholars Program
- Kentucky Autism Training Center
- Washington Internship Program

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 of 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.

Fiduciary funds consist of Agency Funds which are custodial in nature and do not involve the measurement of results of operations. Accordingly, they present only a statement of fiduciary net position and do not present a statement of changes in fiduciary net position.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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 deferred 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.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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.

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, 2018, the balance consists of amounts due under the Council's Adult Education State Administered Federal Grant Program, GEAR-UP, and IEQ.

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.

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, 2018

Interfund Transactions

During the course of operations, transactions may occur between funds within Council activities that may result in amounts owed between funds. 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 nonvesting 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.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

As of June 30, 2018, Postsecondary Education Equine Trust Fund net position totaling \$182,100 is restricted by enabling legislation.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable 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 state'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 six Federal programs 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.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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.

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 Teachers' Retirement Systems (TRS) and addition to/deduction from KERS and TRS fiduciary net position have been determined on the same basis as they are reported by the respective retirement systems.

For the 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 TRS and additions to/deductions from the KERS's and TRS'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. Investment 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 and TRS 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.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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.

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 Federal Programs fund had a negative fund balance on June 30, 2018 in the amount of \$276. The Assessment and Professional Development Fund had a negative fund balance on June 30, 2018 in the amount of \$31,719. The Kentucky Adult Education Funding Program had a negative fund balance on June 30, 2018 in the amount of \$27,455. The negative fund balances above are due to revenue recognition of the Council under the modified accrual basis of accounting. Additional revenues received in fiscal year 2019 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, 2018, the Council's share of deposits in the Commonwealth's general depository (State investment pool) totals \$13,158,562. Agency funds held by the Council in the Commonwealth's general depository total \$115,050 at June 30, 2018.

The Commonwealth's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 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).

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

4. CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets:				
Office equipment	\$ 64,130	\$ 5,069	\$ 6,917	\$ 62,282
Data processing equipment	382,939		355,395	27,544
Vehicles	116,900		116,900	-0-
Capital assets at cost	<u>563,969</u>	<u>5,069</u>	<u>479,212</u>	<u>89,826</u>
Less accumulated depreciation:				
Office equipment	25,415	5,306	6,917	23,804
Data processing equipment	288,537	5,931	248,777	45,691
Vehicles	116,900		116,900	-0-
Total accumulated depreciation:	<u>430,852</u>	<u>11,237</u>	<u>372,594</u>	<u>69,495</u>
Capital assets - net	<u>\$ 133,117</u>	<u>\$ (6,168)</u>	<u>\$ 106,618</u>	<u>\$ 20,331</u>

Depreciation expense for 2018 totals \$11,237.

5. 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 during the year ended June 30, 2018 is summarized as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Accrued compensated absences	<u>\$ 839,863</u>	<u>\$ 294,616</u>	<u>\$ 389,000</u>	<u>\$ 745,479</u>

As of June 30, 2018, the amount estimated to be due within one year totals approximately \$389,000.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018. The estimated accumulated amount of unused sick leave at June 30, 2018, totals approximately \$1,856,000.

6. FIDUCIARY FUND

The changes in assets and liabilities of the fiduciary fund during the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Assets:				
Cash and cash equivalents - restricted	\$ 2,097	\$ 6,211,834	\$ 6,196,381	\$ 17,550
Intergovernmental receivables	3,284	-0-	3,284	-0-
Investments - restricted	22,914	97,500	22,914	97,500
Prepaid expenses	202,391	-0-	202,391	-0-
Total assets	<u>\$ 230,686</u>	<u>\$ 6,309,334</u>	<u>\$ 6,424,970</u>	<u>\$ 115,050</u>
Liabilities:				
Accounts payable	<u>\$ 230,686</u>	<u>\$ 882,889</u>	<u>\$ 998,525</u>	<u>\$ 115,050</u>

7. LEASE COMMITMENTS

The Council leases certain equipment with expiring terms in 2019. Future minimum rentals remaining under these non-cancelable operating leases for the year ending June 30, 2019 are \$8,790

The Council also leases office space under a lease agreement with yearly automatic extension periods through June 30, 2022. Future rentals remaining under this cancelable office space lease (through June 30, 2022 assuming the Council does not exercise its right to terminate the lease) are \$324,411 per year.

Rentals paid under all operating leases (including the office space lease) during 2018 totaled approximately \$317,000.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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).

In order 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, 2018 totals approximately \$187,000, consisting of approximately \$115,000 from the Council and \$72,000 from employees. The contribution requirement for the year ended June 30, 2017 totaled approximately \$216,000, consisting of approximately \$133,000 from the Council and \$83,000 from employees. The contribution requirement for the year ended June 30, 2016 totaled approximately \$236,000, consisting of approximately \$145,000 from the Council and \$91,000 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

All employees who work more than one hundred hours per month participate in a defined benefit plan administered by the Kentucky Employees Retirement System (KERS), a cost-sharing multi-employer public employee retirement system per Kentucky Revised Statute 61.565(3).

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in KERS.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No final compensation.
Benefit Factor:	1.97% - If do not have 13 months of credit for 1/1/1998 - 1/1/1999. 2.00% - If have 13 months of credit for 1/1/1998 - 1/1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the board based on member's accumulated account balance.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit.

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 2018, plan employees were required to contribute 5 percent of their annual covered salary for retirement benefits. The Council was contractually required to contribute 41.06 percent of covered payroll to the nonhazardous KERS pension and insurance plans, respectively. Actuarially determined as an amount that, when combined with employees during the year, with an additional amount to finance any unfunded accrued liability. The Council's total required contributions to KERS nonhazardous pension plans for the years ended June 30, 2018 was \$1,112,273.

At June 30, 2018, the Council reported a liability of \$24,659,174 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The Council's proportion of the net pension liability was based on 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, 2018, the Council's proportion was 0.184184 percent.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Actuarial Assumptions

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Remaining amortization period	28 years, closed
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized
Actuarial assumptions:	
Investment rate of return	5.25%
Inflation rate	2.30%
Projected salary increases	3.05%, average
Mortality Tables:	
Active member	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females)
Healthy retired members	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females)
Disable members	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for male)
Date of Experience Study	The period July 1, 2008 - June 30, 2013
Update Procedures Applied	The actuarial valuation date of June 30, 2016, was rolled forward from the valuation date to the plan's fiscal year end of June 30, 2017 using standard roll forward procedures.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

For the year ended June 30, 2018, the Council recognized pension expenses of \$4,097,299 and deferred outflows and deferred inflows related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,386	\$ 158,794
Net difference between projected and actual earnings	308,175	188,930
Changes of assumption	3,128,612	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	417,102	571,323
Contributions subsequent to the measurement date	1,112,274	-0-
Total	<u>\$ 4,970,549</u>	<u>\$ 919,047</u>

The \$1,112,274 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, 2019. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date		
Fiscal Years		Amount
2019	\$	1,962,266
2020		977,473
2021		33,448
2022		(33,959)
Total	\$	<u>2,939,228</u>

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 5, 2015. Several factors are considered in evaluating the long-term rate of return. Assumption including long-term historical data, estimates inherent in current market data, and a log – normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Kentucky Retirement Systems		
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
US Equity	17.50%	5.75%
International Equity	17.50%	7.38%
Global Credit	17%	3.63%
Global Bonds	10%	2.63%
Absolute Return	10%	5.63%
Real Return	10%	5.13%
Private Equity	10%	8.25%
Real Estate	5%	6.63%
Cash	3%	1.88%
Total	100%	

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

June 30, 2017 is the actuarial valuation date upon which the total pension liability is based. No updated procedures were used to determine the total pension liability. The discount rate is defined as the single rate of return that when applied to all projected payments results in an actuarial value of projected benefits payments. A municipal bond rate was not used.

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%):

	1% Decrease (4.25%)	Discount (5.25%)	1% Increase (6.25%)
The Council's proportionate share	\$ 28,155,185	\$ 24,659,174	\$ 21,752,413

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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 Comprehensive Annual Financial Report should be referred to for additional disclosures related to KERS. The KRS also issues a publicly available financial report that includes financial statements and required supplementary information for the KERS. The report may be obtained on-line at www.kyret.ky.gov.

Kentucky Teachers' Retirement System:

Plan description – Certain Council professional staff had participated in the Teachers' Retirement System (TRS), a cost-sharing multi-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies, prior to joining the staff of the Council. These certified employees, all employees occupying a full-time position requiring certification by the State Department of Education or graduation from a four-year college or university as a condition of employment, are required to participate in the multiple-employer cost sharing defined benefit retirement plan sponsored by the TRS. The TRS is governed by Chapter 161, Sections 220 through Chapter 161 Section 990, of the Kentucky Revised Statutes.

Covered employees under TRS are employees of local school districts, Department of Education Agencies, universities, the Kentucky Community and Technical College System, and other educational organizations, who are a regular or a special teacher, or professional occupying a position requiring certification or graduation from a four year college or university.

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
2. Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service received reduced retirement benefits. Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002 who retire with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, non-university members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

The final average salary is computed using the member's 5 highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their 3 highest annual salaries to compute the final average salary. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance is for all members is \$440 multiplied by credited service.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

For Members On or After July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 60 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for each year of credited service if their service is greater than 30 years.

The annual retirement allowance for university members is equal to: (a) 1.5% of final average salary for each year of credited service if their service is 10 years or less; (b) 1.7% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 1.85% of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) 2% of final average salary for each year of credited service if their service is greater than or equal to 27 years.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

The final average salary is computed using the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

At June 30, 2018, the Council reported a liability of \$1,468,941 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2016. 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, 2017, the Council's proportion was 0.0130 percent.

Actuarial Assumptions	
Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry age
Actuarial assumptions:	
Investment rate of return	7.5%
Inflation Rate	3.00%
Projected salary increases	3.50% – 7.30%
Post-retirement benefit increases	1.5% annually
Mortality Tables	RP-2000 combined mortality table for males or females, as appropriate, with adjustments for mortality improvements based on a projection of scale BB to 2025 with a set forward of two years for males and one year for females. The period July 1, 2010 - June 30 2015.
Date of Experience Study	

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

For the year ended June 30, 2018, the Council recognized pension expenses of \$(465,144) and deferred outflows and deferred inflows related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on experience	\$ 7,933	\$ 8,000
Net difference between projected and actual investments earnings on pension plan investments	-0-	9,988
Change of assumptions	173,323	98,125
Changes in proportion and differences between contributions and proportionate share of contributions	-0-	1,851,955
Contributions subsequent to the measurement date	48,886	-0-
Total	<u>\$ 230,142</u>	<u>\$ 1,968,068</u>

The \$48,886 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, 2019. For the year ended June 30, 2018, employees were required to contribute 12.855 percent and the Council contributes 12.325 percent. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date

<u>Fiscal Years</u>	<u>Amount</u>
2019	\$ (554,359)
2020	(536,867)
2021	(518,382)
2022	(177,204)
2023	0
Total	\$ <u><u>(1,786,812)</u></u>

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

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

Kentucky Teachers' Retirement Systems		
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	42%	4.4%
International Equity	20%	5.3%
Fixed Income	16%	1.5%
Additional Categories	9%	3.6%
Real Estate	5%	4.4%
Private Equity	6%	6.7%
Cash	2%	0.8%
Total	<u><u>100%</u></u>	

June 30, 2016 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2017 using standard roll forward techniques. The discount rate used to measure the total pension liability was 4.49 percent. The projected cash flows used to determine the discount rate assumed that plan member contributions will be made at current contributions rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

plan members until 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2038 and a municipal bond index rate of 3.56 percent was applied to all periods of projected benefit payments after 2038. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payment streams was used to determine total pension liability.

The following presents the net pension liability of the Council, calculated using the discount rate of 4.49%, 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 (3.49%) or one percentage point higher (5.49%):

	1% Decrease (3.49%)	Discount (4.49%)	1% Increase (5.49%)
The Council's proportionate share	\$ 1,820,875	\$ 1,468,941	\$ 1,180,097

Detailed information about the TRS's fiduciary net position is available in the separately issued Teachers' Retirement System's Annual Financial Report (which is a matter of public record). The Commonwealth of Kentucky Comprehensive Annual Financial Report should be referred to for additional disclosures related to TRS. The TRS also issues a publicly available financial report that includes financial statements and required supplementary information for the TRS. The report may be obtained on-line at www.trs.ky.gov.

Deferred Compensation Retirement Plans:

In addition to the above plans, employees are also eligible to participate in two deferred compensation plans sponsored by the Commonwealth of Kentucky. These plans are organized as a Section 457 plan and as a Section 401(k) plan under the Internal Revenue Code. During the past year, employees contributed approximately \$242,000 to these plans. 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.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

9. 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 also to certain beneficiaries of plan members under prescribed circumstances.

Covered Employees: Contribution rates for employers and employees are established by Kentucky Statue KRS 21.427. The Traditional plan members do not contribute to the OPEB plan directly. Instead assets have been allocated between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2017. This amount has been bought forward from that date based on actual cash flows and prorated allocation of investment returns. The Hybrid plan member contribute 1% of their official salary. Employer contributions are determined by the budget bill.

Benefit Factor:

Participation prior to July 2003		Participation between July 2003 and August 2008		Participation on or after September 2008	
Months of Service	Percent of premium	Months of Service	Percent of premium	Months of Service	Percent of premium
<48	0%	Greater than or equal to 120	\$10 per month for each year of service without regard to a maximum dollar adjusted annually.	Greater than or equal to 180	\$10 per month for each year of service without regard to a maximum dollar adjusted 1.5%
48 to 119 inclusive	25%				
120 to 179 inclusive	50%				
180 to 239 inclusive	75%				
240 or more	100%				

Cost of Living Adjustment (COLA): Health Insurance Hybrid Benefit Plan receive 1.50% increase contribution each July 1.

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. Employees with a participation date after 9/1/2008 were required to contribute an additional 1 percent of their salary for retiree healthcare benefits. The plan was contractually required to contribute 8.41% percent of covered payroll to the nonhazardous KERS insurance plans, Actuarially determined as an amount that, when combined with employees during the year, with an additional amount to finance any unfunded accrued liability. The plan's total required contributions to KERS nonhazardous insurance plan plans for the years ended June 30, 2018 was \$227,818.

At June 30, 2018, the Council reported a liability of \$4,670,837 or its proportionate share of collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net collective OPEB liability was determined by an actuarial valuation as of June 30, 2016. The Council's proportion of the collective net OPEB liability was based on projection of the Council's long-term share of contributions to the OPEB plan relative to the

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

projected contributions of all participating entities, actuarially determined. At June 30, 2018, the plan's proportion was 0.184184 percent.

For the year ended June 30, 2018, the Council recognized OPEB expenses of \$463,351 and deferred outflows and deferred inflows related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -0-	\$ 5,780
Net difference between projected and actual earnings	-0-	60,455
Changes of assumption	611,554	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-0-	34,277
Contributions subsequent to the measurement date	264,190	-0-
Total	\$ 875,744	\$ 100,512

Of the total amount reported as deferred outflows of resources related to OPEB, \$227,818 resulting from Council statutorily required contributions and \$36,372 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, 2019. 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

Fiscal Years	Amount
2019	\$ 127,404
2020	127,404
2021	127,404
2022	127,404
2023	1,426
Total	\$ 511,042

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Actuarial assumptions. The collective net OPEB liability was measured based on an actuarial valuation performed as of June 30, 2016, using act actuarial assumptions shown in the table below, The total OPEB liability used to calculate the net collective OPEB liability was rolled forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles.

Actuarial Assumptions

Actuarial Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Remaining amortization period	28 year, closed
Asset valuation method	20% of the difference between the market value of assets and expected actuarial value of assets is recognized
Actuarial assumptions:	
Investment rate of return	6.25%. Change from 7.5% prior year.
Inflation rate	2.3%. Change from 3.25% prior year.
Payroll Growth Rate	0%. Change from 4.00% prior years
Mortality Tables:	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females)
Healthcare Trend Rates Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare Trend Rates Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Update procedures applied

The actuarial valuation date of June 30, 2016 was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2017 using standard roll forward procedures

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 rates of return for each major asset class are summarized in the below table.

Kentucky Retirement Systems		
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
US Equity	17.50%	5.75%
International Equity	17.50%	7.38%
Global Credit	17%	3.63%
Global Bonds	10%	2.63%
Absolute Return	10%	5.63%
Real Return	10%	5.13%
Private Equity	10%	8.25%
Real Estate	5%	6.63%
Cash	3%	1.88%
Total	100%	

The projection of cash flows used to determine the discount rate of 5.83% for KERS Non hazardous, assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the Commonwealth's CAFR.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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 (4.83 percent) or 1-percentage-point higher (6.83 percent) than the current discount rate:

	<u>1% Decrease (4.83%)</u>	<u>Discount (5.83%)</u>	<u>1% Increase (6.83%)</u>
The Council's proportionate share	\$ 5,460,772	\$ 4,670,837	\$ 4,014,351

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 (6.5 percent decreasing to 4.0 percent) or 1 percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	<u>1% Decrease 6.50% Decreasing to 4.00% over 5 years</u>	<u>7.50% Decreasing to 5.00% over 5 years</u>	<u>1% Increase 8.50% Decreasing to 6.00% over 5 years</u>
The Council's proportionate share	\$ 3,968,699	\$ 4,670,837	\$ 5,552,496

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 Comprehensive Annual Financial Report should be referred to for additional disclosures related to KERS.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Teachers' Retirement System

Plan description

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The Council reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance Plan. The following information is about the TRS Medical Insurance Plan:

Medical Insurance Plan

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

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

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2018, the Council reported a liability of \$331,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the Council. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective 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 employers, actuarially determined. At June 30, 2017, the Council's proportion was 0.009269% percent,

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

Council's proportionate share of the net OPEB liability \$	331,000
Commonwealth's proportionate share of the net OPEB liability associated with the Council	<u>150,000</u>
Total	<u>\$ 481,000</u>

For the year ended June 30, 2018, the Council recognized OPEB expense of \$22,000 and revenue of \$10,000 for support provided by the Commonwealth. At June 30, 2018, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investments earnings on OPEB plan investments	\$ -0-	\$ 3,000
Contributions subsequent to the measurement date	14,874	-0-
Total	<u>\$ 14,874</u>	<u>\$ 3,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$14,874 resulting from Council contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. 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

Fiscal Years	Amount
2019	\$ (1,000)
2020	(1,000)
2021	(1,000)
2022	-0-
2023	-0-
Total	<u>\$ (3,000)</u>

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Actuarial assumptions – The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

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

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

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

Kentucky Teachers' Retirement Systems

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories	10.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	100%	

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Council's proportionate share of the collective net OPEB liability to changes in the discount rate - The following table presents the Council's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current rates.

	1% Decrease (7.00%)	Discount (8.00%)	1% Increase (9.00%)
The Council's proportionate share	\$ 559,000	\$ 481,000	\$ 415,000

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

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
The Council's proportionate share	\$ 402,000	\$ 481,000	\$ 577,000

10. INTERGOVERNMENTAL TRANSACTIONS

At June 30, 2018, intergovernmental receivables consist of the following:

Due from the General Fund of the Commonwealth of Kentucky:

Appropriations for the Kentucky Adult Education and Literacy Incentive Funding Program	\$ 1,516,232
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Due from other state agencies of the Commonwealth of Kentucky:

Reimbursement of expenses from the Department for Community Based Services under the Supplemental Nutrition Assistance Program	70,659
Reimbursement of expenses from the Department of Education under the Perkins Grant	<u>43,017</u>
Total due from the other state agencies of the Commonwealth of Kentucky	<u>113,676</u>
Total intergovernmental receivables	<u><u>\$ 1,629,908</u></u>

Intergovernmental revenues during the year ended June 30, 2018, consisted of funding for the Postsecondary Education Equine Trust and Revolving Fund from a Special Revenue Fund of the Commonwealth of Kentucky in the amount of \$651,074.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

11. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of a \$300,000 advance from the Operating Fund to the Technology Initiative Trust Fund for the purchase of broadband infrastructure plus various balances related to the expenditures of federal funds to be reimbursed between funds upon receipt of the federal funds into the Federal Program Fund.

12. RELATED PARTY TRANSACTIONS

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 2018, the Council paid approximately \$326,000 to COT for services provided during the year.

The Council received the benefit of accounting and administrative services from the Personnel Cabinet and Finance and Administration Cabinet for 2018. During 2018, the Council paid approximately \$5,000 to the Personnel Cabinet and approximately \$29,000 to the Finance and Administration Cabinet for services provided during the year.

The Council uses vehicles from the Transportation Cabinet's fleet. During 2018, the Council paid approximately \$26,000 to the Transportation Cabinet for use of their vehicles.

13. COMMITMENTS AND CONTINGENCIES

As of June 30, 2018, the Council is committed under certain agreements and contracts in the amount of approximately \$9,200,000. 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 State'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, 2018, the Council estimates that no material liabilities will result from such audits.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

14. 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 Comprehensive Annual Financial Report should be referred to for additional disclosures related to the Workers' Compensation Insurance Program.

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 Comprehensive Annual Financial Report should be referred to for additional disclosures related to the Risk Management Fund.

15. 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.

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NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018 are as follows:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Commonwealth's investment pool	\$ 1,339,440	\$ 3,338,283	\$ -0-	\$ 4,677,723
Total assets at fair value	\$ 1,339,440	\$ 3,338,283	\$ -0-	\$ 4,677,723

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, 2018.

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.

16. NEW STANDARDS IMPLEMENTATION

During 2018, the Council implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the recognition of the net Other Postemployment Benefits (OPEB) liability, OPEB expense, and enhanced disclosures relating to the OPEB plan. The adoption of this standard decreased the previously presented net position as of June 30, 2017, by \$4,008,444. The 2017 financial statements have not been restated as the Council's OPEB liability amounts were not individually calculated at June 30, 2016, and it was not deemed practical to determine its impact on the opening 2017 financial position or the effect on the 2017 change in net position.

17. RECENT GASB PRONOUNCEMENTS

Management has not currently determined what, if any, effects of implementation of the following statements may have on the financial statements:

GASB Statement No. 84, *Fiduciary Activities*, will be effective for periods beginning after December 15, 2018. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

COUNCIL ON POSTSECONDARY EDUCATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

GASB Statement No. 87, *Leases*, will be effective for periods beginning after December 15, 2019. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

REQUIRED SUPPLEMENTARY INFORMATION

COUNCIL ON POSTSECONDARY EDUCATION

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

	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.184184%	0.191420%	0.183165%	0.169904%
Proportionate share of the net pension liability	\$ 24,659,174	\$ 21,821,203	\$ 18,374,905	\$ 15,243,442
Covered payroll	\$ 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	848.21%	726.12%	614.76%	522.89%
Plan fiduciary net position as a percentage of the total pension liability	13.32%	14.80%	18.83%	22.32%

*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).

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COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF PENSION CONTRIBUTIONS KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 1,112,284	\$ 1,169,854	\$ 926,802	\$ 921,837	\$ 504,336
Contribution in relation to the statutorily required contribution	1,112,284	1,169,854	926,802	921,837	504,336
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194	\$ 2,988,947	\$ 2,915,237
Contribution as a percentage of covered payroll	41.06%	40.24%	30.84%	30.84%	17.30%

Notes to Schedule

Valuation date	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2014	Not available
Methods and assumptions used to determine contributions:					
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Not available
Amortization method	Level percentage of pay closed	Level percentage of pay closed	Level percentage of pay closed	Level percentage of pay closed	Not available
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	Five-year smoothed market	Five-year smoothed market	Not available
Investment return	7.50%	6.75%	7.50%	7.75%	Not available
Inflation	3.25%	3.25%	3.25%	3.50%	Not available
Projected salary increase	4.0%, average, including inflation	4.0%, average, including inflation	4.0%, average, including inflation	4.50% per annum	Not available

Mortality

The rate of mortality for active members is based on the RP-2000 Combined Mortality Table projected to with scale BB to 2013 (multiplied by 50% for males and 30% for females). For health retired members and beneficiaries, the mortality table is the RP-2000 Combined Mortality Table projected with scale BB to 2013 (set back 1 year for females) For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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.

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY KENTUCKY TEACHERS RETIREMENT SYSTEM

	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.013000%	0.015200%	0.015200%	0.016100%
Proportionate share of the net pension liability	1,468,941	3,873,364	3,530,337	3,322,159
Covered payroll	423,461	497,443	592,673	625,000
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	346.89%	778.65%	595.66%	531.55%
Plan fiduciary net position as a percentage of the total pension liability	39.83%	35.22%	42.49%	45.59%

*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).

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF PENSION CONTRIBUTIONS KENTUCKY TEACHERS RETIREMENT SYSTEM

	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 48,886	\$ 52,192	\$ 61,310	\$ 73,047	\$ 74,057
Contribution in relation to the statutorily required contribution	48,886	52,192	61,310	73,047	74,057
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ 396,637	\$ 423,461	\$ 497,443	\$ 592,673	\$ 625,000
Contribution as a percentage of covered payroll	12.33%	12.33%	12.33%	12.33%	11.85%

Notes to Schedule

Valuation date	June 30, 2016	June 30, 2016	June 30, 2014	June 30, 2014	Not available
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Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Not available
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay	Level percent of pay	Not available
Asset valuation method	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Five-year smoothed market	Not available
Investment return	7.5% net of pension plan investment expense, including inflation	7.5% net of pension plan investment expense, including inflation	7.5% net of pension plan investment expense, including inflation	7.5% net of pension plan investment expense, including inflation	Not available
Inflation	3.50%	3.50%	3.50%	3.50%	Not available
Projected salary increase	3.50% - 7.30%	3.50% - 7.30%	4.0% - 8.20%	4.0% - 8.20%	Not available

Mortality

The rate of mortality is based on the RP-2000 Combined Mortality Table projected to 2020 using scale AA (set back one year for females) for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality table (set back seven years for males and set forward five years for females) is used for death after disability retirement.

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.

COUNCIL ON POSTSECONDARY EDUCATION

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

	2018	2017
Proportion of the net OPEB liability (asset)	0.184184%	0.191420%
Proportionate share of the net OPEB liability	\$ 4,670,837	\$ 3,953,169
Covered payroll	\$ 2,907,191	\$ 3,005,194
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	160.66%	131.54%
Plan fiduciary net position as a percentage of the total OPEB liability	24.37%	24.48%

*Note: This schedule is intended to present 10 years of the proportionate share of the net OPEB 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).

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF OPEB CONTRIBUTIONS KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	2018	2017	2016
Statutorily required contribution	\$ 227,818	\$ 242,750	\$ 238,312
Contribution in relation to the statutorily required contribution	227,818	242,750	238,312
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194
Contribution as a percentage of covered payroll	8.41%	8.35%	7.93%

Notes to Schedule

Valuation date	June 30, 2015	June 30, 2015	Not available
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Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal	Entry Age Normal	Not available
Amortization method	Level percent of pay	Level percent of pay	Not available
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	Not available
Amortization period	28 Years, Closed	28 Years, Closed	Not available
Investment return	7.50%	7.50%	Not available
Inflation	3.25%	3.25%	Not available
Projected salary increase	4.00% average	4.00% average	Not available
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.	Not available
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.	Not available

Mortality

RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

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.

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY KENTUCKY TEACHERS RETIREMENT SYSTEM

	2018
Proportion of the net OPEB liability (asset)	0.009269%
Proportionate share of the net OPEB liability	331,000
Covered payroll	423,461
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	78.17%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%

*Note: This schedule is intended to present 10 years of the proportionate share of the net OPEB 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).

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF OPEB CONTRIBUTIONS KENTUCKY TEACHERS RETIREMENT SYSTEM

	2018	2017	2016
Statutorily required contribution	\$ 14,874	\$ 15,880	18,654
Contribution in relation to the statutorily required contribution	14,874	15,880	18,654
Contribution deficiency (excess)	\$ -0-	\$ -0-	-0-
Covered payroll	\$ 396,637	\$ 423,461	497,443
Contribution as a percentage of covered payroll	3.75%	3.75%	3.75%

Notes to Schedule

Valuation date	June 30, 2016	June 30, 2016	Not available
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Methods and assumptions used to determine contributions:

Actuarial cost method	Entry Age Normal	Entry Age Normal	Not available
Amortization method	Level percentage of payroll open	Level percentage of payroll open	Not available
Amortization period	30 years, open	30 years, open	Not available
Asset valuation method	Five-year smoothed Market Value	Five-year smoothed Market Value	Not available
Inflation	3.00%	3.00%	Not available
Real wage growth	0.50%	0.50%	Not available
Wage inflation	3.50%	3.50%	Not available
Projected salary increase	3.50% - 7.20%	3.50% - 7.20%	Not available
Discount rate	8.00%	8.00%	Not available

Medicial Insurance Fund (MIF) Health Care Cost Trends:
Under Age 65

7.75% for FYE 2017 decreasing to an ultimate rate of 5.00% by FYE 2023	7.75% for FYE 2017 decreasing to an ultimate rate of 5.00% by FYE 2023	Not available
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Age 65 and Older

5.75% for FYE 2017 decreasing to an ultimate rate of 5.00% by FYE 2020	5.75% for FYE 2017 decreasing to an ultimate rate of 5.00% by FYE 2020	Not available
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Medicare Part B Premiums

1.02% for FYE 2017 with an ultimate rate of 5.00% by 2029.	1.02% for FYE 2017 with an ultimate rate of 5.00% by 2029.	Not available
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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.

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2018

	Operations			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Budgetary fund balance, July 1	\$ 412,459	\$ 412,459	\$ 3,568,799	\$ 3,156,340
REVENUES:				
State appropriations	7,132,300	6,918,300	6,935,186	16,886
Charges for services	647,000	590,000	461,250	(128,750)
Intergovernmental revenues				
Federal programs			128,991	128,991
Other revenues				
Income from investments				
Total revenues	<u>7,779,300</u>	<u>7,508,300</u>	<u>7,525,427</u>	<u>17,127</u>
Amount available for expenditures	8,191,759	7,920,759	11,094,226	3,173,467
EXPENDITURES:				
Personnel services	6,221,300	6,121,300	6,179,494	58,194
Utilities, rentals, and other services	1,147,200	1,147,200	765,311	(381,889)
Commodities and supplies	40,300	40,300	194,023	153,723
Grants and subsidies			11,129	11,129
Travel	93,000	93,000	105,391	12,391
Intergovernmental expenditures				
Total expenditures	<u>7,501,800</u>	<u>7,401,800</u>	<u>7,255,348</u>	<u>(146,452)</u>
Budgetary fund balance, June 30	<u>\$ 689,959</u>	<u>\$ 518,959</u>	<u>\$ 3,838,878</u>	<u>\$ 3,319,919</u>

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2018

	Federal Programs			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Budgetary fund balance, July 1	\$ -0-	\$ -0-	\$ 127,888	\$ 127,888
REVENUES:				
State appropriations				
Charges for services				
Intergovernmental revenues				
Federal programs	18,102,500	14,740,309	11,478,704	(3,261,605)
Other revenues				
Income from investments				
Total revenues	<u>18,102,500</u>	<u>14,740,309</u>	<u>11,478,704</u>	<u>(3,261,605)</u>
Amount available for expenditures	18,102,500	14,740,309	11,606,592	(3,133,717)
EXPENDITURES:				
Personnel services			1,616,103	1,616,103
Utilities, rentals, and other services			756,312	756,312
Commodities and supplies			14,187	14,187
Grants and subsidies	16,475,717	13,879,226	9,119,891	(4,759,335)
Travel			81,061	81,061
Intergovernmental expenditures				
Total expenditures	<u>16,475,717</u>	<u>13,879,226</u>	<u>11,587,554</u>	<u>(2,291,672)</u>
Budgetary fund balance, June 30	<u>\$ 1,626,783</u>	<u>\$ 861,083</u>	<u>\$ 19,038</u>	<u>\$ (842,045)</u>

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2018

	Kentucky Adult Education Funding Program			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Budgetary fund balance, July 1	\$ 2,211,583	\$ 2,211,583	\$ 24,999	\$ (2,186,584)
REVENUES:				
State appropriations	17,640,500	16,822,700	15,926,768	(895,932)
Charges for services	200,000	200,000		(200,000)
Intergovernmental revenues				
Federal programs				
Other revenues				
Income from investments				
Total revenues	<u>17,840,500</u>	<u>17,022,700</u>	<u>15,926,768</u>	<u>(1,095,932)</u>
Amount available for expenditures	20,052,083	19,234,283	15,951,767	(3,282,516)
EXPENDITURES:				
Personnel services			158,413	158,413
Utilities, rentals, and other services			188,790	188,790
Commodities and supplies			2,505	2,505
Grants and subsidies	17,408,436	16,762,160	15,589,784	(1,172,376)
Travel			12,275	12,275
Intergovernmental expenditures				
Total expenditures	<u>17,408,436</u>	<u>16,762,160</u>	<u>15,951,767</u>	<u>(810,393)</u>
Budgetary fund balance, June 30	<u>\$ 2,643,647</u>	<u>\$ 2,472,123</u>	<u>\$ -0-</u>	<u>\$ (2,472,123)</u>

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2018

	Research Challenge Trust Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Budgetary fund balance, July 1	\$ 1,455,267	\$ 1,455,267	\$ 1,455,269	\$ 2
REVENUES:				
State appropriations	5,176,100	5,176,100	5,176,100	-0-
Charges for services				
Intergovernmental revenues				
Federal programs				
Other revenues				
Income from investments			11,822	11,822
Total revenues	<u>5,176,100</u>	<u>5,176,100</u>	<u>5,187,922</u>	<u>11,822</u>
Amount available for expenditures	6,631,367	6,631,367	6,643,191	11,824
EXPENDITURES:				
Personnel services			4,404	4,404
Utilities, rentals, and other services				
Commodities and supplies				
Grants and subsidies	6,625,697	6,615,696	6,608,197	(7,499)
Travel				
Intergovernmental expenditures				
Total expenditures	<u>6,625,697</u>	<u>6,615,696</u>	<u>6,612,601</u>	<u>(3,095)</u>
Budgetary fund balance, June 30	<u>\$ 5,670</u>	<u>\$ 15,671</u>	<u>\$ 30,590</u>	<u>\$ 14,919</u>

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2018

	Technology Initiative Trust Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Budgetary fund balance, July 1	\$ 7,950,387	\$ 7,950,387	\$ 3,673,666	\$ (4,276,721)
REVENUES:				
State appropriations	7,740,400	7,276,000	3,638,000	(3,638,000)
Charges for services	7,426,204	6,689,764	3,024,845	(3,664,919)
Intergovernmental revenues				
Federal programs				
Other revenues			133,802	133,802
Income from investments		44,338	44,338	-0-
Total revenues	<u>15,166,604</u>	<u>14,010,102</u>	<u>6,840,985</u>	<u>(7,169,117)</u>
Amount available for expenditures	23,116,991	21,960,489	10,514,651	(11,445,838)
EXPENDITURES:				
Personnel services			3,300,695	3,300,695
Utilities, rentals, and other services			508,784	508,784
Commodities and supplies			2,658,910	2,658,910
Grants and subsidies	19,123,136	16,342,789	169,778	(16,173,011)
Travel			19,650	19,650
Intergovernmental expenditures				
Total expenditures	<u>19,123,136</u>	<u>16,342,789</u>	<u>6,657,817</u>	<u>(9,684,972)</u>
Budgetary fund balance, June 30	<u>\$ 3,993,855</u>	<u>\$ 5,617,700</u>	<u>\$ 3,856,834</u>	<u>\$ (1,760,866)</u>

COUNCIL ON POSTSECONDARY EDUCATION

NOTE TO THE SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (BUDGETARY BASIS) – UNAUDITED YEAR ENDED JUNE 30, 2018

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:

	Operations	Federal Programs	Kentucky Adult Education Funding Program	Research Challenge Trust Fund	Technology Initiative Trust Fund
Total revenues per the budgetary comparison schedule	<u>\$ 7,525,427</u>	<u>\$ 11,478,704</u>	<u>\$ 15,926,768</u>	<u>\$ 5,187,922</u>	<u>\$ 6,840,985</u>
Total revenues per the statement of revenues, expenditures, and changes in fund balance	<u><u>\$ 7,525,427</u></u>	<u><u>\$ 11,478,704</u></u>	<u><u>\$ 15,926,768</u></u>	<u><u>\$ 5,187,922</u></u>	<u><u>\$ 6,840,985</u></u>
Total expenditures per the budgetary comparison schedule	\$ 7,255,348	\$ 11,587,554	\$ 15,951,767	\$ 6,612,601	\$ 6,657,817
Change in accrued expenditures	(28,268)	(112,715)	829		53
Change in short-term compensated absences	<u>(103,447)</u>	<u>(50,312)</u>	<u>132</u>		<u>(11,981)</u>
Total expenditures per the statement of revenues, expenditures, and changes in fund balance	<u><u>\$ 7,123,633</u></u>	<u><u>\$ 11,424,527</u></u>	<u><u>\$ 15,952,728</u></u>	<u><u>\$ 6,612,601</u></u>	<u><u>\$ 6,645,889</u></u>

ADDITIONAL SUPPLEMENTARY INFORMATION

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES – OPERATIONS JUNE 30, 2018

	Agency Operations	Kentucky Adult Education Operations	KYVC/ KYVL Operations	Total Operations
<u>ASSETS</u>				
Cash and cash equivalents	\$ 354,573	\$ 13,902	\$ 168,013	\$ 536,488
Investments	1,969,901	77,235	933,434	2,980,570
Accounts receivable	24,247			24,247
Intergovernmental receivables	-0-			-0-
Due from the Federal government	7,191			7,191
Interfund receivable	14,750		300,000	314,750
	<u>2,370,662</u>	<u>91,137</u>	<u>1,401,447</u>	<u>3,863,246</u>
Total assets	<u>\$ 2,370,662</u>	<u>\$ 91,137</u>	<u>\$ 1,401,447</u>	<u>\$ 3,863,246</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and other payables	\$ 24,262	\$ 106	\$	\$ 24,368
Accrued expenses	460,445	5,913		466,358
Accrued compensated absences	365,236	2,000		367,236
Total liabilities	849,943	8,019	-0-	857,962
Fund balances:				
Assigned:				
for agency operations	1,520,719	83,118	1,401,447	3,005,284
Total liabilities and fund balances	<u>\$ 2,370,662</u>	<u>\$ 91,137</u>	<u>\$ 1,401,447</u>	<u>\$ 3,863,246</u>

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – OPERATIONS YEAR ENDED JUNE 30, 2018

	Agency Operations	Kentucky Adult Education Operations	KYVC/ KYVL Operations	Total Operations
REVENUES:				
State appropriations	\$ 6,935,186	\$	\$	\$ 6,935,186
Charges for services	324,650	136,600		461,250
Intergovernmental revenues				-0-
Federal programs	128,991			128,991
Other revenues				-0-
Total revenues	<u>7,388,827</u>	<u>136,600</u>	<u>-0-</u>	<u>7,525,427</u>
EXPENDITURES:				
Personnel services	5,982,607	65,172		6,047,779
Utilities, rentals, and other services	749,839	15,472		765,311
Commodities and supplies	193,846	177		194,023
Grants and subsidies	11,129			11,129
Travel	105,195	196		105,391
Total expenditures	<u>7,042,616</u>	<u>81,017</u>	<u>-0-</u>	<u>7,123,633</u>
Net change in fund balances	346,211	55,583	-0-	401,794
Fund balances, beginning of year	<u>1,174,508</u>	<u>27,535</u>	<u>1,401,447</u>	<u>2,603,490</u>
Fund balances, end of year	<u>\$ 1,520,719</u>	<u>\$ 83,118</u>	<u>\$ 1,401,447</u>	<u>\$ 3,005,284</u>

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES – RESEARCH CHALLENGE TRUST FUND JUNE 30, 2018

	Lung Cancer Research	Endowment Match Program	Total Research Challenge Trust Fund
<u>ASSETS</u>			
Cash and cash equivalents - restricted	\$ 4,221,254	\$ 2	\$ 4,221,256
Investments - restricted	717,531		717,531
Total assets	<u>\$ 4,938,785</u>	<u>\$ 2</u>	<u>\$ 4,938,787</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts and other payables	\$ 4,908,197	\$ -0-	\$ 4,908,197
Total liabilities	4,908,197	-0-	4,908,197
Fund balances:			
Restricted:			
for Lung Cancer Research	30,588		30,588
for Research Challenge		2	2
Total fund balances	<u>30,588</u>	<u>2</u>	<u>30,590</u>
Total liabilities and fund balances	<u>\$ 4,938,785</u>	<u>\$ 2</u>	<u>\$ 4,938,787</u>

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – RESEARCH CHALLENGE TRUST FUND YEAR ENDED JUNE 30, 2018

	Lung Cancer Research	Endowment Match Program	Total Research Challenge Trust Fund
REVENUES:			
State appropriations	\$ 5,176,100	\$	\$ 5,176,100
Income from investments	11,822		11,822
Total revenues	<u>5,187,922</u>	<u>-0-</u>	<u>5,187,922</u>
EXPENDITURES:			
Personnel services	4,404		4,404
Grants and subsidies	6,608,197		6,608,197
Total expenditures	<u>6,612,601</u>	<u>-0-</u>	<u>6,612,601</u>
Excess (deficiency) of revenues over expenditures	<u>(1,424,679)</u>	<u>-0-</u>	<u>(1,424,679)</u>
Fund balances, beginning of year	<u>1,455,267</u>	<u>2</u>	<u>1,455,269</u>
Fund balances, end of year	<u><u>\$ 30,588</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 30,590</u></u>

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES – NON-MAJOR FUNDS JUNE 30, 2018

	Postsecondary Education Equine Trust Fund	Regional University Excellence Trust Fund	Assessment and Professional Development Fund	Other (Non- major) Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents - restricted	\$ 64,387	\$ 5	\$	\$ 64,392
Investments - restricted	357,713	2		357,715
Total assets	<u>\$ 422,100</u>	<u>\$ 7</u>	<u>\$ -0-</u>	<u>\$ 422,107</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and other payables	\$ 240,000	\$	\$	\$ 240,000
Accrued expenses			29,382	29,382
Accrued compensated absences			2,337	2,337
Total liabilities	<u>240,000</u>	<u>-0-</u>	<u>31,719</u>	<u>271,719</u>
Restricted:				
for University Equine programs	422,100			422,100
for Regional University Excellence		7		7
Unassigned	<u>(240,000)</u>		<u>(31,719)</u>	<u>(271,719)</u>
Total fund balances	<u>182,100</u>	<u>7</u>	<u>(31,719)</u>	<u>150,388</u>
Total liabilities and fund balances	<u>\$ 422,100</u>	<u>\$ 7</u>	<u>\$ -0-</u>	<u>\$ 422,107</u>

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR FUNDS YEAR ENDED JUNE 30, 2018

	Postsecondary Education Equine Trust Fund	Science and Technology Funding Program	Regional University Excellence Trust Fund	Assessment and Professional Development Fund	Other (Non- major) Governmental Funds
REVENUES:					
State appropriations	\$	\$ 4,511,700	\$	\$ 1,352,000	\$ 5,863,700
Intergovernmental revenues	651,074				651,074
Total revenues	651,074	4,511,700	-0-	1,352,000	6,514,774
EXPENDITURES:					
Personnel services		1,318,500		749,155	2,067,655
Utilities, rentals and other services				408	408
Commodities and supplies				55,988	55,988
Grants and subsidies	600,000	3,193,200		536,600	4,329,800
Travel				9,005	9,005
Total expenditures	600,000	4,511,700	-0-	1,351,156	6,462,856
Excess (deficiency) of revenues over expenditures	51,074	-0-	-0-	844	51,918
Fund balances, beginning of year	131,026	-0-	7	(32,563)	98,470
Fund balances, end of year	\$ 182,100	\$ -0-	\$ 7	\$ (31,719)	\$ 150,388

COUNCIL ON POSTSECONDARY EDUCATION

SUPPLEMENTARY SCHEDULE OF GRANTS AND SUBSIDIES YEAR ENDED JUNE 30, 2018

	Governmental Funds	Fiduciary Funds
Agency Operations	\$ 11,129	\$
Adult Education State Grant Federal Programs	7,606,955	
Gaining Early Awareness and Readiness for Undergraduate Programs	514,329	
Improving Teacher Quality	725,014	
Perkins Grant	7,220	
SNAP Grant	266,373	
Postsecondary Education Equine Trust Fund	600,000	
Kentucky Adult Education Funding Program	15,589,784	
Science and Technology Funding Program	3,193,200	
Research Challenge Trust Fund:		
Lung Cancer Research Program	6,608,197	
Technology Initiative Trust Fund	169,778	
Assessment and Professional Development	536,600	
Cancer Research Institutions Matching Fund		3,647,748
Contract Spaces Program		5,635,041
Governor's Minority Student College Preparation Program		74,900
Professional Education Preparatory Program		119,600
Southern Regional Education Board Doctoral Scholars Program		64,500
Kentucky Autism Training Center		119,500
Washington Internship Program		22,800
Total grants and subsidies	\$ 35,828,579	\$ 9,684,089

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2018

	<u>Federal CFDA Number</u>	<u>Grant ID Number</u>	<u>Total Federal Expenditures</u>	<u>Passed Through to Subrecipient</u>
<u>Major Programs:</u>				
United States Department of Education:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S110018-16	<u>\$ 1,126,577</u>	
Total Gaining Early Awareness and Readiness for Undergraduate Programs			1,126,577	\$ 514,329
Adult Education - State Administered	84.002	V002A140017	2,238,978	
	84.002	V002A150017	4,011,340	
	84.002	V002A160017	<u>2,931,254</u>	
Total Adult Education - State Administered			9,181,572	7,489,934
<u>Non-Major Programs:</u>				
Improving Teacher Quality State Grants	84.367	S367B140017	367,653	
	84.367	S367B150017	<u>407,441</u>	
Total Improving Teacher Quality State Grants			775,094	725,014
Pass-through from Kentucky Cabinet for Health and Family Services:				
Path 2 Promise - Supplemental Nutrition Assistance Program (SNAP)	10.596	PON273615000019981	297,263	266,244
Pass-through from Kentucky Department of Education:				
Statewide Longitudinal Data Systems	84.372	R372A120028	104,615	
Career and Technical Education - Basic Grants to States	84.048	PON254015000025461	<u>68,397</u>	<u>4,440</u>
Total Federal Expenditures			<u>\$ 11,553,518</u>	<u>\$ 8,999,961</u>

COUNCIL ON POSTSECONDARY EDUCATION

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2018

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). 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. The Council did not elect to use the 10% de minimis indirect cost rate.

The Schedule is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual and 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 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.



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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

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, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated November 21, 2018.

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) to determine the 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 may exist that have not been identified.

To the Council Members
Council on Postsecondary Education

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 determination of financial statement amounts. 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
November 21, 2018



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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

We have audited the Council on Postsecondary Education's (the Council) compliance with the types of compliance requirements described 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, 2018. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. 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 *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

To the Council Members
Council on Postsecondary Education

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
November 21, 2018

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2018

Section 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 ☒ no

Significant deficiency(ies)
identified that are not
considered to be
material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es)
identified? ☐ yes ☒ no

Significant deficiency(ies)
identified that are not
considered to be
material weaknesses? ☐ yes ☒ none reported

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

Any audit findings disclosed that are
required to be reported in accordance
with Uniform Guidance? ☐ yes ☒ no

COUNCIL ON POSTSECONDARY EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2018

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs
84.002	Adult Education-State Administered

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

Auditee qualified as low-risk auditee: ☒ yes ☐ no

Section II - Findings - Financial Statement Audit

None

Section III - Findings and Questioned Costs - Major Federal Awards Program Audit

None

COUNCIL ON POSTSECONDARY EDUCATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2018

There were no findings reported for the year ended June 30, 2017.

Reports from the Institutions

The following institutions submitted “Good News” reports for the CPE agenda book:

- Eastern Kentucky University
- Kentucky Community & Technical College
- Kentucky State University
- Morehead State University
- Murray State University
- Northern Kentucky University
- University of Kentucky
- University of Louisville
- Western Kentucky University
- Association of Independent Kentucky Colleges & Universities

Campus Presidents attending the meeting will be invited to speak on any topic covered in the reports.

AIKCU GOOD NEWS

The Association of Independent Kentucky Colleges & Universities

News highlights

Presidential news

Dr. Jeff Metcalf announced that he will be retiring from the presidency of **Kentucky Christian University** when his current contract expires in August 2019. He joins **Asbury University** President Sandra Gray and **Georgetown College** President Dwaine Greene, who previously announced this would be their last year in office.

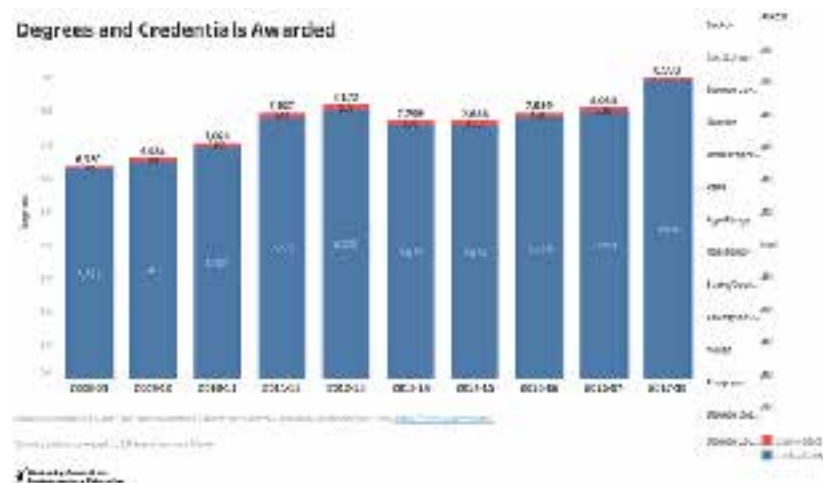
Berea College was the subject of a recent profile in *The Atlantic*: "[The Little College Where Tuition is Free and Every Student Is Given a Job.](#)"

Centre College's Grissom Scholars Program was highlighted in the *U.S. News* article "[A Career Roadmap for First-Generation Professionals.](#)"

Thomas More College officially became **Thomas More University** on October 1.

AIKCU is working with member campuses to develop a Multiple Employer Plan (MEP) for 403(b) Retirement Plans. We hope to launch the AIKCU MEP in early 2019.

AIKCU members award 8,999 degrees in '17-18; overall degree production up 11.3%



Newly available CPE data shows Kentucky's private nonprofit colleges and universities awarded 8,999 total degrees and credentials in 2017-18, an increase of 11.3 percent over the previous academic year.

Bachelor's degree production was essentially flat from 2016-17 to 2017-18, while graduate degrees increased 28 percent. Graduate degrees now make up almost exactly half of all AIKCU degrees.

Overall degree production at AIKCU institutions is up more than 42 percent over the last decade, despite the fact that there are now two fewer institutions.

Dual credit enrollment up 51% at AIKCU member institutions

A September report from CPE noted AIKCU member institutions enrolled 5,214 students in dual credit courses in 2017-18. That represents an increase of 51 percent over 2015-16. The private colleges serving the highest numbers of dual credit students are **Campbellsville University**, **University of Pikeville**, **University of the Cumberlands**, and **Thomas More University**.





CPE REPORT

Eastern Kentucky University News for the Council on Postsecondary Education



4-YEAR GRADUATION RATE MORE THAN DOUBLES IN 8 YEARS

The four-year graduation rate at ECU continues its steady rise, and has now more than doubled in an eight-year span.

Roughly one in three students from the Fall 2014 freshman cohort graduated in four years. The 32.7 percent record is up from 29.98 just a year ago and well above the 15.67 mark for the 2006 freshman cohort, according to just-released figures. The five-year graduation rate has leveled off at approximately 45 percent, up from 33 percent in 2005; the six-year rate is at approximately 51 percent, up from 49 percent a year ago and 38 percent for the 2004 freshman cohort.

Not coincidentally, the academic quality of Eastern's freshman classes, as measured by high school GPA and ACT scores, continues to reach record highs each fall. The average GPA for all degree-seeking freshmen increased from 3.33 in 2014 to 3.5 this fall, while the average ACT Composite score for the same group jumped from 22.9 to 23.8 in the same timeframe.

In 2015, the University introduced a revamped merit scholarship model, accompanied by a larger financial investment and giving equal weight to ACT and SAT scores and high school GPA. Approximately 40 percent of ECU freshmen receive a merit-based scholarship. The number of freshmen requiring a remedial "bridge" program dropped by almost 33 percent from 2017 to 2018.

The merit scholarship model was changed again recently. Starting with Fall 2019, more high school seniors will be eligible for a scholarship based upon their high school academic performance. ECU's merit program is based upon an equal weighting of a student's performance on a standardized national exam such as the ACT or SAT, and a student's unweighted high school GPA. Kentucky students with at least an ACT composite score of 21 and an unweighted GPA of 3.0 will earn a merit award at ECU. The new model has eight award tiers starting at \$2,000, topping out at \$16,000 for students scoring at the top of the calculated index. Students receive the full amount of their award while residing on campus, or 25 percent less when they are eligible and choose to live off campus.

EKU 12TH NATIONALLY IN "BEST FOR VETS" RANKINGS

Once again, ECU ranks among the leading four-year schools nationally in the annual Military Times: Best for Vets survey.

ECU finished 12th (tops in Kentucky and adjacent states) in the recently announced 2019 rankings, up from 14th a year ago. The next-highest-ranking institution in Kentucky came in at No. 40.

The rankings measure schools on their commitment to helping military veterans further their education and are determined by a survey of 150 questions as well as data from the Department of Veterans Affairs, Department of Defense and Department of Education.

Home to more than 1,000 military-affiliated students, ECU has earned national recognition from several other sources in recent years for the services it provides U.S. military veterans and their dependents.

CUSTODIAN BECOMES STANDOUT STUDENT

Five years ago, you could find Kenna Smith, an ECU custodian, attending class in uniform on her lunch break. Today, she is a full-time student, finishing her bachelor's degree in recreation and parks administration.

After graduating from Garrard County High School in 2008, Smith "didn't have the slightest clue" which career path to choose. She ultimately decided to postpone college until 2012. To afford her education, she accepted a full-time custodial position at ECU, which gave her a tuition waiver.

In retrospect, that job afforded Smith much more than just a few free classes. Though she finally felt ready to continue her education, she was still unsure of her career direction. Working in the Begley Building exposed her to the Department of Recreation and Parks Administration.

"After discovering parks and recreation as a career path, I knew that's what I wanted to pursue," said Smith. She enrolled in 2013, declaring a major in recreation and parks administration, and hasn't looked back.

Despite juggling full-time work and part-time school, Smith proved an exemplary student, maintaining a GPA of 3.87 and earning the Blue-Ribbon Award, which recognizes excellence among recreation and parks administration majors.

NEW BOOK EXAMINES ROLE OF HIGHER EDUCATION IN DEMOCRACY

"The link between democracy and higher education has long been embedded in the American story." That's how co-authors ECU President Michael Benson and Hal Boyd open the first chapter of "College for the Commonwealth: A Case for Higher Education in American Democracy," newly published by University Press of Kentucky.

Benson and Boyd, a former special assistant to Benson now serving as a Fellow of the Wheatley Institution at Brigham Young University, build their case for the value of higher education with examples set by four higher education institutions in Kentucky and by citing fortuitous decisions by American leaders in generations past.

Benson pointed to how ECU is responding through its nationally prominent aviation program to address an acute shortage of airline pilots and mechanics. He also cited the University of Kentucky's statewide impact on rural health care, Berea College's nationally unique work-for-tuition model and Centre College's heavy emphasis on study abroad.

"Colleges and universities in the Commonwealth have evolved to serve an important prosocial function within the state and community," the authors write. "They fill gaps in services often missed by the state or passed over by the market. These entities and their services act as essential institutional anchors in the broad mix of civil society institutions that help support a well-functioning republic."

Add to that the collateral benefits that higher education institutions bring to the communities and regions they serve: employment, cultural enrichment, entertainment and, most importantly, a well-informed and healthier citizen who's more apt to participate in civic life.

"Studies show that the more education you acquire, the more inclined you are to vote, to volunteer, to run for office, to have a better quality of life, and to be engaged in civic dialogue," Benson said. "The more education you have, the less dependent you are on state and federal services."

Benson argues that times are never so difficult, the financial challenges never so great to sacrifice public higher education. In their book, he and Boyd pointed to two prominent examples in American history when leaders saw past the perils at hand to invest in post-secondary education and the nation's future: the Morrill Land-Grant Act of 1862 and the G.I. Bill of 1944.

"Are we making the case that what we offer is the one panacea to every single ill facing our state, our society and our nation?" Benson asked.



KCTCS GOOD NEWS REPORT

NOVEMBER 2018

SOME KCTCS STUDENTS' BACKPACKS A LITTLE LIGHTER, WALLETS A LITTLE FATTER THIS YEAR



Go to any college campus and you will see students lugging around heavy backpacks. But for Kentucky Community and Technical College System (KCTCS) students enrolled in courses using Barnes & Noble College First Day™, their backpacks are much lighter.

Through First Day, Barnes & Noble College's inclusive access model, course materials are offered at a lower price, billed to students upon registration for a class and delivered digitally to them on or before the first day of class. Because the course materials are digital, they are available to students anywhere, any time, on any device.

This year, First Day saved KCTCS students more than \$6 million when comparing the cost of their materials to regular retail pricing. KCTCS offers the largest inclusive access program of any Barnes & Noble College partner school in the nation, with more than 7,000 KCTCS courses utilizing the program each academic year.

Inclusive access, also called the course charge model, has been adopted by a select number of faculty at KCTCS, with more opting in each semester. First Day currently supports course



KENTUCKY
COMMUNITY & TECHNICAL
COLLEGE SYSTEM



materials from seven publishers, including an increasing number of materials for general education courses. Faculty members who offer the program for their classes clearly see the benefits.

“The course charge model is good for increasing student success and retention by allowing the students access to the materials on the first day of class,” said Dr. Kay Lafferty, professor of psychology and criminal justice at Jefferson Community and Technical College. “It is cost effective, which helps students defray college costs. The course charge model is easy to navigate and is student centered.”

For classes not offering First Day, the KCTCS bookstores provide many other options for affordable

learning materials. Students can take advantage of the bookstores’ textbook rental program or purchase used books. Barnes & Noble College also offers price matching to ensure students get the best prices available, as well as open educational resources (OER) content and courseware through OpenStax, LoudCloud Courseware™ and other major OER providers.

By offering affordable options and ensuring materials are available by the first day of class – especially for those with financial aid who typically have to wait for disbursement – KCTCS and Barnes & Noble College are helping to prepare students with the tools they need for a successful semester.



KENTUCKY
COMMUNITY & TECHNICAL
COLLEGE SYSTEM

Alumnus SET TO TEACH CHINA

A recent Kentucky State University alumnus has signed on with EF English First to teach in China for at least one year.



W. Marcus Sanders, who graduated in May with a degree in public relations, will be traveling to China for the second time in his lifetime beginning in early November. His first trip to China occurred two summers ago during a month-long study abroad trip. "I've always been intrigued by international studies and traveling. (The first trip) kind of led me to looking for opportunities to go back abroad," Sanders said. "Teaching became one of the options, so I took the opportunity to teach." Sanders has signed a one-year contract to

teach English as a foreign language in Beijing. During his last visit, Sanders visited five different provinces, including Beijing. "It's a totally different culture in regard to community and how people function," Sanders said. With an extended stay, Sanders will have much longer to entrench himself in the community. "It's a much longer trip this time so I know I'll probably miss a lot of friends, family and a lot of my fraternity brothers," Sanders said. Sanders will have to complete teaching English as a foreign language (TEFL) training, as well as other certifications, once he arrives in Beijing.

Though he hasn't received his exact assignments yet, Sanders departs in early November. Stay tuned for updates on his travels through Kentucky State University social media.

SMITH RETURNS TO KSU CHOIR, MCCUTCHEN TAKES FIFTH TRIP TO BRAZIL



A Kentucky State University professor will take his fifth trip to Brazil to further his education as a music educator. During that time, a Kentucky State

legend will return to lead the concert choir during his third tenure at the school.

Dr. Carl H. Smith, whose name adorns the University's largest auditorium, began his tenure at Kentucky State in 1958. According to the Notable Kentucky African-Americans Database, Smith is known in Kentucky and throughout the United States for his music instruction and choral music. Smith retired after 51 years of teaching in 2009.

Smith helped Kentucky State University build a long and distinguished legacy of award-winning performance ensembles,

as well as develop and train leaders in the fields of musical performance and music education. Under his tutelage have blossomed alumni Grammy-nominated musicians and performers who maintain distinguished national and international careers. Smith's proficiency has earned him four National Choral Championships, the Kentucky Choral Directors Association Robert Baar Choral Excellence Award, and the Kentucky State University Distinguished Professor of the Year Award. In 2009, Smith was chosen as the lead conductor of the 105 Voices of History Choir at the Historically Black Colleges and Universities National Concert, held at the Kennedy Center in Washington, D.C. With Smith's experience and leadership, the concert choir looks to rebuild and expand. Dr. Keith McCutchen, director of choral activities at Kentucky State University, said over the past four years he's made three trips to Brazil. Two of those were to Curitiba and this past summer he

visited Sao Paulo. "These visits have included concerts and master classes with professional organizations, colleges, community groups, music teachers and church directors," McCutchen said. "In each, I've been allowed to compose original works, as well as offer programming of various genres." The Cantoritiba Choral Festival is part of this trip's agenda. "This will be my first time adjudicating this international choral festival," McCutchen said. "There will be approximately 50 choirs from all over South America and beyond."

Also on the agenda include residency and concerts with Ottava Bassa, a men's chorus, a workshop at the University of São Paulo, performance in the Guri Santa Marchelina 80 Voice concert and the Camerata Antiqua de Curitiba. McCutchen departs Oct. 26 and returns Nov. 25.

BORN LEADER MICHAEL WEAVER ADDS WHITE HOUSE HBCU INITIATIVE COMPETITIVENESS SCHOLAR TO ACCOLADES

Kentucky State University student Michael Weaver Jr. wears so many hats they need their own closet. The responsibility doesn't weigh the smiling graduating senior down, however.

Weaver recently joined an elite group of students – one of 63 students from 107 institutions across the country – as a White House HBCU Competitiveness Scholar. As a result, Weaver spent a week in Washington D.C. for the 2018 National HBCU Week Conference. The conference is part of the White House Initiative on Historically Black Colleges and Universities.

The conference is designed to help the scholars learn and adopt promising practices in areas such as leadership, professional development, national competitiveness and workforce development. Weaver has

immersed himself in activities outside the classroom while maintaining a positive and composed exterior.

"IT'S JUST A MATTER OF REMINDING YOURSELF THAT YOU'RE HERE FOR A BIGGER PURPOSE EVERY DAY."

He's also the president of the Kentucky Education Association student program. "I just ran for the position because I wanted to make a change," Weaver said. "Especially with the lack of African-Americans in the field of education." Weaver was elected

and is the first African-American male to serve as president of the student program. Weaver was elected Student Government Association president at Kentucky State last spring, as well.

With that role, Weaver also earned a seat at the table as a student regent for the Kentucky State University Board of Regents. "You're really engaged and as a student you have to figure out how everything relates back to the students," Weaver said. Despite the responsibilities, Weaver remains composed. "For me, I stay grounded in my faith," Weaver said. "It's just a matter of reminding yourself that you're here for a bigger purpose every day." Weaver anticipates a December 2019 graduation. After that, he plans to continue pursuing his dreams.

KENTUCKY STATE UNIVERSITY ALUMNUS HAS BEEN A FAN IN THE STANDS FOR OVER 50 YEARS

Charles Trumbo was a multi-sport athlete at Bourbon County High School in Paris before arriving at Kentucky State University to play football in 1965.

Since Trumbo left in 1969, he's kept coming back to the sidelines to cheer.

"I come to every home basketball game and football game they have," Trumbo said. "But I support all of them. I've been to cross-country meets, track meets, volleyball games and women's softball. From time-to-time I attend them all." Trumbo is a presence on the sideline, making an impression on student-athletes and coaches, alike.

Fatimah Shabazz, a former Thorobred athlete and current interim head coach for cross country and track and field, has known Trumbo for 11 years.

"I LOVE THIS UNIVERSITY. I LOVE IT DEARLY."

"We could always find Mr. Trumbo at almost every mile mark yelling for us to run faster," Shabazz said. "In 2013, Mr. Trumbo reported to the registration table of our home meet and ran the entire 8K (five-miles) beating several athletes from our rival school (Central State University)."

That meet was the moment, Shabazz said, Trumbo became her favorite Kentucky State alumnus. What is it about the University on the Hill that keeps Trumbo coming back to the sidelines?

"When I came out of high school, this school was the only school that gave me an opportunity to play football," Trumbo said. "I came out of high school in 1965. The first African-American was recruited to and signed to play football at the University of Kentucky was in 1966."

Football and meeting his wife are the reasons he loves Kentucky State so much, he said. "I love this University. I love it dearly," Trumbo said. "I'll love it until the day I die."



ARC and Gateway ADD directors visit MSU campus

Morehead State University has always been an institution that wanted to positively impact Eastern Kentucky and the entire Commonwealth. On Thursday, Oct. 24, Morehead State welcomed esteemed guests with very similar goals.

MSU hosted Karen Fabiano, incoming program director at the Appalachian Regional Commission (ARC) and former ARC POWER Initiative manager, along with several Gateway Area Development District (ADD) directors from across the state Thursday afternoon. The directors came to campus to receive tours of the newly renovated Adron Doran University Center (ADUC) and the Space Science Center.

Among the ADD guests in attendance were Amy Kennedy, Buffalo Trace ADD (Maysville); Sherry McDavid, FIVCO ADD (Grayson/Ashland area); David Duttlinger, Bluegrass ADD (Lexington); Whitney Chestnut, Cumberland Valley ADD (London); Darryl McGaha, Lake Cumberland ADD (Russell Springs); Michelle Allen, Kentucky River ADD (Hazard); Terry Trimble, Big Sandy ADD (Prestonsburg); Eric Sexton, Barren River ADD (Bowling Green); Joshua Farrow, Gateway ADD (Morehead); and Mike Miller, outgoing Kentucky River ADD (Hazard).

Thomas is first speaker in McBrayer Lecture Series

Tim Thomas, federal co-chair of the Appalachian Regional Commission (ARC), was the first speaker of the McBrayer Presidential Lecture Series in Government and Leadership on Tuesday, Oct. 16. Thomas spoke on his vision for the future of Appalachia and the regional economy.

During the lecture, Thomas said the region faces many economic challenges as coal jobs are declining. He said advancing technology infrastructure and encouraging investment and entrepreneurship are some ways to improve the situation. He discussed efforts to establish high-speed internet throughout the region and how ARC is providing funds for job training and infrastructure while working to encourage investment of venture capital in the region.

Ivanka Trump, Gov. Bevin visit MSU Space Science Center

Due to the unique programs at MSU's Space Science Center, the facility has hosted officials ranging from NASA administrators to local and state lawmakers to former U.S. presidents. On Friday, Oct. 26, a family member and adviser from President Donald Trump's administration paid the center a visit.

Ivanka Trump, President Trump's daughter and adviser to his administration, came to the Space Science Center for a tour along with Governor Matt Bevin. It was the last of three stops made at Eastern Kentucky training centers that also included the eKentucky Advanced Manufacturing Institute in Paintsville and the Big Sandy Community and Technical College in Prestonsburg.

Her visit to MSU primarily focused on Kentucky's growing aerospace industry. In addition to touring the Space Science Center and speaking with students from MSU's Craft Academy for Excellence in Science and Mathematics, Trump expressed her own love of space and the administration's focus on space exploration.

"Today, the whole purpose for us was to think about different pathways to the American dream," Trump said. "When you think about the future of work and you think about the jobs that will be in demand in the future economy, you think about STEM fields and you think about space exploration."

"The skills are here, the minds are here, the workforce is here," Gov. Bevin said. "This is what we are striving for. How can we tap into a workforce that is begging and waiting for a job; to tap into the workforce of the 21st century."

The Space Science Center is home to one of only five space science programs in the country and has gained recognition in aviation, aerospace and space science thanks in part to research in nanosatellite technologies. MSU has been involved in the launch of five NASA-funded satellites: CXBN, CXBN-2, Lunar ICEcube, Ky-Sat 2 and the DM-7 Flight Demonstration.

For more information on MSU's Department of Earth and Space Science, visit www.moreheadstate.edu/eass.

MSU ranked in Best for Vets: Colleges 2019 rankings

Morehead State University has been recognized for its support of veteran and military students. Military Times released its Best for Vets: Colleges 2019 rankings on Oct. 22. In their ninth year, the rankings are based on the results of Military Times' annual survey – the most comprehensive school-by-school assessment of veteran and military student services and rates of academic achievement – as well as a detailed review of public data collected by federal agencies.

MSU earns national ranking for graduate-level online education program

Morehead State University consistently receives high rankings for its affordable and high-quality online degree programs. Now, MSU can lay claim to having one of the best online Master's in Adult Education programs in the nation. Best Colleges.com ranked MSU's Master in Adult Education No. 19 in its list of Best Online Master's in Adult Education Programs. It was the highest-ranking Kentucky university to make the list.

Murray State was recognized for the 28th consecutive year by U.S. News & World Report in a number of different categories, including 11th in the Top Public Schools – Regional Universities (South) category. And, for the 11th consecutive year, Forbes magazine included Murray State on their list of America's Best Colleges with the 2018 list ranking the University as the highest among regional public universities in Kentucky.

"These recognitions affirm that our students continue to receive transformative experiences at our institution," said Murray State Interim President Bob Jackson.



MURRAY STATE-MADISONVILLE RECRUITING STUDENTS FOR MBA COHORT



Murray State is now recruiting students for an accelerated Master of Business Administration (MBA) cohort that begins in January 2019 on the University's regional campus in Madisonville.

The program is ideal for individuals looking to advance their careers and further

their knowledge of business concepts. With a small classroom environment led by distinguished Murray State faculty and a flexible schedule, students in the new MBA cohort will graduate together in 18 months with the skills and knowledge to succeed in leadership roles.

"The MBA cohort program provides an excellent way for working professionals to continue their education," said Dan Lavit, executive director of the Center for Adult and Regional Education. "The program offers value and accessibility right here in Madisonville."

ANNUAL BANQUET INTRODUCES SCHOLARSHIP RECIPIENTS TO AWARD BENEFACTORS



The College of Education and Human Services held its sixth annual Scholarship and Service Recognition Banquet in September to recognize the college's scholarship recipients for the 2018-19 academic year and to honor the generous benefactors who made those awards possible.

"Coming into the University as a freshman can be intimidating and scary,"

said Juanita Williams (left), a student ambassador for the college and recipient of the Minority Educator Recruitment and Retention Scholarship, who spoke during the banquet. "The difference here at Murray State is that the faculty, staff and administrators all make themselves available to help you. All you have to do is invest in yourself because they have already invested in you."

MURRAY STATE HOSTS MARANISS FOR SECOND ANNUAL EASLEY LECTURE

The Department of History hosted author Andrew Maraniss in September for the second annual Easley Lecture.

The public lecture series aims to provide the community with opportunities to hear unique perspectives from guest lecturers about a variety of historical and social topics. During the lecture, Maraniss discussed

the collision of race and sports in America.

“Perhaps now more than ever it is important for our community to foster a sense of belonging, to grow our understanding of those who are different from us and to embrace those differences,” said Melissa Easley, wife of the late Sid Easley for whom the lecture series is named after.

AGRICULTURE STUDENTS WORK WITH CATTLE AND IN THE CAPITOL

Several students in the Hutson School of Agriculture spent their summers making childhood dreams a reality.

Ally Grote of Bowling Green, Missouri, interned with Purina Animal Nutrition in Labadie, Missouri; Sydney Hunter of Evansville, Indiana, interned with Archer Daniels Midland in St. Louis, Missouri; and

Cassidy Neal of Murray, Kentucky, interned with U.S. Congressman James Comer’s office in Washington, DC.

“This internship allowed me to learn a lot about agriculture policy and the political aspects of the industry,” Neal said. “These experiences will be beneficial to tell students in my future classroom.”

SODEXO AND MURRAY STATE TO ENHANCE DINING OPTIONS FOR CAMPUS COMMUNITY

Murray State will begin its partnership with Sodexo, a food services and facilities management company, beginning Dec. 15.

Sodexo will work closely with University leadership to establish a student-led dining advisory board, to increase support of recruitment and retention efforts and to deliver a Kentucky Proud custom culinary experience.

“During the evaluation process, it was apparent to us that [Sodexo] shares our commitment to providing an exemplary student experience, including high-quality dining options,” said Murray State Interim President Bob Jackson. “Together, we will work to enhance the culinary experience for all [on] our campus.”

MURRAY STATE HONORS BAILEY HOLT WITH MEMORIAL SCHOLARSHIP



Holt, one of two Marshall County High School students who lost their lives during tragic events at the high school in January 2018.

Watch the video story at murraystate.edu/holt.

The School of Nursing and Health Professions partnered with the Kentucky Nurses Association in creating the Bailey Holt Memorial Nursing Scholarship to honor

MCCARTHY NAMED 2019 FELLOW FOR ASSOCIATION FOR WOMEN IN MATHEMATICS

Dr. Maeve Lewis McCarthy, professor of applied mathematics, was recently named a 2019 fellow for the Association for Women in Mathematics, an organization aimed at promoting equal opportunities for women and girls in the field of mathematics.

McCarthy has taught at Murray State since 1998 and serves as director of MSU ADVANCE, a project that studies the recruitment and retention of female faculty members in science fields at rural institutions.

MURRAY STATE OFFERS SIGNIFICANT TUITION DISCOUNT FOR MILITARY STUDENTS

Murray State is now offering a new pricing model that will support military students in earning their college degrees at little or no out-of-pocket cost.

The new initiative is available to service members in the U.S. Armed Forces. Murray State will now waive course fees, provide free textbooks and match remaining tuition costs not covered by the U.S. Department of Defense Military Tuition Assistance program.



“This opportunity is a small way we can honor the men and women of the Armed Forces,” said Murray State Interim President Bob Jackson.



MURRAY STATE
UNIVERSITY



GOLD RUSH

NOV. 2018

NORTHERN KENTUCKY UNIVERSITY

GO FIGURE

EDGE TUITION PROGRAM

12

States

12

International Countries

\$10,000

Out-of-State Tuition

COLLEGE CORNER

NKU hosted the 11th Cybersecurity Symposium on October 11 and 12. The symposium, presented by the Chase College of Law and the College of Informatics, focused on cybersecurity challenges, legal issues, risk management and best practices.

The 2018 U.S. Bank Cybersecurity Scholarship award recipients were also announced. The scholarship supports high-achieving students and their interests in cybersecurity. This year's recipients are Allyson Frame, Nathan Long and Adel Kassem.

LEARN MORE: <https://tinyurl.com/yccpn847>



NKU DEDICATES HEALTH INNOVATION CENTER

NKU officially dedicated the Health Innovation Center (HIC) on October 17, 2018.

The state-of-the-art technology and learning centers—including the St. Elizabeth Healthcare Simulation Center—make the HIC one of the largest and most comprehensive health professions buildings in the country.

"The Health Innovation Center transforms how we educate and train the next generation of health care professionals with an interdisciplinary approach to addressing our population health challenges. I see it as the nexus of talent, innovation and community development," said President Ashish Vaidya.

The \$105 million project is home to NKU's College of Health Professions and the Institute for Health Innovation. The Kentucky General Assembly allocated \$97 million for its construction, and St. Elizabeth Healthcare invested \$8 million to construct and equip the two-story simulation center.

"This project represents a unique collaboration between NKU, the Commonwealth of Kentucky, St. Elizabeth Healthcare and other key regional partners. The Health Innovation Center will provide premier education and training opportunities for students, while strengthening Kentucky's future workforce and positively impacting the health of our citizens," said Gov. Matt Bevin.

The project took three years to complete and included building the HIC and renovating Founders Hall, the second-oldest academic building at NKU.

LEARN MORE: <https://tinyurl.com/y8hkudv4>



LULAC SCHOLARSHIP AWARDED TO NKU STUDENTS

NKU Students recently were awarded scholarships by the League of United Latin American Citizens (LULAC). LULAC's 13th Annual Scholarship Recipients Celebration was held at NKU and recognized 34 Latino students from area colleges for their scholastic achievements. "The students are inspiring examples of people who are making a significant difference in the Hispanic community. They are the future leaders of America," said Lourdes Ribera, LULAC Cincinnati president.

NKU's Leo Calderon, director of Latino Programs and Services, received the Unsung Hero award. Calderon was nominated for his dedication and personal coaching to hundreds of Latino students at NKU and in the Cincinnati community. NKU's Office of Latino Programs & Services was established in 2001. It is one of the few offices in the region dedicated to serving the growing Latino student population. The office sponsors and supports programs that provide students service learning opportunities in the local community and other countries. **READ MORE:** <https://tinyurl.com/yd9wa8xj>

NKU NORSE THE SCOREBOARD

NKU women's soccer student-athletes Rachel Conaway, Payton Naylor and Hannah Fischer were recently named to the Horizon League Women's Soccer All-Academic Team. To be eligible, a student-athlete must have a minimum 3.20 GPA, complete one year at the institution and participate in at least 50 percent of the team's contests during the season.

FACULTY FOCUS

Dr. Jonathan S. Cullick Featured in Kentucky Reads: "All the King's Men"

The Kentucky Humanities project is a statewide effort for Kentuckians to revisit native Robert Penn Warren's Pulitzer Prize-winning novel, "All the King's Men." NKU English Professor Dr. Jonathan S. Cullick, author of "A Reader's Companion" to the book, toured the Commonwealth discussing contemporary populism, political discourse and their relationship to journalism.

"As a dedicated teacher of literature and writing, Robert Penn Warren would agree, I believe, that an education grounded in language, literature and rhetoric is a powerful instrument to ensure the continuing health of democracy," said Dr. Cullick. "'All the King's Men' demonstrates how seductive the power of politics and political language can be."

READ MORE: <https://tinyurl.com/yago5cea>

BRIEFS

NKU RECEIVES NSF GRANT TO SUPPORT STEM STUDENTS

NKU received a National Science Foundation grant to support underrepresented STEM students. The grant totals just over \$1 million and will continue the College of Arts and Science's Project SOAR, a program to recruit, retain and graduate talented students with a financial need.

Starting in fall 2019, the SOAR program will scale up to serve 36 incoming freshmen compared to 17 in previous years. This is NKU's third NSF S-STEM grant awarded to support SOAR.

LEARN MORE:

<https://tinyurl.com/ybvst4rp>

NKU'S GATEWAY TO CAMPUS IS TRANSFORMING

St. Elizabeth, in partnership with NKU, broke ground on a new, 65,000-square-foot medical office building at the main entrance to the university.

The medical office building, set to open in 2020, is Phase I of the Town Center mixed-use project that will transform the entrance to NKU's campus. Later phases will see development of restaurants, retail space, market-rate apartments, hotel, parking and new public gathering spaces.

LEARN MORE:

<https://tinyurl.com/y9lz5fl2>

NKU WANTS YOU TO HELP DESIGN ITS FUTURE

NKU launched a strategic framework process to shape the university's future. The goal of this process, titled Success by Design, is to collaboratively build NKU's future with all views considered.

The university is holding workshops to connect with students, faculty, staff, alumni and the community. There are also online surveys for people to provide their input. President Vaidya hopes to share the plan with the campus and community by March 2019.

LEARN MORE:

<https://tinyurl.com/ya6zpq7v>

SCHNEIDER OBSERVATORY REOPENED

NKU's Schneider Observatory held a grand reopening event in coordination with NASA's International Observe the Moon Night. The 1,000 square-foot observatory, located on the roof of Founders Hall, had been closed for two years during construction of the Health Innovation Center.

Founders' rooftop is an ideal location for observing celestial bodies due to both the height of the five-story building and NKU's location atop a hill. The observatory is named after NKU alumni Julie and David Schneider.

LEARN MORE:

<https://tinyurl.com/y9uolt37>

ALUMNI NEWS

INTO THE FIRE



Leaving the country to teach small villages about fire safety was out of Dave Moore's comfort zone. But when Dave ('06, MAP) and his wife, Nancy ('00, BSW), landed in Nairobi, Kenya, his attitude began to change. "After just a few days, I saw how desperate the situation was. I realized there was a lot that could be done, not only to help fire services improve, but also to educate the population about basic safety," he says.

After he came home, Dave couldn't shake the feeling that his work in African communities wasn't done, so he and Nancy spent the next few months putting together a plan. Instead of working toward a one-time fix, they wanted to create sustainable fire departments. And so, in 2013, Africa Fire Mission (AFM) was born.

LEARN MORE: <https://tinyurl.com/y8ddlpx>

A Message from the President Eli Capilouto

The University of Kentucky's history is marked by resilience and shaped by an unyielding and compassionate commitment to those we serve. Today, informed by that past, we are focused on the future. We are asking ourselves a fundamental question:

What does it mean to be Kentucky's university in the 21st century?

We take seriously our role as the University for Kentucky. We are the heartbeat of our state's industry and the providers of leaders and innovators for its workforce. We heal lives and transform communities, equipping them to prosper and move forward.

For that reason, we are focused on doing more—on being more—for Kentucky, by launching the largest fund-raising campaign in the history of the institution and the Commonwealth it serves.

Our initiative – “Kentucky Can: The 21st Century Campaign” – is a \$2.1 billion comprehensive campaign focused on three areas critical to the University and the future of the Commonwealth:

First, we aim to invest further in scholarships that cultivate the best and brightest minds on our campus and equip students to be productive contributors to the Commonwealth. This includes growing our nationally heralded UK LEADS program and other scholarships efforts by some \$300 million to ensure affordable access and timely degree completion.

We've already reduced unmet financial need among our students by more than 10 percent in the last year and it's at the lowest levels since 2013. But it's not enough. We can do more. What if we tried to eliminate debt and financial stress among our students all together?

Second, we aspire to grow our endowment from \$1.5 billion to more than \$2 billion to attract and retain top faculty, create innovative programs and address the complex questions of our day.

Our dreams and ambitions will require us to recruit and retain leading scholars and faculty to further support student success and to work across and among disciplines. That intersection is what tomorrow's jobs will require and where discoveries and solutions are most likely to be found and promoted.

Third, we must enhance and expand our research enterprise, empowering the UK family to forge new discoveries and making UK a destination for world-class outcomes. We believe we can eradicate opioid addiction and abuse in this state. We are committed to reducing cancer rates by half. We believe we can help develop a food supply to feed more people in an environmentally sustainable way.

But those discoveries and interventions take two things – talent and infrastructure. And they both require resources to make them happen.

We are on our way to reaching this historic milestone. We've already raised \$1 billion toward our goal. Now, we are excited to accelerate our momentum as we build not for ourselves, but for the future of Kentucky.



This place has been – and continues to be – home to pioneers and providers, bold dreamers and strategic thinkers, who make our vision and work possible.

Now, it is time to get to work: to follow in the footsteps of those who came before us—those who gave of themselves to change our campus and Commonwealth for the better.

Now, we have the opportunity to harness our dogged determination and boundless compassion to write the next chapter for this University. We can redouble our efforts for those we serve in the Commonwealth and beyond.

Kentucky can bring hope to those in need and in pain. Kentucky can equip the new leaders who'll show us the way. Kentucky can find answers to the biggest questions we face. Kentucky can work harder, reach higher and dream bigger for the future of our institution, our students and our state.

Eli Capilouto

UK Research, Programs Aim to Repair Destruction of Opioid Crisis

In October, experts from the University of Kentucky provided education, insight and information about the opioid epidemic to the UK Board of Trustees, campus leaders and community members. During the daylong program, faculty from the Colleges of Medicine, Public Health, Nursing and various departments at UK HealthCare covered topics ranging from prevention, treatment and harm reduction and highlighted programs that have been established to improve access to evidence-based treatment for opioid use disorder (OUD).

Sharon Walsh, director of the Center on Drug and Alcohol Research (CDAR) and professor of Behavioral Science, began the day by providing an overview and introduction to the opioid epidemic. Though the topic has been covered heavily in the news, and many people have been directly impacted by opioid addiction, many don't know where and when the problem began. Attendees also had the opportunity to hear from three survivors who have been directly impacted by the opioid crisis. Alex, Dan and Heather spoke candidly about their experiences in active addiction and their paths to recovery.



Targeting the opioid epidemic in various settings is key to ending the stranglehold of this disease on communities. The best approaches to this were discussed by a panel that included Dr. Allen Brenzel, medical director for the Cabinet for Health and Family Services and associate professor of Psychiatry and Pediatrics at UK; Dr. Laura Fanucchi from the Division of Infectious Disease; Secretary John Tilley from the Kentucky Justice and Safety Cabinet; and Dr. Roger Humphries, chair of the UK Department of Emergency Medicine. The panel discussed how addiction medicine can be integrated into

traditional health care settings like the First Bridge Clinic and through the new UK Addiction Consult Service.

Information also was provided about how the opioid crisis affects entire communities and entire families. Through the Perinatal Assessment and Treatment Home (PATHways) and Beyond Birth programs, pregnant and newly-parenting women are given a chance. The program incorporates the best practices in the field, adhering to federal guidelines for office-based buprenorphine treatment across the spectrum of care for women, and provides a comprehensive treatment program for a highly vulnerable population with substance use disorders. Through continuous levels of care, ranging from intensive medical care to sustained recovery, women and their families receive support and advocacy. UK HealthCare also has office-based opioid treatment programs, which link patients hospitalized with infections related to infectious diseases and chronic infections such as HIV.



KY-WV LSAMP Program Receives \$3.5 Million to Diversify STEM Graduates

The Kentucky-West Virginia Louis Stokes Alliance for Minority Participation (KY-WV LSAMP) consortium, spearheaded by the University of Kentucky, has received \$3.5 million in renewed funding over the next five years by the National Science Foundation (NSF). The award will assist the alliance's 10 institutions of higher learning from across the two states to continue its efforts in increasing the number of underrepresented students completing degrees in the fields of science, technology, engineering and mathematics (STEM).

In addition to UK, the alliance includes the Bluegrass Community and Technical College, Centre College, Jefferson Community and Technical College, Kentucky State University, Marshall University, the University

of Louisville, West Virginia State University, West Virginia University and Western Kentucky University.

Over the last 12 years, the program has achieved and surpassed its goals of enrolling and graduating more underrepresented students in STEM. Alliance-wide, the institutions granted 1,177 degrees (including 362 from UK) from 2013 to 2018 — exceeding the goal of 1,000 total. During that same time period, an average of 2,306 underrepresented students were enrolled per year in STEM degree programs — topping that goal of 2,000. New goals for this third phase include increasing degrees to an average of 380 per year, and have at least 50 percent of LSAMP graduates pursue graduate programs.



THE PRESIDENT'S REPORT

ISSUE 102 | OCTOBER/NOVEMBER 2018

Dear Friends,

I am happy to say that I am official. On Oct. 4, I had the deep honor of being installed as the 18th president of the University of Louisville. I know many of you were among the more than 2,500 people who attended that wonderful event. It was a day that my family and I will never forget, and I want to thank everyone involved for making it so special.

I am humbled to lead this institution. I realize the great responsibility that comes with this job whenever I step foot on campus or out in the community. Whether I'm talking to students, faculty, staff, fans or alumni, I'm reminded of what UofL means to our city and the commonwealth. I believe we are a university on the rise, and our best days lie ahead.

We are having an eventful fall semester, and the university has received significant attention for the progress it is making on many fronts. We should all be proud of the work that UofL researchers are doing to help overcome paralysis. We recently received several grants, which are bolstering our efforts to improve the environment and helping us provide additional information about the health problems caused by tobacco use.

Our College of Business has formed a unique partnership with our athletics department, resulting in a program that teaches ethical leadership practices. Out in the community, the university has established ties with a public entity and several neighboring academic institutions to help speed medical advances to the marketplace.

Of course, making UofL a great place to learn, to work and to invest remains our highest priority. Toward that end, we recently celebrated the rededication of our Student Activities Center, which looks magnificent after a \$40 million renovation and expansion.

With its facelift complete, the updated SAC has a variety of new spaces for our students to study, socialize, eat and relax. It has state-of-the-art conference and meeting rooms for faculty and staff to interact and plan. And its makeover, funded in part through agreements with our corporate partners, demonstrates the university is a worthy place for investment.

I feel very positive about the direction we are moving in as a university community. The important thing going forward is that we remember that we are one university, one team. Together, we can reach the goals we have set, and, together, we will overcome any obstacles in our way. Go Cards.

Neeli Bendapudi
President, University of Louisville



INAUGURATION MARKS FRESH START

The Oct. 4 inauguration of UofL President Neeli Bendapudi was a not-to-be-missed opportunity for many people.

"I love Dr. Bendapudi. I'm excited for this day and I've been waiting for it," said employee Kelly Carrico. "It's a big day for UofL — a fresh start."

A crowd of more than 2,500 attended the celebration, held on The Oval in front of Grawemeyer Hall.

Provost Beth Boehm told attendees that the inauguration recognizes "ancient and enduring" academic traditions. She also had high praise for Bendapudi: "She is a breath of fresh air," said Boehm. "She has restored the university's optimism."

Several dignitaries took part in the celebration. The dais party included Gov. Matt Bevin, Rep. John Yarmuth, Mayor Greg Fischer and Robert Brooks Brown, a U. S. Army four-star general.

In her inauguration speech, Bendapudi talked about the importance of leadership, ownership and the courage to tackle big ideas.

"We Are UofL" cannot just be a hashtag or a slogan. It is our declaration of leadership and ownership," she said. "We will all behave as owners of the university, because we are. Now, in the shadow of The Thinker, I want you to think with me big, bold thoughts, daring to imagine what would happen if we succeed, which we must and which we will."

UOFL, RED BIRD CLINIC PROVIDE ACCESS TO HEALTH CARE IN APPALACHIA

Tucked away in the mountains of southeastern Kentucky is the Red Bird Dental Clinic, a beacon of hope for many residents of Clay, Bell and Leslie counties.

Geographic and economic conditions create limited access to oral health care — the next closest dentist is a 45- to 90-minute drive.

"Without Red Bird, most people here would simply have no dental care," said Revelle Berry, a long-time patient of the clinic.

More than a year ago, the University of Louisville School of Dentistry began a collaboration with the facility offering a new clinical site rotation for students, expanding Red Bird's ability to serve more people.

"The services offered through Red Bird are so important for the people of this region, and we are pleased to have UofL reach across the state to engage with us as we strive to become a healthier community," said Kentucky Senate President Robert Stivers.

Since the collaboration started, dental students have helped provide care for almost 600 patients and have completed nearly 700 procedures.

The Clinic includes dental and medical components. It grew out of the Red Bird Mission Inc., which started in 1921 with a private school, and expanded to include job training, clothes closet, food pantry, adult education and senior citizen services.



A report card from the University of Southern California's Race and Equity Center named UofL as one of three universities tied with the highest score.

UOFL EARNS TOP SPOT FOR SERVING AFRICAN AMERICAN STUDENTS

UofL is a top university for serving the needs of African American students, according to a national study released in September.

A report card from the University of Southern California's Race and Equity Center named UofL as one of three universities who tied with the highest score, a 3.5 on a 4-point scale. Scores were based on;

- An institution's percentage of black undergraduates and how that compares to the overall black population, ages 18 to 24, in that university's home state
- Equity between the percentage of black men and women as it compares to the percentage of men and women across all racial and ethnic groups nationwide — about 56 percent women and 44 percent men
- The six-year graduation rate for black students as it compares to an institution's overall graduation rate
- The ratio of black students to black full-time professors

UofL President Neeli Bendapudi said she is proud of the ranking but noted the university is not standing still in its efforts to improve in all areas of diversity.

A GIANT STEP FOR SPINAL INJURY PATIENTS

Kelly Thomas, a 24-year old who was paralyzed after a 2014 car accident, is walking again thanks to research conducted at the Kentucky Spinal Cord Injury Research Center at UofL. In September, the astounding and heartwarming story made headlines around the world.

Thomas' groundbreaking progress is the newest development in an epidural stimulation research program at UofL. The initiative takes aim at quality of life — and even recovery — following spinal cord injury. This latest study builds on initial research, published in *The Lancet* in 2011, that documented the success of the first epidural stimulation participant who recovered some motor functions.

"Being a participant in this study truly changed my life, as it has provided me with a hope that I didn't think was possible after my car accident," said Thomas. "The first day I took steps on my own was an emotional milestone in my recovery that I'll never forget."

Susan Harkema, PhD, the study's author, professor and associate director of the Kentucky Spinal Cord Injury Research Center said, "This research demonstrates that some brain-to-spine connectivity may be restored years after a spinal cord injury."

She also explained how her team's work could have a significant impact: "We must expand this research — hopefully, with improved stimulator technology — to more participants to realize the full potential of the progress we're seeing in the lab, as the potential this provides for the 1.2 million people living with paralysis from a spinal cord injury is tremendous."



Susan Harkema, left, with research participant Kelly Thomas and trainer Katie Pfost.



Sunshine Smoot took part in GEMS during the 1990s and is now a Kentucky pediatrician.

GEMS IS 30 YEARS OLD: PROGRAM HELPS KENTUCKY TEENS EASE INTO MEDICAL CAREERS

When she was in 8th grade, Breathitt County native Sunshine Smoot decided she wanted to be a pediatrician. She heard about Guaranteed Entrance to Medical School (GEMS), a program that smooths the path for talented Kentucky students to transition into medical careers.

Smoot earned admittance to GEMS in 1997 and graduated from the UofL School of Medicine in 2006. She is now a pediatrician at Juniper Health in Campton, Kentucky.

For 30 years, GEMS has helped students like Smoot by providing mentoring and support. To date, nearly 300 Kentuckians have participated in the program.

Partnership makes UK College of Medicine-Bowling Green Campus a reality

A partnership between UK, WKU and Med Center Health has brought a four-year medical school to Bowling Green.

The UK College of Medicine-Bowling Green Campus opened this fall with its first class of 30 students.

Through the partnership, basic science and early didactic training is being taught in conjunction with faculty at WKU through both onsite classes and live-streaming of lectures in accordance with UK College of Medicine curricular protocols.

“This remarkable partnership between Med Center Health and our two universities represents the very best of what higher education institutions can do to elevate the communities we serve when we work together,” said WKU President Timothy C. Caboni. “We are excited for the opportunity that many of our students will have to move seamlessly into medical school right here in our community and for the many ways that WKU faculty will be engaged.” More at <https://uknow.uky.edu/uk-healthcare/ribbon-cutting-ceremony-marks-official-opening-uk-college-medicine-bowling-green>



The first class of the UK College of Medicine-Bowling Green Campus poses with officials during a ribbon cutting ceremony.

Scholar Development celebrates 10 years of big dreams, success

Over its 10-year history, the Office of Scholar Development has helped WKU students and alumni earn recognition more than 450 times and more than \$4.8 million in national scholarships.

WKU students have won some of the nation’s most prestigious awards, including the Harry S. Truman Scholarship, National Science Foundation Graduate Research Fellowship, Fulbright U.S. Program, Thomas R. Pickering Foreign Affairs Fellowship, David M. Boren Awards and Benjamin A. Gilman International Scholarships. These scholarships enabled students to study abroad in more than 60 countries, learn languages critical to U.S. national security, earn graduate degrees at elite institutions and pursue public service, both domestically and internationally.

WKU has been recognized as a Fulbright top-producing institution for four consecutive years and five times overall. From the Fulbright Program’s creation in 1946 to 2008, only eight WKU students were awarded Fulbright grants. However, since 2008, more than 50 WKU students and alumni earned grants. For more, visit <https://www.wku.edu/osd/anniversary/>



WKU President Timothy C. Caboni speaks at a dedication ceremony for the White Squirrel Weather mobile classroom that will enable students to take their studies out of the classroom.



WKU dedicates White Squirrel Weather mobile classroom

An 18-year-old trailer has been given new life as a mobile classroom for WKU's meteorology program, White Squirrel Weather. The trailer, repurposed by students as a summer project, is outfitted with several large monitors and the same equipment as the forecasting lab on campus. With it, WKU students can deliver real-time forecasts on the road, providing outreach and supporting public events. More at

<https://www.wku.edu/news/articles/index.php?view=article&articleid=6895>

Record Number of Gatton Academy Seniors Named National Merit Semifinalists

Twenty-one seniors from The Gatton Academy of Mathematics and Science in Kentucky at WKU have been recognized as semifinalists in the 2019 National Merit Scholarship Competition, marking the most students recognized in one school year in the school's history.

Since The Gatton Academy's inception in 2007, 138 students have been named National Merit Semifinalists. Eighty-eight current Gatton Academy seniors took the PSAT, meaning 23.86 percent of students made the National Merit Semifinalist level.

More than 1.6 million juniors entered the 2019 National Merit Scholarship Program by taking the 2017 Preliminary SAT/National Merit Scholarship Qualifying Test, which served as the initial screen of program entrants. From this list comes the nationwide pool of Semifinalists, representing less than 1 percent of U.S. high school seniors. More at

<https://www.wku.edu/news/articles/index.php?view=article&articleid=6893>

WKU Opens New Center on Aging that Combines Many Areas of Expertise

WKU has launched a new center focusing on the health and wellness of the growing demographic of older adults in the state and the nation. The Center for Applied Science in Health and Aging combines several research specialties, including exercise, communication and psychology. The center will expand current projects that take a holistic approach to the issues facing older Kentuckians.

CASHA will engage in rigorous applied research through innovative education, research, partnerships and service. It will provide students, faculty, staff and community partners with the ability to collaborate in research that promotes health, vitality and human potential in the aging community. CASHA will collaborate with community organizations and university partners to identify and address needs in the aging community. It combines the expertise of the founding faculty members in psychological sciences, communication disorders and exercise science. More at <https://www.wku.edu/casha/>

Council on Postsecondary Education
November 16, 2018

Committee Appointments

Chair Zimmerman will make appointments to the following committees:

Nominating Committee

Three Council members will be appointed to the nominating committee, which will present nominations for Council chair and vice chair at the February 2, 2018, meeting.

2020-22 Budget Development Work Group

This work group will meet to discuss and analyze data related to the long-term fiscal needs of the system and work on an operating and capital budget recommendation for 2020-22.

2019 Retreat Committee

This committee will meet to discuss and plan the topics and schedule of the 2019 Council Member Retreat, which is scheduled for February 21, 2019.

Resolutions

Periodically, the Council recognizes certain individuals for their support of and service to postsecondary education in Kentucky. At the meeting, resolutions for the following individuals will be proposed for approval by the Council:

- Elaine Maher, Council on Postsecondary Education
- Angela Jones, Council on Postsecondary Education
- Joe Ellis, Council on Postsecondary Education

Kentucky Council on Postsecondary Education



A RESOLUTION HONORING AND COMMENDING

ELAINE MAHER

for her service to the Council on Postsecondary Education

WHEREAS, the Council has benefited greatly from Elaine's 19 years of service, from her professionalism, attention to detail, dedication, organizational skills, and desire to serve the Commonwealth and its students; and

WHEREAS, as an IT project manager, Elaine was able to intuit and translate business needs into technical requirements and consistently deliver results in a timely manner, making her invaluable to nearly every unit of the Council; and

WHEREAS, Elaine has analyzed, tested, implemented, supported and enhanced nearly all of the Council's web applications and systems, including the Kentucky Postsecondary Education Data System (KPEDS), The Kentucky Program Proposal System (KPPPS), the academic program inventory, the academic program review system, licensure applications, and other products and procedures for Kentucky Skills U, Kentucky Virtual Campus and Kentucky Virtual Library;

WHEREAS, Elaine is thorough, forward thinking, detailed in her work, easygoing, friendly, conscientious, and always has a ready smile; and

WHEREAS, Elaine has been a dedicated and valued employee, colleague, and friend.

NOW, THEREFORE, BE IT RESOLVED that the Council on Postsecondary Education does hereby adopt this resolution, November 16, 2018, congratulating Elaine Maher, thanking her for her service, and wishing her good fortune in her retirement.

Sherrill B. Zimmerman
Chair

Aaron Thompson, Ph.D.
President

Kentucky Council on Postsecondary Education

A RESOLUTION HONORING AND COMMENDING

ANGELA JONES

for her service to the Council on Postsecondary Education

WHEREAS, the Council on Postsecondary Education has benefited from Angela's 19 years of service and her knowledge, dedication, teamwork, people skills and unwavering commitment to the Commonwealth and its students; and

WHEREAS, Angela began her career at the Council as an information specialist, improving the services, courses and applications provided by the Kentucky Virtual Campus, including the 24/7 help desk that supports students; and

WHEREAS, Angela has become an invaluable member of the Council's data and information unit, applying her attention to detail, technical expertise and troubleshooting skills to assist CPE staff and the public with their data and research needs; and

WHEREAS, Angela has contributed her talents to Kentucky Adult Education, enhancing the Kentucky Adult Education Reporting System and the online GED transcript request portal; and

WHEREAS, Angela has approached her work with a devoted, team-driven spirit that showcased her ingenuity, creativity, good nature, knowledge, humor, and practical experiences, which have furthered CPE's agenda; and

WHEREAS, she has done all of these things, among others, and has been a good employee, colleague, and friend to all.

NOW, THEREFORE, BE IT RESOLVED, that the Council on Postsecondary Education does hereby adopt this resolution, November 16, 2018, congratulating Angela Jones, thanking her for her service, and wishing her good fortune as she begins a new chapter of her career.

Sherrill B. Zimmerman
Chair

Aaron Thompson, Ph.D.
President

Kentucky Council on Postsecondary Education

A RESOLUTION HONORING AND COMMENDING

JOE E. ELLIS, O.D.

for his service to the Council on Postsecondary Education

WHEREAS, Dr. Joe Ellis has served on the Council on Postsecondary Education since March 2013; and

WHEREAS, Dr. Ellis was an active member of the Council, serving on numerous committees and work groups, including the Executive Committee and Nominating Committee; and

WHEREAS, Dr. Ellis, a graduate of Murray State University, is a champion for Kentucky's students and public institutions, which informed all of his actions as a Council member; and

WHEREAS, the Council has benefited tremendously from his professional skills, experiences and relationships as the President of the Kentucky Optometric Association and as a member of the board of trustees of the American Optometric Association; and

WHEREAS, Dr. Ellis advocated for affordable access to out-of-state optometry programs through the Contract Spaces Program, and was instrumental in the creation of Kentucky's first optometry program at the University of Pikeville; and

WHEREAS, the members of the Council value and respect Dr. Ellis's work ethic, compassion, generosity and public service, and the application of these skills to public higher education;

NOW, THEREFORE, BE IT RESOLVED, that the Council on Postsecondary Education does hereby adopt this resolution, November 16, 2018, thanking Dr. Joe Ellis for his dedication and service, and wishing him continued success and good fortune.

Sherrill Zimmerman, Chair

Aaron Thompson, President