

# KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION EXECUTIVE COMMITTEE MEETING



January 30, 2026 – 8:30 a.m., ET

Virtual meeting via ZOOM webinar: <https://ky-gov-cot.zoom.us/j/85270564819>

---

*Revised to reflect updated location, 1/27/26*

- I. Call to Order and Roll Call**
- II. Action Items**
  - A. Approval of Minutes ..... 2
  - B. Revised Meeting Dates for September 2026..... 4
  - C. Annual Audit Results, year ended June 30, 2025 ..... 5
- III. Information items**
  - A. FY26 Agency Budget Update ..... 105
  - B. Committee Appointments
- IV. CPE President Update**
- V. Other Business**
- VI. Adjournment**

## MEETING MINUTES

Draft for approval by the Executive Committee on January 30, 2026

---

Who: Kentucky Council on Postsecondary Education  
Meeting Type: Executive Committee  
Date: November 7, 2025  
Time: 8:30 a.m. CT  
Location: Brescia University, Owensboro – C.E. Field House for Professional Studies, Room 315

### CALL TO ORDER

---

The Executive Committee of the Kentucky Council on Postsecondary Education met on Friday, November 7, 2025, at 8:30 a.m. CT. The meeting occurred at Brescia University in Owensboro and Chair Madison Silvert presided.

### ROLL CALL

---

There was a quorum of 4 voting Council members in attendance.

- Rev. CB Akins – in person
- Jacob Brown – did not attend
- Dr. Kellie Ellis – in person
- Karyn Hoover – did not attend
- Madison Silvert – in person
- Elaine Walker – in person

CPE President Aaron Thompson served as secretary of the board, per the CPE Bylaws. Heather Faesy, CPE program manager, served as recorder of the meeting minutes.

### APPROVAL OF THE MINUTES

---

The minutes of the June 11, 2025, committee meeting were approved as distributed.

### FINAL REPORT OF THE KENTUCKY STATE UNIVERSITY MANAGEMENT IMPROVEMENT PLAN

---

Mr. Travis Powell, Sr. Vice President and General Counsel, and Mr. Greg Rush, Assistant Vice President for Finance Policy and Programs, presented the recommendations included in the final report of the Kentucky State University Management Improvement Plan.

After reviewing the work performed by Baker Tilley, and the observations of Council staff that have worked with the university for the past three years, the following recommendations were proposed as a component of the final performance report:

- Recommendation #1: Require the creation of a financial stability plan.

- Recommendation #2: Continued quarterly fiscal monitoring.
- Recommendation #3: Forgive the \$23 million loan.

The rationale for each recommendation was detailed in the provided report. Council staff believe that KSU's financial position, as evidenced by sustained negative CFI scores and erratic liquidity levels, requires more than incremental operational adjustments. A Financial Sustainability Plan combined with quarterly monitoring of key fiscal indicators by CPE and loan forgiveness represents a strategic and balanced approach—one that maintains essential oversight while building institutional capacity for long-term fiscal independence.

MOTION: Ms. Walker moved the Executive Committee endorse for Council approval the final report of the Kentucky State University Management Improvement Plan. Rev. Akins seconded the motion.

VOTE: The motion passed.

## **COUNCIL BYLAWS**

---

Mr. Powell provided an overview of the limitations of the Council's bylaws as it pertains to the Council's elected leadership. He provided background information on how the institutions stipulate their board leadership positions (in comparison to the Council). The Committee discussed potential language to propose to align the Council's bylaws on the subject to be more in line with the institutions and it was determined that the matter would be brought before and discussed with the full Council at its November 7 meeting.

MOTION: Rev. Akins moved to open the bylaws for amendments. Dr. Ellis seconded the motion.

VOTE: The motion passed.

## **COMMITTEE APPOINTMENTS**

---

Chair Silvert announced that he would make several committee appointments during the business meeting to the following committees:

- Nominating Committee
- Academic and Strategic Initiatives Committee
- Finance Committee
- Kentucky Authority for Educational Television, the governing board for KET
- AERO Act Advisory Committee

## **ADJOURNMENT**

---

The Executive Committee adjourned at 9:50 a.m., CT.

**KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION  
EXECUTIVE COMMITTEE**

**JANUARY 30, 2026**

---

<b>TOPIC/TITLE:</b>	Revised Meeting Dates for September 2026
<b>STAFF CONTACTS:</b>	Heather Faesy, Program Manager Travis Powell, Executive Vice President & General Counsel
<b>TYPE/REQUEST:</b>	<input checked="" type="checkbox"/> Action <input type="checkbox"/> Information

---

**SUMMARY OF ACTION REQUESTED**

Council staff recommend that the Executive Committee endorse for Council approval to reschedule the previously approved meeting dates of the Council and the biannual Postsecondary Education Trusteeship Conference from September 10-12, 2026, to September 27-29, 2026

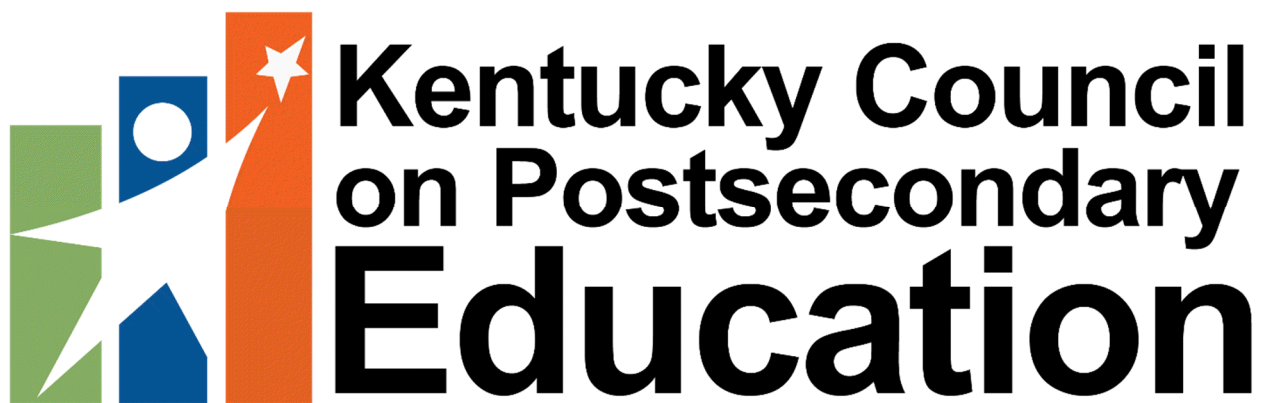
**SUPPORTING INFORMATION**

Per KRS 164.011(9), the Council is required to meet quarterly but may meet more often upon the call of the chair. In order to conduct its business efficiently, the Council typically meets five times per year, and standing committees meet prior to each Council meeting.

Several institutional conflicts have been identified with the previously approved September 2026 meeting dates. To accommodate, the following dates are proposed for approval:

- Executive Committee – From Sunday, Sept. 10 to Sunday, Sept. 27
- Business meeting – From Monday, Sept. 11 to Monday, Sept. 28
- Trusteeship Conference – From Monday/Tuesday, Sept 11-12 to Monday/Tuesday, Sept 28-29.

Meeting times will be finalized at a later date. The other scheduled Committee meeting dates for September will not be impacted.



**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
JUNE 30, 2025**

# COUNCIL ON POSTSECONDARY EDUCATION

## TABLE OF CONTENTS JUNE 30, 2025

---

	<u>Page</u>
<b>Report of Independent Auditors</b> .....	1
<b>Management’s Discussion and Analysis</b> .....	5
<b>Basic Financial Statements:</b>	
Statement of Net Position .....	16
Statement of Activities.....	18
Balance Sheet - Governmental Funds.....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	22
Statement of Fiduciary Net Position.....	23
Statement of Changes in Fiduciary Net Position.....	24
Notes to the Financial Statements .....	25
<b>Required Supplementary Information:</b>	
Schedule of Proportionate Share of the Net Pension Liability Kentucky Employees’ Retirement System .....	58
Schedule of Pension Contributions Kentucky Employees’ Retirement System .....	59
Schedule of Proportionate Share of the Net OPEB Liability Kentucky Employees’ Retirement System .....	60
Schedule of OPEB Contributions Kentucky Employees’ Retirement System.....	61
Schedules of Budgetary Comparisons.....	62
Note to the Required Supplementary Information .....	69

# COUNCIL ON POSTSECONDARY EDUCATION

## TABLE OF CONTENTS (CONTINUED) JUNE 30, 2025

---

	<u>Page</u>
<b>Additional Supplementary Information:</b>	
Combining Balance Sheet – Operations Fund.....	75
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Operations Fund .....	76
Combining Balance Sheet – Other Governmental Funds.....	77
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds .....	78
Schedule of Grants and Subsidies.....	79
<b>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 <i>Government Auditing Standards</i>.....</b>	<b>80</b>
<b>Report of Independent Auditors on Compliance with Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance .....</b>	<b>82</b>
<b>Single Audit:</b>	
Schedule of Expenditures of Federal Awards.....	85
Notes to the Schedule of Expenditures of Federal Awards.....	86
<b>Schedule of Findings and Questioned Costs .....</b>	<b>88</b>
<b>Summary Schedule of Prior Audit Findings .....</b>	<b>89</b>

---



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington KY 40507 main  
859.253.1100 fax 859.253.1384 email blue@blueandco.com

## REPORT OF INDEPENDENT AUDITORS

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

### Report on the Audit of Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Council on Postsecondary Education (the "Council"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Change in Accounting Principles

As discussed in Note 2 to the financial statements, the Council adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* and Statement No. 102, *Certain Risk Disclosures*, in 2025. Our opinion is not modified with respect to these matters.



*Responsibilities of Management for the Financial Statements*

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

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

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

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

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

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, the schedule of proportionate share of the net pension liability and the schedule of pension contributions on pages 58 through 59, the schedule of proportionate share of the net Other Postemployment Benefits (OPEB) liability and the schedule of OPEB contributions on pages 60 through 61, the budgetary comparison information on pages 62 through 68, and notes to the required supplementary information on pages 69 through 74, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying schedule and notes to the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented on pages 85 through 87 for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Additional Supplementary Information*

The additional supplementary information included in the accompanying schedules on pages 75 through 79 is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above referenced additional supplementary information is 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 January 15, 2026, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

*Blue & Co., LLC*

Lexington, Kentucky  
January 15, 2026

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

---

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.

This Management's Discussion and Analysis (MD&A) provides an overview of the Council's financial activities for fiscal year (FY) 2025. It should be read in conjunction with the basic financial statements and accompanying notes. MD&A is required supplementary information presented before the basic statements and is intended to help readers understand the government-wide (accrual) and fund (modified accrual) perspectives, significant transactions, and currently known conditions.

### **FINANCIAL HIGHLIGHTS**

- During FY 2025, the Council implemented Governmental Auditing Standards Board (GASB) Statement No. 101, *Compensated Absences*, which required recognition of liabilities for unused leave. As a result, the beginning governmental fund balance was decreased by \$47,723, from \$31,055,167 to \$31,007,444, and the government-wide beginning net position decreased by \$808,969 (from \$10,833,068 to \$10,024,099). Prior-year amounts shown in MD&A remain as originally reported; readers should consider the restatement when comparing years. Additional details are provided in Note 2 to the financial statements.
- The assets of the Council exceeded its liabilities at the close of FY 2025 by \$7,474,079, compared to \$10,833,068 at the end of FY 2024.
- Net position decreased \$2,550,020 during FY 2025, compared to the \$12,206,492 decrease in FY 2024.
- As of June 30, 2025, the Council's governmental funds reported an ending fund balance of \$25,076,125, compared to \$31,055,167 at June 30, 2024. These balances include strategic investment and incentive funding programs appropriated to the Council on behalf of public postsecondary education institutions and agency operations.
- Total fund revenues for FY 2025 were 29,148,444, representing a 40% decrease from FY 2024 revenues of \$48,508,033. This decrease was primarily due to the absence of Research Challenge Trust Fund appropriations and related federal program activity that occurred in FY 2024.
- Total fund expenditures for FY 2025 were \$35,079,763, a 49% decrease from FY 2024 expenditures of \$69,449,101, reflecting the completion of major strategic investment initiatives funded in the prior year.

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

The audit report consists of four parts:

- Management's Discussion and Analysis (this section)
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

---

Government-wide statements provide a long-term view of the Council's finances, while fund statements focus on short-term inflows, outflows, and balances of spendable resources. Reconciliations between the two are provided in the basic financial statements.

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

The Council's government-wide statements (Statement of Net Position and Statement of Activities) present the Council as one economic entity, prepared on the accrual basis. The financial statements are designed to provide readers with a broad overview of the Council's finances, with an emphasis on the major funds within the governmental category.

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

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

The government-wide financial statements can be found on pages 16 through 18 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.

Governmental fund statements (Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances) focus on near-term inflows/outflows of spendable resources on the modified accrual basis; reconciliations explain differences with the government-wide statements. 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 20 and 22 of this report.

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

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

Fiduciary fund statements (Custodial funds) reports resources held for others; these are excluded from the government-wide presentation. The Council is the trustee or fiduciary responsible for assets, which can be used only for the trust beneficiaries per trust agreement. The Council is responsible for ensuring the assets reported in these funds are used for their intended purposes.

All the Council's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The accounting for fiduciary funds is much like that used for proprietary funds. The statement of fiduciary net position and the statement of changes in fiduciary net position can be found on pages 23 and 24, respectively of this report.

### Notes to the Financial Statements:

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found beginning on page 25.

### FINANCIAL ANALYSIS OF THE COUNCIL

#### Government-wide Financial Analysis:

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

	June 30, 2025	June 30, 2024
<b>Assets:</b>		
Current	\$ 22,072,308	\$ 21,099,550
Noncurrent	11,557,618	19,334,676
Total assets	33,629,926	40,434,226
<b>Deferred outflows of resources</b>	1,515,386	1,911,309
Total assets and deferrals	<u>\$ 35,145,312</u>	<u>\$ 42,345,535</u>
<b>Liabilities:</b>		
Current	\$ 7,956,475	5,760,051
Noncurrent	17,440,055	22,426,031
Total liabilities	25,396,530	28,186,082
<b>Deferred inflows of resources</b>	2,274,704	3,326,385
Total liabilities and deferrals	<u>\$ 27,671,234</u>	<u>\$ 31,512,467</u>
<b>Net position (deficit):</b>		
Net investment in capital assets	\$ (194,029)	\$ 73,036
Restricted	23,400,173	27,833,874
Unrestricted deficit	(15,732,066)	(17,073,842)
Total net position (deficit)	<u>\$ 7,474,078</u>	<u>\$ 10,833,068</u>

## COUNCIL ON POSTSECONDARY EDUCATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

---

The above condensed financial information presents the Council's Statement of Net Position for FY 2025 and FY 2024, which support the analysis discussed above.

Current assets consist primarily of program cash and cash equivalents, due from the federal government, intergovernmental receivables, and prepaid expenses. Noncurrent assets consist primarily of investments, restricted investments, right-to-use subscription-based information technology assets, and capital assets.

Current liabilities as of June 30, 2025 consist primarily of subscription-based information technology arrangement (SBITA) obligations, accrued compensated absences, unearned grant revenue of \$2.38 million, and amounts due to grantors. Unearned revenue represents resources received before eligibility requirements were met, including \$1.91 million for the Healthcare Workforce Investment Fund and \$0.47 million for other special grant initiatives. Noncurrent liabilities include the portion of accrued compensated absences not expected to be liquidated with expendable financial resources, the noncurrent portion of subscription liabilities, the net pension liability, and the net liability for other post-employment benefits.

Net position is divided into three components:

- *Net investment in capital assets*, which represents the Council's capital assets, net of accumulated depreciation and subscription liabilities.
- *Restricted net position*, which primarily consists of cash and investments related to the Council's strategic trust funds and other funding programs, net of outstanding liabilities; and
- *Unrestricted net position (deficit)*, which consists primarily of cash and investments related to the Council's operations and technology programs, net of outstanding liabilities.

As of June 30, 2025, net position represents the difference between assets and liabilities mentioned above. Assets exceeded liabilities by approximately \$7.5 million. Total assets and deferrals decreased by approximately \$7.2 million, primarily due to reductions in restricted investments and cash balances following the completion of major strategic initiatives. Total liabilities and deferrals decreased by approximately \$3.9 million, reflecting lower subscription liabilities and pension-related deferred inflows. The net position decrease of \$3.36 million during FY 2025 includes the current-year operating decrease of \$2.55 million and the GASB 101 restatement of \$0.81 million.

The Council's Statements of Net Position is condensed in the financial table the follows, providing a comparative view of FY 2025 and FY 2024, which supports analysis discussed following the table.

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

### Condensed Financial Information

#### Statement of Activities

#### For the Fiscal Years Ended

<b>Revenues:</b>	<b>June 30, 2025</b>	<b>June 30, 2024</b>
Program revenues:		
Charges for services	\$ 4,667,205	\$ 4,446,209
Operating grants and contributions	8,719,788	16,083,978
Capital grants and contributions	428,978	482,589
State appropriations	14,056,602	25,716,173
Investment income—unrestricted	1,049,639	1,545,508
Investment income—restricted	226,232	233,576
Total revenues	29,148,444	48,508,033
<b>Expenses:</b>		
Strategic investment & incentive funding program	17,594,451	40,291,747
Agency operations	7,196,819	5,854,881
Federal programs	6,419,195	14,077,058
Equine industry program trust and revolving fund	480,000	483,826
Depreciation	7,999	7,013
Total expenses	31,698,464	60,714,525
Change in net position	(2,550,020)	(12,206,492)
Net position, beginning of year	10,833,068	23,039,560
Restatement for GASB 101	(808,969)	-0-
Net position—restated	10,024,099	-0-
<b>Net position, end of year</b>	<b>\$ 7,474,079</b>	<b>\$ 10,833,068</b>

General Fund appropriations from the Commonwealth of Kentucky remain the primary funding source for the Council's activities. The Kentucky General Assembly, through the appropriations bill and other statutory provisions, directs the use of those appropriations to specific programs and initiatives. In FY 2025, state appropriations totaled \$14.1 million, a significant decrease from FY 2024 due to the absence of one-time funding for the Bucks for Brains endowment matching program and other strategic initiatives completed in the prior year.

Federal program revenues totaled \$6.8 million, reflecting continued support for GEAR UP and other initiatives, including the Healthcare Workforce Investment Fund. This fund was established during FY 2025 to expand healthcare education and workforce capacity through targeted grants and partnerships. Unearned grant revenue of \$2.38 million was recorded at year-end for this program and other special initiatives, representing resources received before eligibility requirements were met.



# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

Appropriations and federal grants provide the Council flexibility to implement its statutory responsibilities and strategic agenda for postsecondary education. Strategic Investment and Incentive Funding Programs remain the primary vehicles for advancing statewide goals, supporting initiatives such as technology infrastructure, institutional excellence, and workforce development. These programs accounted for the largest share of FY 2025 expenditures, although overall spending decreased significantly from FY 2024 following the completion of 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.

At June 30, 2025, total governmental fund assets were \$29.7 million, compared to \$33.6 million at June 30, 2024, a decrease of approximately \$3.9 million. This decline primarily reflects reductions in restricted cash and investments following the completion of major strategic initiatives.

Total liabilities increased to \$4.6 million from \$2.5 million in the prior year. The increase is largely attributable to the recognition of unearned grant revenue of \$2.38 million, which represents resources received before eligibility requirements were met, including amounts for the Healthcare Workforce Investment Fund and other special grant initiatives. Other current liabilities include accounts payable, accrued expenses, and the current portion of compensated absences.

Ending fund balances totaled \$25.1 million, down from \$31.1 million at June 30, 2024. The decrease of approximately \$6.0 million includes the GASB 101 restatement of \$(47,723) applied to the beginning balance and reflects the overall reduction in program activity compared to the prior year. Fund balances primarily consist of resources restricted for strategic investment and incentive funding programs, technology initiatives, and other targeted programs.

The following condensed Balance Sheet table summarizes these amounts for FY 2025 compared to FY 2024 and supports the analysis discussed above.

### Condensed Financial Information Balance Sheet

	June 30, 2025	June 30, 2024
<b>Total assets</b>	<u>\$ 29,656,872</u>	<u>\$ 33,594,749</u>
Total liabilities	\$ 4,580,746	\$ 2,539,581
Fund balances	<u>25,076,126</u>	<u>31,055,168</u>
<b>Total liabilities and fund balances</b>	<u>\$ 29,656,872</u>	<u>\$ 33,594,749</u>

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

The following condensed Statement of Revenues, Expenditures, and Changes in Fund Balances table summarizes these amounts for FY 2025 compared to FY 2024 and supports the analysis discussed below.

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

	June 30, 2025	June 30, 2024
<b>Revenues:</b>		
State appropriations	\$ 14,056,602	\$ 25,716,417
Federal revenues	6,801,943	14,340,914
Intergovernmental revenues	1,410,656	482,589
Other grants revenues	880,397	-0-
Charges for services	4,638,293	4,446,209
Investment earnings	1,275,871	1,779,084
Other revenues	84,682	1,742,820
Total revenues	29,148,444	48,508,033
<b>Expenditures:</b>		
Personnel services	16,816,843	12,510,368
Other operating expenditures	3,872,607	6,288,005
Grants and subsidies	3,457,016	10,986,312
Intergovernmental expenditures	7,910,361	29,854,340
Capital expenditures	-0-	6,601,436
Debt service and related costs	3,022,935	3,208,640
Total Expenditures	35,079,762	69,449,101
SBITA financing	-0-	6,486,633
Net change in fund balances	(5,931,318)	(14,454,435)
Fund balances, beginning of year	31,055,167	45,509,602
Restatement for GASB 101	(47,723)	-0-
Fund balance, restated	31,007,444	-0-
<b>Fund balances, end of year</b>	<b>\$ 25,076,126</b>	<b>\$ 31,055,167</b>

Total revenues for FY 2025 were \$29.1 million, a decrease of \$19.4 million (40%) compared to FY 2024. The most significant factor was a \$11.7 million reduction in state appropriations, primarily due to the absence of one-time funding for endowment matching programs such as Bucks for Brains. Federal revenues also declined by \$7.5 million, reflecting the completion of major American Rescue Plan and Healthcare Workforce Initiative activities. Offsetting these decreases were modest increases in intergovernmental revenues and other grant revenues, which together added approximately \$1.8 million. Charges for services remained stable, while investment earnings decreased by \$0.5 million due to market conditions. Other revenues fell by \$1.7 million, largely attributable to prior-year one-time receipts.

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

---

Expenditures totaled \$35.1 million, down \$34.4 million (50%) from FY 2024. The largest reductions occurred in intergovernmental expenditures, which decreased by \$21.9 million, and grants and subsidies, which fell by \$7.5 million, as prior-year matching payments and federal program disbursements concluded. Personnel services increased by \$4.3 million due to salary adjustments and benefit costs, while other operating expenditures declined by \$2.4 million. Debt service costs related to subscription-based technology agreements totaled \$3.0 million, consistent with scheduled payments. No capital expenditures occurred in FY 2025.

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

The net result was a \$5.9 million decrease in fund balances, compared to a \$14.5 million decrease in FY 2024, leaving an ending fund balance of \$25.1 million. This decrease includes the effect of implementing GASB Statement No. 101, *Compensated Absences*, which required recognition of additional liabilities for unused leave. The adoption resulted in a \$47,725 reduction to the beginning fund balance as of July 1, 2024.

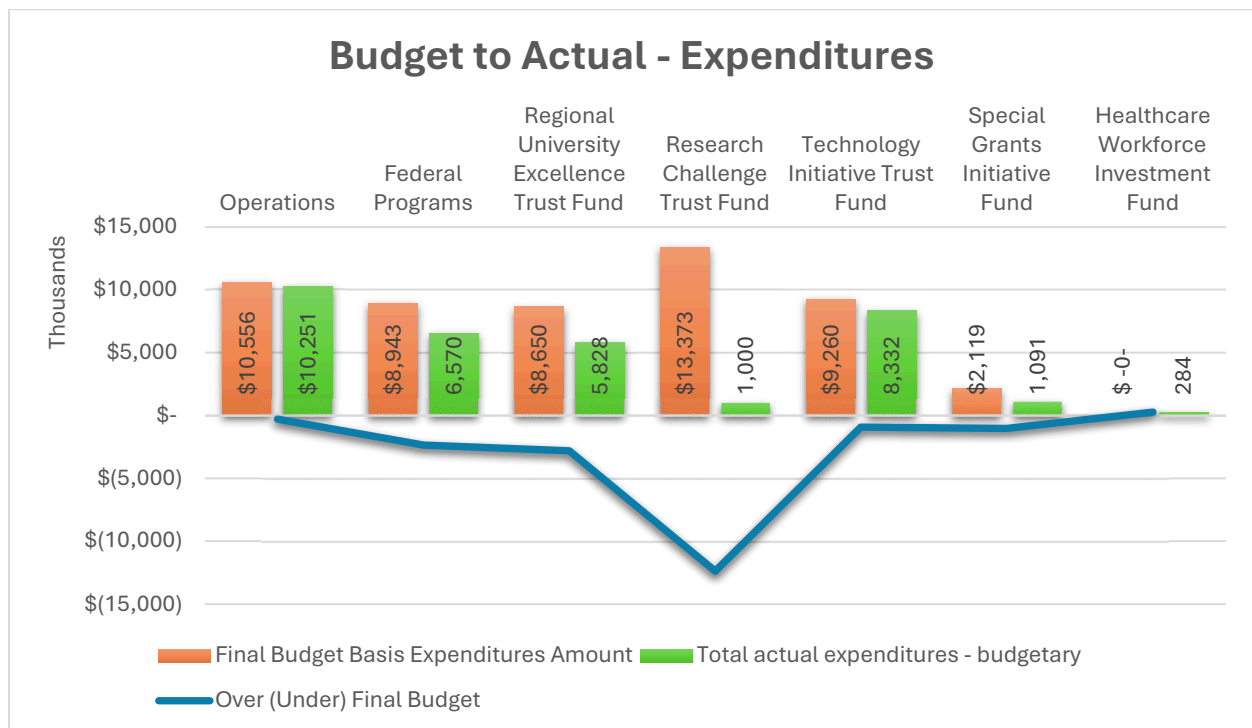
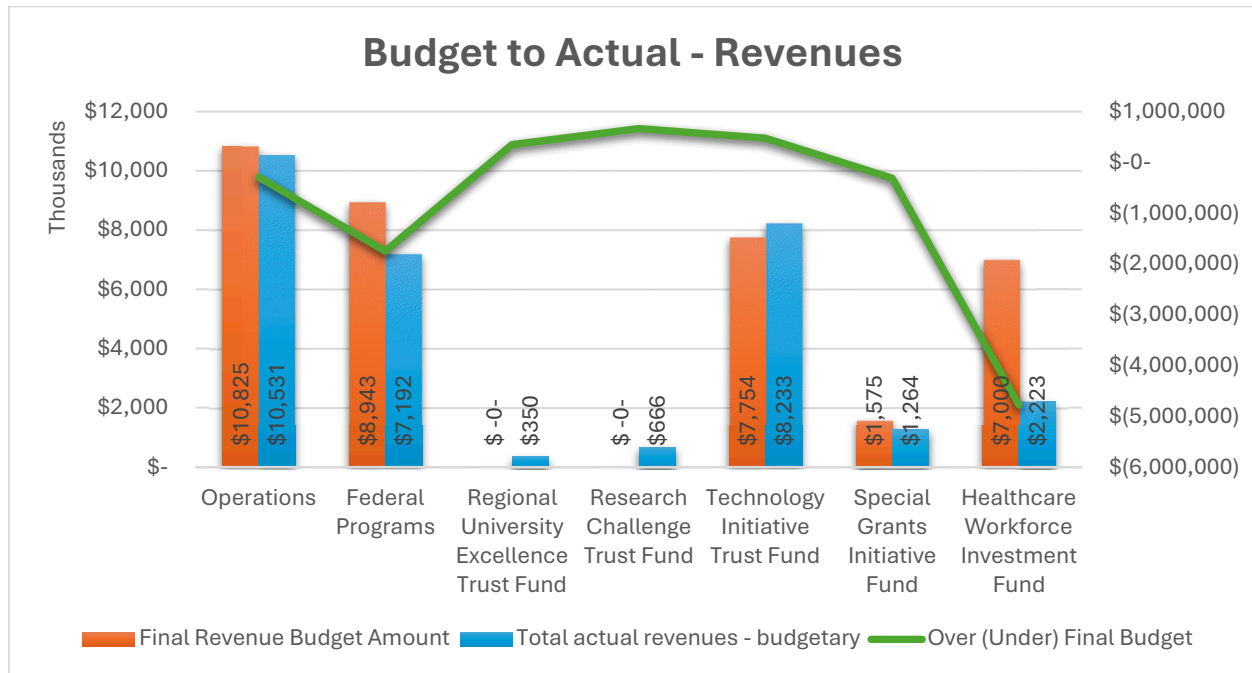
### **BUDGETARY HIGHLIGHTS**

The Council adopts its annual budget on the budgetary basis, which differs from GAAP reporting. Actual results are presented on this basis and reconciled to accounting principles generally accepted in the United States of America (GAAP) in the notes. Variances between budgetary and GAAP amounts primarily reflect timing differences, such as encumbrances and grant reimbursements, accruals, and noncash items. See Note 5 of the Required Supplementary information for section for a detailed reconciliation of budgetary basis to GAAP amounts.

The accompanying charts summarize actual revenues and expenditures for major funds compared to their final budgeted amounts for each major funds. These visuals support the narrative analysis that follows where significant variances occurred.

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025



Operations finished slightly under budget on both revenues and expenditures, consistent with normal year-end timing of encumbrances and reimbursements.

# COUNCIL ON POSTSECONDARY EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

---

Federal Programs were under budget due to delays in federal grant reimbursements and deferred program activity.

Technology Initiative Trust Fund exceeded revenue expectations while remaining under budget on expenditures, reflecting project phasing.

Regional University Excellence Trust Fund and Research Challenge Trust Fund had significant under-expenditures due to multi-year matching programs, while investment earnings created positive revenue variances.

Healthcare Workforce Investment recognized less revenue than budgeted and incurred modest start-up costs, as program implementation will continue in FY 2026 through FY 2030.

### **CAPITAL ASSETS AND LONG-TERM OBLIGATIONS**

#### *Capital Assets*

The Council's long-term financial position is influenced by its capital assets and long-term obligations. At June 30, 2025, capital assets consisted of audio/visual equipment with a cost of \$80,049 and accumulated depreciation of \$15,012, resulting in a net book value of \$65,037. Depreciation expense for the year totaled \$7,999. The Council also maintains subscription-based IT arrangements (SBITAs) for Kentucky Virtual Library and related services. The net right-to-use intangible asset was \$3.12 million at year-end, and the related SBITA liability decreased to \$3.21 million after principal payments of \$3.02 million. Future obligations under these agreements total \$3.38 million, including \$3.21 million in principal and \$165,336 in interest due in FY26. In addition, the Council reported commitments of approximately \$39.6 million for strategic investment and incentive funding programs and pass-through programs, which will be funded primarily by legislative appropriations and federal program revenues in the subsequent fiscal year.

#### *Pension and Other Postemployment Benefits*

The Council's long-term liabilities also include pension and other postemployment benefit (OPEB) obligations. At June 30, 2025, the net pension liability was \$15.47 million, and the net OPEB liability was \$912,213, along with related deferred inflows and outflows. Employer contributions for FY25 totaled \$1,026,798 for pensions and \$33,719 for OPEB, representing 100% of required amounts. These obligations significantly affect the Council's government-wide net position and reflect the ongoing impact of retirement and healthcare benefits on long-term financial sustainability. Readers should refer to Notes 10, and 11 of the financial statement and Notes 1 through 4 of the Required Supplementary Information schedules for additional details.

# **COUNCIL ON POSTSECONDARY EDUCATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025**

---

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

When preparing the fiscal year 2026 budget, the Council considered several factors, including legislative priorities, program commitments, and anticipated economic conditions. Unlike a municipality, the Council does not rely on property taxes or local business revenues; its primary funding sources are Appropriations from the Commonwealth and federal program awards. The FY26 budget reflects the completion of major one-time initiatives funded in FY24 and FY25, such as endowment matching under the Bucks for Brains program, which significantly reduced FY25 appropriations and pass-through activity.

The Council's FY26 spending plan prioritizes strategic investment and incentive programs, technology infrastructure, and workforce development initiatives, including continued implementation of the Healthcare Workforce Investment Fund. At June 30, 2025, the Council reported \$1.91 million in unearned revenue for this program, which will be recognized as institutions meet eligibility requirements and submit documentation for matching funds. This initiative is expected to remain a key component of the Council's strategic agenda in FY26.

The Council also administers several custodial programs, including the Kentucky State University Loan Repayment Trust Fund, which holds a \$23 million receivable. Legislative decisions during the 2026 Regular Session regarding repayment terms or potential forgiveness may affect fiduciary balances and future reporting. While the FY26 budget is based on realistic expectations of appropriations and federal reimbursements, actual results may vary due to timing of grant receipts, milestone-based revenue recognition, and investment performance. The Council will continue to monitor these factors closely and maintain budgetary discipline while advancing statewide postsecondary education goals.

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

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

# COUNCIL ON POSTSECONDARY EDUCATION

## STATEMENT OF NET POSITION JUNE 30, 2025

---

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 949,317
Cash and cash equivalents - restricted	18,560,911
Accounts receivable	93,760
Grant receivable	4,620
Intergovernmental receivables	923,069
Due from the Federal government	749,277
Prepaid expenses	<u>791,355</u>
Total current assets	22,072,309
<b>Noncurrent assets:</b>	
Investments	1,906,959
Investments - restricted	6,468,959
Capital assets, net	65,037
Right-of-use subscription assets, net	<u>3,116,663</u>
Total noncurrent assets	<u>11,557,618</u>
Total assets	<u><u>\$ 33,629,927</u></u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Pension plan	\$ 1,320,159
OPEB plan	<u>195,227</u>
Total deferred outflows of resources	<u><u>\$ 1,515,386</u></u>

---

*See accompanying notes to the financial statements.*

# COUNCIL ON POSTSECONDARY EDUCATION

## STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2025

	<b>Governmental Activities</b>
<b><u>LIABILITIES</u></b>	
<b>Current liabilities:</b>	
Accounts and other payables	916,275
Unearned grant revenue	2,380,222
Due to the state investment pool	2,599
Accrued expenses	425,284
Subscription-based information technology (SBITA)	3,210,393
SBITA accrued interest	165,336
Compensated absences	<u>856,366</u>
Total current liabilities	7,956,475
<b>Noncurrent liabilities:</b>	
Compensated absences	1,057,034
Net pension	15,470,808
Net OPEB	<u>912,213</u>
Total noncurrent liabilities	<u>17,440,055</u>
Total liabilities	<u><u>\$ 25,396,530</u></u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Pension plan	\$ 1,080,619
OPEB plan	<u>1,194,085</u>
Total deferred inflows of resources	<u><u>\$ 2,274,704</u></u>
<b><u>NET POSITION (DEFICIT)</u></b>	
Net investment in capital assets	\$ (194,029)
Restricted	23,400,174
Unrestricted deficit	<u>(15,732,066)</u>
Total net position (deficit)	<u><u>\$ 7,474,079</u></u>

See accompanying notes to the financial statements.



# COUNCIL ON POSTSECONDARY EDUCATION

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Operations	\$ 7,196,819	\$ 501,900	\$ 283,294	\$ -0-	\$ (6,411,625)
Federal Programs	6,419,195	-0-	6,520,497	-0-	101,302
Regional University Excellence Trust Fund	5,827,601	-0-	-0-	-0-	(5,827,601)
Research Challenge Trust Fund	1,000,000	-0-	-0-	-0-	(1,000,000)
Technology Initiative Trust Fund	8,092,845	4,165,305	451,513	-0-	(3,476,027)
Special Grants Initiatives Fund	1,317,730	-0-	1,322,497	-0-	4,767
Healthcare Workforce Initiative Fund	283,974	-0-	141,987	-0-	(141,987)
Equine Industry Program Trust and Revolving Fund	480,000	-0-	-0-	428,978	(51,022)
Kentucky Regional Network Enhancement	606,018	-0-	-0-	-0-	(606,018)
Kentucky State University Fiscal Stabilization Fund	466,283	-0-	-0-	-0-	(466,283)
Unallocated depreciation expense	7,999	-0-	-0-	-0-	(7,999)
Total governmental activities	<u>\$ 31,698,464</u>	<u>\$ 4,667,205</u>	<u>\$ 8,719,788</u>	<u>\$ 428,978</u>	<u>\$ (17,882,493)</u>
<b>General revenues:</b>					
State appropriations					14,056,602
Income from investments					1,049,639
Earnings on investments—unrestricted					<u>226,232</u>
Total general revenues					<u>15,332,473</u>
Change in net position					(2,550,020)
Net position—beginning of year, restated					<u>10,024,099</u>
Net position—end of year					<u>\$ 7,474,079</u>

See accompanying notes to the financial statements.

# COUNCIL ON POSTSECONDARY EDUCATION

## BALANCE SHEET—GOVERNMENTAL FUNDS

JUNE 30, 2025

	Operations	Federal Programs	Regional University Excellence Trust Fund	Research Challenge Trust Fund	Technology Initiative Trust Fund	Special Grants Initiatives Fund	Healthcare Workforce Investment Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>									
Cash and cash equivalents	\$ 148,952	\$ -0-	\$ -0-	\$ -0-	\$ 800,365	\$ -0-	\$ -0-	\$ -0-	\$ 949,317
Investments	753,140	-0-	-0-	-0-	1,153,819	-0-	-0-	-0-	1,906,959
Accounts receivable	-0-	-0-	-0-	-0-	93,760	-0-	-0-	-0-	93,760
Due from other governments	50,369	-0-	-0-	-0-	319,647	533,653	-0-	19,400	923,069
Due from Federal government	-0-	749,277	-0-	-0-	-0-	-0-	-0-	-0-	749,277
Grant receivable	-0-	-0-	-0-	-0-	4,620	-0-	-0-	-0-	4,620
Restricted assets:									
Cash and cash equivalents	141,869	-0-	2,956,165	11,298,868	3,566,377	28,553	491,401	77,678	18,560,911
Investments	717,326	-0-	781,105	2,985,485	-0-	144,366	1,447,920	392,757	6,468,959
Total assets	<u>\$ 1,811,656</u>	<u>\$ 749,277</u>	<u>\$ 3,737,270</u>	<u>\$ 14,284,353</u>	<u>\$ 5,938,588</u>	<u>\$ 706,572</u>	<u>\$ 1,939,321</u>	<u>\$ 489,835</u>	<u>\$ 29,656,872</u>
<b>Liabilities:</b>									
Accounts and other payables	50,369	481,368	-0-	-0-	72,092	173,046	-0-	139,400	916,275
Accrued expenses	252,148	100,447	-0-	-0-	22,026	50,663	-0-	-0-	425,284
Interfund payable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Due to the state investment pool	-0-	2,599	-0-	-0-	-0-	-0-	-0-	-0-	2,599
Unearned grant revenue	-0-	-0-	-0-	-0-	-0-	474,361	1,905,861	-0-	2,380,222
Accrued compensated absences	668,986	164,863	-0-	-0-	13,181	8,502	-0-	834	856,366
Total liabilities	<u>971,503</u>	<u>749,277</u>	<u>-0-</u>	<u>-0-</u>	<u>107,299</u>	<u>706,572</u>	<u>1,905,861</u>	<u>140,234</u>	<u>4,580,746</u>
<b>Fund balances:</b>									
Nonspendable	-0-	-0-	-0-	-0-	13,500	-0-	-0-	-0-	13,500
Restricted	803,714	-0-	3,737,270	14,284,353	3,843,678	-0-	33,460	350,435	23,052,910
Committed	-0-	-0-	-0-	-0-	1,908,175	-0-	-0-	-0-	1,908,175
Assigned	902,092	-0-	-0-	-0-	65,936	-0-	-0-	-0-	968,028
Unassigned	(865,653)	-0-	-0-	-0-	-0-	-0-	-0-	(834)	(866,487)
Total fund balances	<u>840,153</u>	<u>-0-</u>	<u>3,737,270</u>	<u>14,284,353</u>	<u>5,831,289</u>	<u>-0-</u>	<u>33,460</u>	<u>349,601</u>	<u>25,076,126</u>
Total liabilities and fund balances	<u>\$ 1,811,656</u>	<u>\$ 749,277</u>	<u>\$ 3,737,270</u>	<u>\$ 14,284,353</u>	<u>\$ 5,938,588</u>	<u>\$ 706,572</u>	<u>\$ 1,939,321</u>	<u>\$ 489,835</u>	<u>\$ 29,656,872</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, 2025

---

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 25,076,126</b>
Amounts reported for governmental activities in the statement of net position are different because:		
The deferred outflows of resources are not current financial resources, and therefore, are not reported in the governmental funds.		1,515,386
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		791,355
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	80,049	
Less accumulated depreciation	<u>(15,012)</u>	65,037
Subscription-based information technology arrangements (SBITAs) create intangible assets and long-term liabilities that are not reported in the governmental funds		3,116,663
Long-term subscription liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
SBITA liability	(3,210,393)	
SBITA interest	<u>(165,336)</u>	(3,375,729)
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		(1,057,034)
The deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(2,274,704)
The net pension liability and net OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(16,383,021)</u>
<b>Total Net Position</b>		<b><u>\$ 7,474,079</u></b>

---

See accompanying notes to the financial statements.

# COUNCIL ON POSTSECONDARY EDUCATION

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	Operations	Federal Programs	Regional University Excellence Trust Fund	Research Challenge Trust Fund	Technology Initiative Trust Fund	Special Grants Initiatives Fund	Healthcare Workforce Investment Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>									
State appropriations	\$ 9,779,366	\$ -0-	\$ -0-	\$ -0-	\$ 3,653,200	\$ -0-	\$ 141,987	\$ 482,049	\$ 14,056,602
Federal revenues	281,446	6,520,497	-0-	-0-	-0-	-0-	-0-	-0-	6,801,943
Intergovernmental revenues	-0-	-0-	-0-	-0-	385,018	596,660	-0-	428,978	1,410,656
Other grants revenues	1,848	-0-	-0-	-0-	10,725	725,837	141,987	-0-	880,397
Charges for services	501,900	-0-	-0-	-0-	4,136,393	-0-	-0-	-0-	4,638,293
Investment earnings	-0-	-0-	349,857	666,322	226,232	-0-	33,460	-0-	1,275,871
Other revenues	-0-	-0-	-0-	-0-	84,682	-0-	-0-	-0-	84,682
Total revenues	10,564,560	6,520,497	349,857	666,322	8,496,250	1,322,497	317,434	911,027	29,148,444
<b>Expenditures</b>									
Current:									
Personnel services	8,248,352	3,400,893	-0-	-0-	3,549,559	1,160,730	-0-	457,309	16,816,843
Utilities, rental, and other services	862,018	419,223	-0-	-0-	513,862	57,072	-0-	-0-	1,852,175
Commodities and supplies	947,125	194,738	-0-	-0-	534,270	36,411	-0-	-0-	1,712,544
Travel	98,726	124,474	-0-	-0-	47,204	25,942	-0-	11,542	307,888
Grants and subsidies	225,621	2,381,169	-0-	-0-	403,910	42,342	283,974	120,000	3,457,016
Intergovernmental expenditures	-0-	-0-	5,827,601	1,000,000	116,742	-0-	-0-	966,018	7,910,361
Debt service and related costs:									
Principal - SBITA	-0-	-0-	-0-	-0-	3,022,935	-0-	-0-	-0-	3,022,935
Total expenditures	10,381,842	6,520,497	5,827,601	1,000,000	8,188,482	1,322,497	283,974	1,554,869	35,079,762
<b>Excess (deficiency) of revenues over expenditures</b>	182,718	-0-	(5,477,744)	(333,678)	307,768	-0-	33,460	(643,842)	(5,931,318)
Fund balances—beginning of year, restated	657,435	-0-	9,215,014	14,618,031	5,523,521	-0-	-0-	993,443	31,007,444
<b>Fund balances, end of year</b>	<u>\$ 840,153</u>	<u>\$ -0-</u>	<u>\$ 3,737,270</u>	<u>\$ 14,284,353</u>	<u>\$ 5,831,289</u>	<u>\$ -0-</u>	<u>\$ 33,460</u>	<u>\$ 349,601</u>	<u>\$ 25,076,126</u>

See accompanying notes to the financial statements.

## COUNCIL ON POSTSECONDARY EDUCATION

### RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

---

<b>Net Change in Fund Balances – Governmental Funds</b>		\$ (5,931,318)
---	--	----------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report as expenditures certain payments that benefit future periods.

In the statement of activities, this future benefit is deferred until the service has been received.

Change in prepaid expenses		455,777
----------------------------	--	---------

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of these assets is depreciated over their estimated useful life

Current year depreciation expense		(7,999)
-----------------------------------	--	---------

Governmental funds report payments for subscription-based information technology arrangements as expenditures when paid. However, in the statement of activities, these payments reduce the subscription liability, and amortization expense is recognized over the subscription term

SBITA payments reported as expenditures	3,022,935	
Less: amortization expense on subscription asset	(3,116,665)	(93,730)

Interest expense on subscription liabilities is recognized in the statement of activities but not in governmental funds.

		(165,336)
--	--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Pension		2,263,568
OPEB		818,007

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		111,011
--	--	---------

<b>Change in Net Position – Governmental Activities</b>		<b>\$ (2,550,020)</b>
---	--	-----------------------

---

See accompanying notes to the financial statements.

## COUNCIL ON POSTSECONDARY EDUCATION

### STATEMENT OF FIDUCIARY NET POSITION—FIDUCIARY FUNDS JUNE 30, 2025

---

	<b>Total Custodial Funds</b>
<b>Assets</b>	
Cash and cash equivalents - restricted	\$ 5,880
Interfund receivable	23,000,000
Investments - restricted	<u>29,726</u>
Total assets	<u><u>\$ 23,035,606</u></u>
<b>Liabilities</b>	
Accounts payable	<u>\$ 35,606</u>
Total liabilities	<u>35,606</u>
<b>Net Position</b>	
Restricted for:	
Individual, organizations, and other governments	<u><u>\$ 23,000,000</u></u>

---

*See accompanying notes to the financial statements.*

## COUNCIL ON POSTSECONDARY EDUCATION

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION—FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2025

---

	<b>Total Custodial Funds</b>
<b>Additions</b>	
State allotments	\$ 17,193,200
Intergovernmental revenue	2,243,202
Interest income	<u>13,138</u>
Total additions	19,449,540
<b>Deductions</b>	
Payments to beneficiaries	<u>19,449,540</u>
Total deductions	<u>19,449,540</u>
Changes in net position	-0-
<b>Net Position—Beginning of year</b>	<u>23,000,000</u>
<b>Net Position—End of year</b>	<u><u>\$ 23,000,000</u></u>

---

*See accompanying notes to the financial statements.*

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

#### *Council on Postsecondary Education:*

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

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



# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

### *Kentucky Virtual Campus:*

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

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

### Basis of Presentation

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

### *Government-Wide Financial Statements:*

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

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

### *Fund Financial Statements:*

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

### Governmental Funds

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

#### *Operations –*

Supports general agency operations, provides essential services and resources that support the board, president, and agency staff in carrying out the Council's statutory duties and strategic agenda priorities. Also funds functions such as human resources, budgeting, accounting, purchasing, communications, board relations, data and research, workforce and economic development and academic excellence.

#### *Federal Programs –*

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

#### *Technology Initiative Trust Fund –*

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

#### *Regional University Excellence Trust Fund –*

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

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

### *Research Challenge Trust Fund –*

The goal of this fund is to encourage research at the University of Kentucky and the University of Louisville and to provide endowment matching for specific purposes.

### *Special Grants Initiatives Fund –*

This fund consists of resources provided through intergovernmental and outside grants. It supports targeted projects and initiatives that align with the Council's mission and strategic priorities but are funded by external entities rather than state appropriations. Activities financed through this fund may include collaborative programs.

### *Healthcare Workforce Investment Fund –*

This fund is designed to support initiatives that strengthen Kentucky's healthcare workforce. It provides resources for programs that expand training opportunities, address workforce shortages, and improve access to healthcare education across the Commonwealth. The fund may be used to develop partnerships with educational institutions, healthcare providers, and community organizations to ensure a sustainable pipeline of qualified professionals. Investments from this fund aim to enhance healthcare delivery and promote economic development through a skilled workforce.

### *Other (non-major) Governmental Funds –*

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:

- Equine Industry Program Trust and Revolving Fund (Equine Fund)
- Kentucky Regional Network Enhancement Fund
- Kentucky State University Stabilization Fund

### Fiduciary Funds:

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

### *Custodial Funds –*

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

- Healthcare Residency Program
- National Stem Cell Research Fund
- Cancer Research Institutions Matching Fund
- Ovarian Cancer Screenings
- Cancer Research and Screenings
- Spinal Cord and Head Injury Research

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

- Southern Regional Education Board (SREB) Scholars Program
- Kentucky State University Fiscal Stabilization

### Measurement Focus and Basis of Accounting

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

#### *Measurement Focus:*

The government-wide financial statements of the Council (i.e., the statement of net position and the statement of activities) report information on all the activities of the Council. The government-wide financial statements are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of changes in net position and financial position. All assets and liabilities, 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 custodial funds, and they present statement of fiduciary net position and statement of changes in fiduciary net position.

#### *Basis of Accounting:*

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

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

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

### 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.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

### Restricted Cash and Cash Equivalents

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

### Investments

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

### 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 12 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, 2025, the balance mainly consists of amounts due under the Council's GEAR-UP and American Rescue Plan programs.

### Prepaid Expenses

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

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

### Subscription Based Information Technology Arrangements (SBITAs)

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

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

### Capital Assets

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

### Interfund Transactions

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

### Unearned Revenue

The Council reports unearned revenue to the extent that resources have been received before the applicable revenue recognition criteria have been satisfied. Under the accrual basis of accounting, unearned revenue is reported as a liability in the government-wide financial statements, and under the modified accrual basis, it is reported in governmental funds. Amounts received for grants and other voluntary nonexchange transactions prior to meeting eligibility requirements, as defined by GASB Statement No. 33. When the eligibility requirements are satisfied, the liability is removed, and revenue is recognized in the appropriate period.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

### Compensated Absences

The Council recognizes liabilities for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. Compensated absences include annual leave, compensatory leave, and sick leave. Liabilities are recorded for leave that has been earned but not yet used and for leave that has been used but not yet paid or settled.

In the government-wide financial statements, all compensated absences are accrued when incurred. Governmental fund financial statements only display the portion of compensated absences 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.

The liability for compensated absences is measured based on the pay rates in effect at the financial statement date and includes applicable salary-related benefits. Additional details on compensated absences are provided in Note 8.

### Equity Classifications

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

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

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.

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.

Unrestricted - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

As of June 30, 2025, Equine Fund net position totaling \$350,435 is restricted by enabling legislation.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

### *Fund Financial Statements:*

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

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

### Program Revenues

The primary sources of the Council's program revenues are revenues received from the United States Department of Education under the Council's Federal programs, outside grantors, the intergovernmental revenues primarily revenues received from the Commonwealth of Kentucky to administer the Bucks for Brains program, other agencies of the Commonwealth for grants, and associated with the funding of the Equine Fund (see Note 12).

### State Appropriations

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

### Expenses/Expenditures

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



# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

### Pension

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

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Postemployment Benefits Other Than Pensions (OPEB)

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

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating in interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The KERS Non-hazardous Insurance Funds are reported as OPEB trust funds and are accounted for on the accrual basis of accounting.

### Total Columns on the Governmental Fund Financial Statements

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

### New Accounting Pronouncements

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

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

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

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

GASB Statement No. 105, *Subsequent Events*, will be effective for fiscal years beginning after June 15, 2026. The objective of this new guidance is to improve the financial reporting requirements for subsequent events, by requiring governments to disclose the date through which subsequent events have been evaluated. In addition, the statement clarifies the subsequent events that constitute recognized and non-recognized events and establishes specific notes disclosures for non-recognized events.

### 2. CHANGE IN ACCOUNTING PRINCIPLES

On July 01, 2024, the Council implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* (GASB 101), which requires that liabilities for compensated absences be recognized for leave earned that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. Compensated absences include annual leave, compensated leave, and sick leave. Previously, sick leave was not recognized as a liability in the statement of net position. As a result of adopting GASB 101, the Council recorded a cumulative-effect adjustment to the beginning net position as of July 01, 2024.

The implementation of GASB 101 represents a change in accounting principle made to conform with GASB requirements and improve the reliability and comparability of financial reporting. In accordance with GASB 100, *Accounting Changes and Error Corrections*, the Council applied the cumulative-effect method. Beginning balances for net position and fund balance were adjusted as of July 1, 2024. Prior periods were not restated because it was impractical to do so. Additional details on compensated absences are provided in Note 8.

The implementation primarily increased the compensated absences liability and decreased net position and fund balances. The following table summarizes the cumulative-effect adjustment:

<b><u>Government-wide</u></b>	<b><u>Net Position</u></b>
June 30, 2024, as previously stated	\$ 10,833,068
Restatement for GASB 101	<u>(808,969)</u>
July 01, 2024, restated	<u>\$ 10,024,099</u>
 <b><u>Governmental</u></b>	 <b><u>Fund Balance</u></b>
June 30, 2024, as previously stated	\$ 31,055,167
Restatement for GASB 101	<u>(47,723)</u>
July 01, 2024, as restated	<u>\$ 31,007,444</u>

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

Effective July 1, 2024, the Council implemented Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures*. This statement requires governments to disclose information about certain risks that could significantly affect their ability to provide services or meet obligations. Specifically, GASB 102 addresses risks related to:

*Concentrations:* Exposures to specific industries, geographic areas, or counterparties that could impact financial position.

*Constraints:* Limitations on resources that may affect operations or liquidity.

The Council is subject to risks related to concentrations of financial activity. Pursuant to House Bill 250, the Council disbursed \$23 million to Kentucky State University (KSU) as a non-interest-bearing loan. The General Assembly is expected to determine the repayment schedule for this loan during the 2026 Regular Session. See Note 5 for further details.

### 3. 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 biennial budget is developed based on two-year projections that consider long-range program requirements and revenue estimates. The Council prepares the budget request and submits it to the Governor for presentation to the Kentucky General Assembly.

The Kentucky General Assembly is required by law to enact a balanced budget. Budgetary control is exercised by the Finance and Administration Cabinet through appropriations to the various cabinets. To manage these appropriations, the Council monitors expenditures on a functional basis. Except where otherwise provided by statute or legislation, any unexpended allotments revert to the Commonwealth's General Fund.

The Council's budgeting process relies on fund balances and estimated revenues to determine available resources for statutory programs and operating needs. Budget development incorporates analysis of these factors, prior-year performance, and new data that may modify or expand postsecondary education programs for the applicable fiscal period.

See Note 13 for details on the Councils' fund balances as of June 30, 2025.

### 4. 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, 2025, the Council's share of deposits in the Commonwealth's general depository (State investment pool) totals \$27,886,146. Custodial funds held by the Council in the Commonwealth's general depository total \$35,607 at June 30, 2025.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

The Commonwealth's Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2025 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).

### 5. INTERFUND RECEIVABLE/ PAYABLE

During the 2022 Regular Session, the Kentucky General Assembly enacted House Bill (HB) 250, appropriating \$23 million to the Council on Postsecondary Education to address financial instability at Kentucky State University (KSU). Pursuant to the legislation, all amounts disbursed to KSU are considered a non-interest-bearing loan, subject to repayment. House Bill 250 also established the Kentucky State University Loan Repayment Trust Fund to hold any undistributed funds and to receive and retain loan repayments. Balances in the trust fund remain until reappropriated by the General Assembly.

As of June 30, 2022, the full \$23 million appropriation had been disbursed to KSU. Accordingly, the Council reports an interfund receivable of \$23 million due from KSU in the Statement of Fiduciary Net Position. Repayment terms have not yet been established; the General Assembly is expected to determine the repayment schedule during the 2026 Regular Session. No repayments have been received as of June 30, 2025.

The Council is subject to a concentration risk related to this receivable. The entire Fund balance of the Kentucky State University Loan Repayment Trust Fund depends on repayment of the \$23 million loan from a single counterparty (KSU). HB 250 directed the Council to provide a three-year performance analysis of KSU based on the management improvement plan, to the Interim Joint Committee on Education, the Interim Joint Committee on Appropriations and Revenue, and the State Auditor of Public Accounts by November 1, 2025. The Council completed the required analysis and issued its report. Among the recommendations included in the report is a recommendation that the above-mentioned loan be forgiven.

If the General Assembly forgives the loan or modifies repayment terms, the legislative action may affect the Council's fiduciary net position. Management will continue to monitor this matter and disclose any material impacts in subsequent reporting periods.

### 6. CAPITAL ASSETS

Capital assets balance and activity is as follows for during the year ended June 30, 2025:

	<b>Balance</b>		<b>Balance</b>	
<b>Governmental activities:</b>	<b>June 30, 2024</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2025</b>
Capital assets being depreciated:				
Audio/Visual equipment	\$ 80,049	\$ -0-	\$ -0-	\$ 80,049
Less accumulated depreciation:				
Audio/Visual equipment depreciation	(7,013)	(7,999)	-0-	(15,012)
Total capital assets, net	\$ 73,036	\$ (7,999)	\$ -0-	\$ 65,037

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

<b>(continued)</b>	<b>Balance</b> <b>June 30, 2024</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b> <b>June 30, 2025</b>
Intangible right-to-use assets:				
Software agreements	\$ 6,486,633	\$ -0-	\$ (253,305)	\$ 6,233,328
Less accumulated amortization:				
Software arrangements amortization	-0-	(3,116,665)	-0-	(3,116,665)
Total intangible right-to-use asset, net	\$ 6,486,633	\$ (3,116,665)	\$ (253,305)	\$ 3,116,663

During the year ended June 30, 2025, the Council had depreciation expense of \$7,999.

Accumulated amortization related to these the intangible right-to-use assets at June 30, 2025 is \$3,116,665. These intangible right-to-use assets consist of subscription-based information technology arrangements. See Note 7 for further details on these arrangements.

### 7. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

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

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

The Council entered into a two-year subscription agreement for this software in fiscal year 2024, the remaining obligation under these subscription agreements is \$3,210,393, payable over the next fiscal year. The initial liability recorded was \$6,486,633, discounted at the Commonwealth's imputed interest rate of 5.15%. There is no purchase option associated with this arrangement.

The following table summarizes changes in the liability for the year ended June 30, 2025:

	<b>Balance</b> <b>June 30, 2024</b>	<b>Increases</b>	<b>Payments</b>	<b>Principal</b> <b>Decrease</b>	<b>Balance</b> <b>June 30, 2025</b>
SBITAs liabilities	\$ 6,486,633	\$ -0-	\$ (3,022,935)	\$ 253,305	\$ 3,210,393

The future subscription payments under SBITA agreements are as follows:

<b>Fiscal</b> <b>Year</b>	<b>Subscriptions</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2026	3,210,393	165,336	3,375,729
Total	\$ 3,210,393	\$ 165,336	\$ 3,375,729

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

### 8. ACCRUED COMPENSATED ABSENCES

It is the Council's policy to permit employees to accumulate earned but unused annual leave, compensatory leave, and sick leave benefits. In accordance with GASB Statement No. 101, *Compensated Absences*, the Council recognizes a liability for leave earned but not yet used and for leave used but not yet paid or settled. The liability is measured using pay rates in effect at June 30, 2025, and includes applicable salary-related benefits.

#### *Annual and Compensatory Leave*

Annual leave accrues at rates ranging from 7.50 to 15.00 hours per month, based on length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is used to determine accumulated leave. Compensatory leave is granted to authorized employees in accordance with Commonwealth policy.

#### *Sick Leave*

Under GASB 101, sick leave is included in the compensated absences liability only when it is expected to result in a cash payment or other settlement.

- For employees enrolled under the Kentucky Employees Retirement System (Nonhazardous plan), the Council pays out unused sick leave upon separation according to Commonwealth policy; therefore, the expected payout is included in the liability.
- For employees enrolled under the Teachers' Insurance and Annuity Association, unused sick leave does not result in a payout upon separation but rolls forward indefinitely for use during employment. The Council accrues only the amount of sick leave more likely than not to be used for these employees.

The liability for compensated absences is reported in the government-wide financial statements. In governmental fund financial statements, only the portion expected to be liquidated with expendable available financial resources is recorded.

The following table summarizes changes in the liability for the year ended June 30, 2025:

	<b>Balance</b>			<b>Balance</b>	<b>Due within</b>
	<b><u>June 30, 2024</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>June 30, 2025</u></b>	<b><u>One Year</u></b>
Accrued compensated absences	\$ 1,816,455	\$ 961,910	\$ (864,965)	\$ 1,913,400	\$ 856,366

### 9. UNEARNED REVENUE

At June 30, 2025, the Council reported unearned grant revenue of \$2,380,222. These amounts represent resources received from grantors before eligibility requirements were met.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

The following amounts from grantors relating to special grant initiatives are recorded as a liability until the eligibility requirements are satisfied as of June 30, 2025:

James Graham Brown Grant	\$ 288,653
National Association of System Heads	31,234
Kentucky Board of Nuclear Medicine	94,474
State Higher Education Executive Officers Association	<u>60,000</u>
Total Special Grant Initiatives	<u>\$ 474,361</u>

During the year ended June 30, 2025, the Kentucky Legislature established the Healthcare Workforce Investment Fund, a statewide initiative designed to expand healthcare education and workforce capacity through targeted grants and partnerships with Kentucky colleges, universities, and healthcare providers. Under this program, participating institutions receive funding to develop new academic programs, clinical training opportunities, and workforce pipelines in high-demand healthcare fields. Private and public healthcare systems are expected to collaborate with the Council under a funding model that leverages multiple sources of support. The Commonwealth will provide a dollar-for-dollar match for eligible expenditures once program milestones and eligibility requirements are met.

As of June 30, 2025, the Council reported \$1,905,861 in unearned revenue collected from outside organizations related to this program. These funds will be recognized as revenue when institutions complete approved projects and submit documentation for matching funds in accordance with program terms.

### 10. RETIREMENT PLANS

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

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

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

Currently, the Council is required to contribute 8.03% of the covered employees' salaries. The contribution requirement for the year ended June 30, 2025 totals approximately \$521,000, consisting of approximately \$296,000 from the Council and \$185,000 from TIAA-CREF only enrolled employees. Employees enrolled in Kentucky Employees' Retirement System may contribute to their own TIAA-CREF account, however, these employees do not receive matching employee funds, for the year ended June 30, 2025 it comprised of \$40,000.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

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

### Kentucky Employees Retirement System

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

#### *Plan Description*

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

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

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

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

#### *Tier 1:*

Participation: Prior to September 1, 2008

Final Compensation: Average of the highest 5 fiscal years (must contain at least 48 months).  
Includes lump sum compensation payments (before and at retirement).

Benefit Factor: 1.97% for 13 months of credit for 1/1/1998 to 1/1/1999.  
2.00% for 13 months or more of credit for 1/1/1998 to 1/1/1999.

#### Unreduced Retirement

Benefit: Any age with 27 years of service. Age 65 with 48 months of service.  
Money Purchase for age 65 with less than 48 months based on contributions and interest.

#### Reduced Retirement

Benefit: Any age with 25 years of service. Age 55 with 5 years of service.

#### *Tier 2:*

Participation: September 1, 2008, through December 31, 2013

Final Compensation: 5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump sum compensation payments (before and at retirement) are not to be included in creditable compensation.



# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

Benefit Factor: 1.10% = 10 years or less  
1.30% = Greater than 10 years, but no more than 20 years. 1.50% = Greater than 20 years, but no more than 26 years 1.75% = Greater than 26 years, but no more than 30 years 2.00% = Greater than 30 years (2.00% benefit factor only applies to service earned in excess of 30 years).

### Unreduced Retirement

Benefit: Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.

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

### Reduced Retirement

Benefit: Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).

### *Tier 3*

Participation: Participation on or after January 1, 2014

Final Compensation: No final compensation

Benefit Factor: No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the board based on member's accumulated account balance.

### Unreduced Retirement

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

### Reduced Retirement

Benefit: No reduced retirement

### *Contributions*

Benefits and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the Kentucky Retirement System's Board. For the fiscal years ended June 30, 2025, plan employees were required to contribute 5 percent of their annual covered salary for retirement benefits. Employees participating in Tiers 2 and 3 were required to contribute an additional 1 percent for the insurance fund.

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

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

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

#### *Normal Contributions*

Normal cost contributions are based on a normal cost percentage of employers' reported payroll. The normal contribution percentage for the years ended June 30, 2025, was 9.97% of covered payroll, of which 7.82% allocated to the pension fund and 2.15% to the insurance fund.

#### *Actuarially Accrued Liability Contribution*

The actuarially accrued liability contribution is a monthly amount determined by the KERS actuary for its own portion of the total unfunded liability over a set period regardless of covered payroll to the nonhazardous KERS pension plan. The contribution rate is actuarially determined as an amount that, when combined with employee contributions during the year, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. The Council's portion of the actuarially accrued liability contribution is based on the Commonwealth of Kentucky's Executive Branch's proportionate share of the actuarially accrued liability contribution of 77.93%, of which 91.11% is allocated to the pension fund and 8.89% to the insurance fund for the years ended June 30, 2025.

The Council's required pension contributions to KERS nonhazardous pension plan was \$1,026,798, \$152,062 normal cost contribution and \$874,736 as the actuarially accrued liability contribution for the pension fund, which is 100% of the required pension contribution for the year ended June 30, 2025.

At June 30, 2025, the Council reported a liability of \$15,470,808 for its proportionate share of net pension liability. The net pension liability at June 30, 2025 was measured as of June 30, 2024. 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, 2024, the Council's proportion was 0.128392 %, which decreased 0.015517% from its proportion measured as of June 30, 2023.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

For the year ended June 30, 2025, the Council recognized pension benefit of \$1,249,079 and deferred outflows and deferred inflows related to pension from the following sources:

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Difference between expected and actual experience	\$ 293,361	\$ -0-
Net difference between projected projected and actual earnings on investments	-0-	130,532
Change in assumptions	-0-	-0-
Changes in proportion and difference between employer contributions and proportionate share of contributions	-0-	950,087
Contributions subsequent to the measurement date	<u>1,026,798</u>	<u>-0-</u>
Total	<u>\$ 1,320,159</u>	<u>\$ 1,080,619</u>

The \$1,026,798 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as follows:

<b>Deferred Amounts to be recognized Fiscal Years following the Reporting Date</b>	
June 30, 2026	\$ (725,899)
June 30, 2027	30,959
June 30, 2028	(52,516)
June 30, 2029	<u>(39,802)</u>
Total	<u>\$ (787,258)</u>

### Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Investment Rate of Return</b>	5.25%
<b>Inflation Rate</b>	2.50%
<b>Payroll Growth Rate</b>	0%
<b>Salary Growth Rate</b>	3.30% to 15.30%, varies by service.

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

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

The total pension liability, net pension liability, and related sensitivity disclosures are based on actuarial valuation date of June 30, 2023. The total pension liability as of June 30, 2025, was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles. The following actuarial assumptions were:

<b>Actuarial Valuation Date</b>	June 30, 2024
<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level percent of pay
<b>Asset Valuation Method</b>	20% of the difference between the market value of assets and the expected actuarial value of the assets is recognized.
<b>Remaining Amortization Period</b>	30 years, closed period at June 30, 2019. After 2019, gains/losses will be amortized over separate closed 20-year amortization bases.
<b>Date of Experience Study</b>	July 1, 2018, to June 30, 2022

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

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

<b>Kentucky Retirement Systems</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Nominal Rate of Return</b>
<b>Equity:</b>		
Public Equity	30.00%	4.15%
Private Equity	6.00%	9.10%
<b>Fixed Income:</b>		
Core Fixed Income	27.00%	2.85%
Specialty Credit	20.00%	3.82%
Cash	2.00%	1.70%
<b>Inflation Protected:</b>		
Real Estate	5.00%	4.90%
Real Return	10.00%	5.35%
	<b>100.00%</b>	<b>4.14%</b>
<b>Long term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>6.64%</b>

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

#### *Discount Rate*

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

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

The following presents the net pension liability of the Council, calculated using the discount rate of 5.25%, as well as what the Council's net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%):

	<b>1% Decrease (4.25%)</b>	<b>Discount (5.25%)</b>	<b>1% Increase (6.25%)</b>
The Council's proportionate share	\$ 17,908,518	\$ 15,470,808	\$ 13,451,261

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

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

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

### 11. POST-EMPLOYMENT HEALTH CARE BENEFITS

#### Kentucky Employers Retirement System

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

#### *Benefits*

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

#### *Benefit Factor*

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

#### *Cost of Living*

Members participating after 2008 receive a 1.5% increase annually.

#### *Contributions*

The Council was contractually required to contribute 1.55% of covered payroll to the nonhazardous KERS insurance plan for the year ending June 30, 2025. The Council's total statutorily required contributions to the KERS nonhazardous insurance plan for the year ended June 30, 2025 was \$33,719, of which \$31,544 was normal cost contribution and \$2,175 as the actuarially accrued liability contribution, for the year ended June 30, 2025, which is 100% of the statutorily required contribution.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

Note 10 provides a detailed breakdown of the Council's contractually required contributions to the normal cost percentage of covered payroll and an actuarially accrued liability contribution amount for fiscal year 2024.

At June 30, 2025, the Council reported a liability of \$912,213 or its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2024. At June 30, 2024, the Council's proportion was 0.126162%, which decreased 0.011627% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Council recognized an OPEB benefit of \$754,086 and deferred outflows and deferred inflows related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 71,651	\$ 754,182
Net difference between projected projected and actual earnings on investments	-0-	67,731
Change in assumptions	55,692	33,389
Changes in proportion and difference between employer contributions and proportionate share of contributions	-0-	338,783
Contributions subsequent to the measurement date	<u>67,884</u>	<u>-0-</u>
Total	<u>\$ 195,227</u>	<u>\$ 1,194,085</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$33,719 resulting from Council statutorily required contributions and \$34,165 resulting from the implicit subsidy subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as follows:

<b>Deferred Amounts to be recognized Fiscal Years following the Reporting Date</b>	
June 30, 2026	\$ (753,842)
June 30, 2027	(254,485)
June 30, 2028	(40,366)
June 30, 2029	<u>(18,049)</u>
Total	<u>\$ (1,066,742)</u>

### *Actuarial Assumptions:*

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Investment Rate of Return</b>	6.50%
<b>Inflation Rate</b>	2.50%

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

<b>Payroll Growth Rate</b>	0%
<b>Salary Growth Rate</b>	3.30% to 15.30%, varies by service
<b>Healthcare Trend Rates:</b>	
<b>Pre-65</b>	Initial trend starting at 7.1% on 1/1/2026 and gradually decreasing to a trend rate of 4.25% over a period of 14 years.
<b>Post-65</b>	Initial trend starting at 8.00% in 2026 and gradually decreasing to a trend rate of 4.25% over a period of 10 years.

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

The total OPEB liability, net OPEB liability, and related sensitivity disclosures are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles.

<b>Actuarial Valuation Date</b>	June 30, 2024
<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level percent of pay
<b>Asset Valuation Method</b>	20% of the difference between the market value of assets and the expected actuarial value of the assets is recognized.
<b>Remaining Amortization Period</b>	30 years, closed period at June 30, 2019. After 2019, gains/losses will be amortized over separate closed 20-year amortization bases.
<b>Date of Experience Study</b>	July 1, 2018, to June 30, 2022

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



# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

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

<b>Kentucky Retirement Systems</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Nominal Rate of Return</b>
<b>Equity:</b>		
Public Equity	40.00%	4.15%
Private Equity	8.00%	9.10%
<b>Fixed Income:</b>		
Core Fixed Income	10.00%	2.85%
Specialty Credit	25.00%	3.82%
Cash	2.00%	1.70%
<b>Inflation Protected:</b>		
Real Estate	7.00%	4.90%
Real Return	8.00%	5.35%
	<b>100.00%</b>	4.43%
<b>Long term inflation assumption</b>		2.50%
<b>Expected nominal return for portfolio</b>		6.93%

### *Discount Rate*

On June 5, 2023, the Board of Trustees adopted a new actuarial assumption. The discount rate used to calculate total OPEB liability increased from 5.94% to 6.00%. The discount rate determination used an expected rate of return of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024.

Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the KERS's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the KERS's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

*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 or 1-percentage-point higher than the current discount rate:

	<b>1% Decrease (5.00%)</b>	<b>Discount (6.00%)</b>	<b>1% Increase (7.00%)</b>
The Council's proportionate share	\$ 1,260,403	\$ 912,213	\$ 617,873

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

The following presents the Council's proportionate share of the collective net OPEB liability, as well as what the Council's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates that are 1-percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	<b>Healthcare Cost Trend Rates</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
The Council's proportionate share	\$ 676,624	\$ 912,213	\$ 1,185,060

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

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

### 12. INTERGOVERNMENTAL TRANSACTIONS

At June 30, 2025, intergovernmental receivables consisted of the following:

Due from the General Fund of the Commonwealth of Kentucky:	
Appropriations for agency operations	\$ 69,769
Due from the Kentucky Education Workforce Development Cabinet:	
Adult learner grant funds	360,138
Due from the Cabinet for Health and Family Services:	
Community based services training	123,712
Due from the Office of Early Childhood Education	
Preschool education grant	49,803
Due from postsecondary institutions:	
Appropriations for agency operations	<u>319,647</u>
Total intergovernmental receivables	<u>\$ 923,069</u>

At June 30, 2025, intergovernmental revenue consisted of the following:

Funding for the Equine Industry Program Trust and Revolving Fund collected by the Commonwealth of Kentucky	\$ 428,978
Funding for grants provided by agencies of the Commonwealth of Kentucky:	
Kentucky Education Workforce Development Cabinet–Adult learner grant	382,504
Kentucky Board of Nuclear Medicine–Nuclear Medicine grant	5,526
Office of Early Childhood Education–Preschool education grant	84,918
Cabinet for Health and Family Services– Community based services training	123,712
Funding for grants provided by agencies of the Commonwealth of Kentucky for the Technology Initiative Trust Fund	<u>385,018</u>
Total intergovernmental revenues	<u>\$ 1,410,656</u>

At June 30, 2025, intergovernmental expenditures consisted of the following:

Payments to the Commonwealth of Kentucky Universities in accordance with the following:	
Bucks for Brains Program	\$ 5,827,601
Research Challenge Program	1,000,000
Equine Industry Program Trust and Revolving Fund	360,000
Technology Trust Fund program	116,742
Regional Network Enhance Program	<u>606,018</u>
Total intergovernmental expenses	<u>\$ 7,910,361</u>

At June 30, 2025, intergovernmental revenue in the Fiduciary fund consisted of the following:

Funding for the Cancer Research Institution Matching Fund from a Special Revenue Fund of the Commonwealth of Kentucky	<u>\$ 2,243,202</u>
Total intergovernmental revenues	<u>\$ 2,243,202</u>

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

### 13. FUND BALANCE

As described in Note 1, fund financial statements report governmental fund equity as fund balance. Fund balance is classified as nonspendable or spendable, with balances reported as restricted, committed, assigned or unassigned. As of June 30, 2025, fund balances are composed of the following:

#### Nonspendable

Nonspendable fund balance of \$13,500 represents funds collected from an institution placed on probation. These funds cannot be spent by the Council and may only be refunded to the institution if it remains on probation status.

#### Restricted

	Regional University Excellence Trust Fund	Research Challenge Trust Fund	Technology Initiative Trust Fund	Nonmajor Funds	Total
Regional Universities	\$ 914,871	\$ -0-	\$ -0-	\$ -0-	\$ 914,871
Eastern KY University	2,127,800	-0-	-0-	-0-	2,127,800
Morehead University	244,000	-0-	-0-	-0-	244,000
Murray State University	999	-0-	-0-	-0-	999
Northern KY University	449,600	-0-	-0-	-0-	449,600
University of Louisville	-0-	5,787,820	-0-	-0-	5,787,820
University of Kentucky	-0-	6,585,667	-0-	-0-	6,585,667
Third Round	-0-	1,910,866	-0-	-0-	1,910,866
KY postsecondary education network	-0-	-0-	685,427	-0-	685,427
Technology support	-0-	-0-	762,591	-0-	762,591
Virtual library	-0-	-0-	1,824,722	-0-	1,824,722
NASH. catalyst	-0-	-0-	2,400	-0-	2,400
NASH stipend	-0-	-0-	8,562	-0-	8,562
CLIMB Grant	-0-	-0-	313,464	-0-	313,464
Student basic needs	-0-	-0-	238,129	-0-	238,129
SHEEO	-0-	-0-	8,383	-0-	8,383
Equine Fund	-0-	-0-	-0-	350,435	350,435
Total	<u>\$ 3,737,270</u>	<u>\$14,284,353</u>	<u>\$ 3,843,678</u>	<u>\$ 350,435</u>	<u>\$ 22,215,736</u>

#### Operations Fund:

Licensure of postsecondary institutions 803,714

#### Healthcare Workforce Investment Fund:

Interest income 33,460

**Total Restricted funds** \$ 23,052,910

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

### Committed

	Technology Initiative Trust Fund
Student success and strategic initiatives	\$ 262,990
Healthcare workforce summer bridge	37,394
Kentucky State overrun	200,000
Kentucky Student Success	88,719
Interest income	20,291
College access initiative	1,298,781
<b>Total Committed funds</b>	<b>\$ 1,908,175</b>

### Assigned

	Operations	Technology Initiative Trust Fund	Total
Administrative overhead—grants	\$ 902,092	\$ -0-	\$ 902,092
Program review system	-0-	62,445	62,445
Conferences	-0-	3,491	3,491
<b>Total assigned funds</b>	<b>\$ 902,092</b>	<b>\$ 65,936</b>	<b>\$ 968,028</b>

### Unassigned

The Kentucky State University Stabilization Fund had a negative fund balance of (\$834) on June 30, 2025. The General Operations Fund had a negative fund balance of (\$865,653) on June 30, 2025. The negative fund balances are due to expenditure accruals of the Council under the modified accrual basis of accounting. Additional revenues received in fiscal year 2025 are expected to eliminate the deficits.

## 14. RELATED PARTY TRANSACTIONS

The Council is a component unit of the Commonwealth of Kentucky and, as such, conducts transactions with other Commonwealth agencies and component units in the normal course of operations. These transactions are considered related party transactions because the Commonwealth can significantly influence the Council's operations.

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 2025, the Council paid approximately \$471,500 to COT for services provided during the year.

## **COUNCIL ON POSTSECONDARY EDUCATION**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025**

---

The Council received the benefit of accounting and administrative services from the Personnel Cabinet and Finance and Administration Cabinet for 2025. During 2025, the Council paid approximately \$9,200 to the Personnel Cabinet and approximately \$13,600 to the Finance and Administration Cabinet for services provided during the year.

The Council uses vehicles from the Transportation Cabinet's fleet. During 2025, the Council paid approximately \$24,500 to the Transportation Cabinet for use of their vehicles.

The Council leases office space from the Department for Facilities and Support Services. During 2025, the Council paid approximately \$312,700 to the Department for Facilities and Support Services for the leased office space and utilities. Additionally, the Council uses the Department for Facilities and Support Services for printing services and postage. During 2025, the Council paid approximately \$15,200 to the Department for Facilities and Support Services for printing and postage. The Council also pays the Kentucky State Patrol for security services at their offices. During 2025, the Council paid approximately \$5,800 to the Kentucky State Patrol for security as well as the Kentucky Communications Network Authority for internet services, paying approximately \$590,800 in 2025.

The Council entered into a Memorandum of Agreement with the Kentucky Department of Education (KDE) to secure the services of Dr. Amanda Ellis, an employee of KDE, to serve as Vice President of K-12 Policy/Programs and later as Senior Vice President of Student Access and Success. Under this agreement, the Council reimburses KDE for Dr. Ellis's salary and fringe benefits. For fiscal year 2025, the Council paid approximately \$175,800 for salary and benefits. In addition, the Council paid approximately \$110,700 during fiscal year 2025 for the eTranscript initiative, which supports electronic transcript exchange across Kentucky institutions.

#### **15. COMMITMENTS AND CONTINGENCIES**

As of June 30, 2025, the Council is committed under certain agreements and contracts in the amount of approximately \$39,600,000. These commitments are largely comprised of contractual obligations for future program expenditures under the Council's strategic investment and incentive funding programs, as well as its pass-through (fiduciary) programs. These program disbursements will largely be to the Commonwealth's postsecondary education institutions, as well as the other typical recipients of the Council's program funding. As such, these commitments will be funded primarily during the subsequent fiscal year by legislative General Fund appropriations and federal program revenues.

Federal program revenue consists principally of reimbursable grants from the United States Department of Education. Grants are generally conditioned upon compliance with terms and conditions of the grant agreement and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Council. As of June 30, 2025, the Council estimates that no material liabilities will result from such audits.

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

---

### 16. RISK MANAGEMENT

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

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

#### *Injuries to Employees:*

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

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

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

### 17. 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.

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025

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, 2025 are as follows:

	Assets at Fair Value as of June 30, 2025			
	Level 1	Level 2	Level 3	Total
Commonwealth's investment pool	\$ 6,368,329	\$ 2,037,316	\$ -0-	\$ 8,405,645
Total				

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, 2025.

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.



## **REQUIRED SUPPLEMENTARY INFORMATION**

# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY KENTUCKY EMPLOYERS' RETIREMENT SYSTEM–NONHAZARDOUS LAST TEN FISCAL YEARS

Reporting fiscal year Measurement date	2025 2024	2024 2023	2023 2022	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015
Proportion of the net pension liability	0.128392%	0.143909%	0.157048%	0.166941%	0.160350%	0.161487%	0.176962%	0.184184%	0.191420%	0.183165%
Proportionate share of the net pension liability	\$ 15,470,808	\$ 17,727,757	\$ 20,836,096	\$ 22,231,529	\$ 22,713,021	\$ 22,806,813	\$ 24,073,513	\$ 24,659,174	\$ 21,821,203	\$ 18,374,905
Covered payroll	\$ 2,297,568	\$ 2,176,133	\$ 2,044,582	\$ 2,173,901	\$ 2,286,217	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194	\$ 2,988,947
Proportionate share of the net pension liability as a percentage of its covered payroll	673.36%	814.64%	1019.09%	1022.66%	993.48%	965.55%	888.68%	848.21%	726.12%	614.76%
Plan fiduciary net position as a percentage of the total pension liability	25.96%	22.32%	18.21%	18.48%	14.01%	13.66%	12.84%	13.32%	14.80%	18.83%

**Note:**

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

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

# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS KENTUCKY EMPLOYERS' RETIREMENT SYSTEM–NONHAZARDOUS LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required employer contribution	\$ 1,026,798	\$ 1,356,025	\$ 1,511,014	\$ 1,522,252	\$ 1,593,035	\$ 1,623,900	\$ 1,677,759	\$ 1,112,284	\$ 1,169,854	\$ 926,802
Contribution in relation to the statutorily required contribution	<u>1,026,798</u>	<u>1,356,025</u>	<u>1,511,014</u>	<u>1,522,252</u>	<u>1,593,035</u>	<u>1,623,900</u>	<u>1,677,759</u>	<u>1,112,284</u>	<u>1,169,854</u>	<u>926,802</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered payroll	\$ 2,175,419	\$ 2,297,568	\$ 2,176,133	\$ 2,044,582	\$ 2,173,901	\$ 2,286,217	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194
Employer contribution as a percentage of covered payroll	47.20%	59.02%	69.44%	74.45%	73.28%	71.03%	71.03%	41.06%	40.24%	30.84%

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

# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY KENTUCKY EMPLOYERS' RETIREMENT SYSTEM–NONHAZARDOUS LAST NINE FISCAL YEARS

Reporting fiscal year	2025	2024	2023	2022	2021	2020	2019	2018	2017
Measurement date	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net OPEB liability	0.126162%	0.137789%	0.151811%	0.166029%	0.160350%	0.161487%	0.177214%	0.184184%	0.191420%
Proportionate share of the net OPEB liability	\$ 912,213	\$ 1,081,081	\$ 3,358,227	\$ 1,081,081	\$ 4,071,139	\$ 3,589,688	\$ 4,201,588	\$ 4,670,837	\$ 3,953,169
Covered payroll	\$ 2,297,568	\$ 2,176,133	\$ 2,044,582	\$ 2,173,901	\$ 2,286,217	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194
Proportionate share of the net OPEB liability as a percentage of its covered payroll	39.70%	49.68%	164.25%	49.73%	178.07%	151.97%	155.10%	160.66%	131.54%
Plan fiduciary net position as a percentage of the total OPEB liability	70.95%	66.14%	38.15%	38.38%	29.47%	30.92%	27.32%	24.37%	24.48%

**Note:**

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

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

# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF OPEB CONTRIBUTIONS KENTUCKY EMPLOYERS' RETIREMENT SYSTEM–NONHAZARDOUS LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required employer contribution	\$ 33,719	\$ 164,276	\$ 177,512	\$ 196,317	\$ 242,390	\$ 283,491	\$ 292,893	\$ 227,818	\$ 242,750	\$ 238,312
Contribution in relation to the statutorily required contribution	<u>33,719</u>	<u>164,276</u>	<u>177,512</u>	<u>196,317</u>	<u>242,390</u>	<u>283,491</u>	<u>292,893</u>	<u>227,818</u>	<u>242,750</u>	<u>238,312</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered payroll	\$ 2,175,419	\$ 2,297,568	\$ 2,176,133	\$ 2,044,582	\$ 2,173,901	\$ 2,286,217	\$ 2,362,042	\$ 2,708,898	\$ 2,907,191	\$ 3,005,194
Employer contributions as a percentage of covered payroll	1.55%	7.15%	8.16%	9.60%	11.15%	12.40%	12.40%	8.41%	8.35%	7.93%

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

# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF BUDGETARY COMPARISON—OPERATIONS FUND YEAR ENDED JUNE 30, 2025

	Operations Fund			
	Budget		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State appropriations	\$ 8,990,940	\$ 10,049,700	9,748,071	\$ (301,629)
Charges for services	500,000	500,000	500,000	-0-
Other grant revenues	-0-	-0-	1,848	1,848
Federal programs	274,800	274,800	281,446	6,646
Total revenues	<u>9,765,740</u>	<u>10,824,500</u>	<u>10,531,365</u>	<u>(293,135)</u>
<b>Budget Basis Expenditures</b>				
Personnel services	8,227,340	8,227,340	8,125,590	(101,750)
Utilities, rentals, and other services	932,500	978,333	862,104	(116,229)
Commodities and supplies	983,960	993,960	947,091	(46,869)
Grants and subsidies	216,000	216,000	216,000	-0-
Travel	139,900	139,900	100,550	(39,350)
Capital expenditures	-0-	-0-	-0-	-0-
Total budget basis expenditures	<u>10,499,700</u>	<u>10,555,533</u>	<u>10,251,335</u>	<u>(304,198)</u>
Excess (deficiency) of revenues over budgetary basis expenditures	(733,960)	268,967	280,030	11,063
Fund balance – July 1, 2024	<u>2,730,672</u>	<u>2,865,842</u>	<u>1,481,257</u>	<u>(1,384,585)</u>
<b>Fund balance – June 30, 2025</b>	<u>\$ 1,996,712</u>	<u>\$ 3,134,809</u>	<u>\$ 1,761,287</u>	<u>\$ (1,373,522)</u>

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

# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF BUDGETARY COMPARISON—FEDERAL FUND YEAR ENDED JUNE 30, 2025

	Federal Fund			
	Budget		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Federal programs	\$ 8,942,900	\$ 8,942,900	\$ 7,191,855	\$ (1,751,045)
Total revenues	8,942,900	8,942,900	7,191,855	(1,751,045)
<b>Budget Basis Expenditures</b>				
Personnel services	4,650,000	4,650,000	3,488,774	(1,161,226)
Utilities, rentals, and other services	576,000	576,000	399,467	(176,533)
Commodities and supplies	340,500	340,500	173,505	(166,995)
Grants and subsidies	3,192,900	3,192,900	2,320,633	(872,267)
Travel	183,500	183,500	187,150	3,650
Capital expenditures	-0-	-0-	-0-	-0-
Total budget basis expenditures	8,942,900	8,942,900	6,569,529	(2,373,371)
Excess (deficiency) of revenues over budget basis expenditures	-0-	-0-	622,326	622,326
Fund balance – July 1, 2024	187,345	(169,189)	(624,926)	(455,737)
<b>Fund balance – June 30, 2025</b>	<u>\$ 187,345</u>	<u>\$ (169,189)</u>	<u>\$ (2,600)</u>	<u>\$ 166,589</u>

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

# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF BUDGETARY COMPARISON—REGIONAL UNIVERSITY EXCELLENCE TRUST FUND YEAR ENDED JUNE 30, 2025

	Regional University Excellence Trust Fund			
	Budget		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ -0-	\$ -0-	\$ 349,857	\$ 349,857
Total revenues	-0-	-0-	349,857	349,857
<b>Budget Basis Expenditures</b>				
Grants and subsidies	8,650,000	8,650,000	5,827,601	(2,822,399)
Total budget basis expenditures	8,650,000	8,650,000	5,827,601	(2,822,399)
Excess (deficiency) of revenues over budget basis expenditures	(8,650,000)	(8,650,000)	(5,477,744)	3,172,256
Fund balance – July 1, 2024	9,360,500	8,650,000	9,215,014	565,014
<b>Fund balance – June 30, 2025</b>	<u>\$ 710,500</u>	<u>\$ -0-</u>	<u>\$ 3,737,270</u>	<u>\$ 3,737,270</u>

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



# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF BUDGETARY COMPARISON—RESEARCH CHALLENGE TRUST FUND YEAR ENDED JUNE 30, 2025

	Research Challenge Trust Fund			
	Budget		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ -0-	\$ -0-	\$ 666,322	\$ 666,322
<b>Budget Basis Expenditures</b>				
Grants and subsidies	13,373,487	13,373,487	1,000,000	(12,373,487)
Total budget basis expenditures	13,373,487	13,373,487	1,000,000	(12,373,487)
Excess (deficiency) of revenues over budget basis expenditures	(13,373,487)	(13,373,487)	(333,678)	13,039,809
Fund balance – July 1, 2024	29,699,037	14,618,031	14,618,031	-0-
<b>Fund balance – June 30, 2025</b>	<u>\$ 16,325,550</u>	<u>\$ 1,244,544</u>	<u>\$ 14,284,353</u>	<u>\$ 13,039,809</u>

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

# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF BUDGETARY COMPARISON–TECHNOLOGY INITIATIVE TRUST FUND YEAR ENDED JUNE 30, 2025

	Technology Initiative Trust Fund			
	Budget		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State appropriations	\$ 3,653,200	\$ 3,653,200	\$ 3,653,200	\$ -0-
Charges for services	4,100,700	4,100,700	4,174,790	74,090
Intergovernmental revenues	-0-	-0-	38,334	38,334
Other grant revenues	-0-	-0-	10,725	10,725
Investment earnings	-0-	-0-	226,232	226,232
Other revenues	-0-	-0-	129,749	129,749
Total revenues	7,753,900	7,753,900	8,233,030	479,130
<b>Budget Basis Expenditures</b>				
Personnel services	4,100,000	4,100,000	3,603,708	(496,292)
Utilities, rentals, and other services	800,000	800,000	106,708	(693,292)
Commodities and supplies	3,600,000	3,600,000	4,022,957	422,957
Grants and subsidies	700,000	700,000	544,699	(155,301)
Travel	60,000	60,000	47,762	(12,238)
Capital outlay	-0-	-0-	6,048	6,048
Total budget basis expenditures	9,260,000	9,260,000	8,331,882	(928,118)
Excess (deficiency) of revenues over budget basis expenditures	(1,506,100)	(1,506,100)	(98,852)	1,407,248
Fund balance – July 1, 2024	1,634,261	1,634,261	5,619,408	3,985,147
<b>Fund balance – June 30, 2025</b>	<b>\$ 128,161</b>	<b>\$ 128,161</b>	<b>\$ 5,520,556</b>	<b>\$ 5,392,395</b>

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

# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF BUDGETARY COMPARISON—SPECIAL GRANTS INITIATIVES FUND YEAR ENDED JUNE 30, 2025

	Special Grants Initiatives Fund			
	Budget		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenues	\$ 564,737	\$ 564,737	\$ 158,143	\$ (406,594)
Other grant revenues	1,010,263	1,010,263	1,105,724	95,461
Total revenues	1,575,000	1,575,000	1,263,867	(311,133)
<b>Budget Basis Expenditures</b>				
Personnel services	1,703,404	1,703,404	969,570	(733,834)
Utilities, rentals, and other services	169,863	169,863	15,322	(154,541)
Commodities and supplies	82,900	82,900	78,161	(4,739)
Grants and subsidies	100,000	100,000	2,111	(97,889)
Travel	63,000	63,000	25,784	(37,216)
Total budget basis expenditures	2,119,167	2,119,167	1,090,948	(1,028,219)
Excess (deficiency) of revenues over budget basis expenditures	(544,167)	(544,167)	172,919	717,086
Fund balance – July 1, 2024	-0-	-0-	-0-	-0-
<b>Fund balance – June 30, 2025</b>	<u>\$ (544,167)</u>	<u>\$ (544,167)</u>	<u>\$ 172,919</u>	<u>\$ 717,086</u>

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

# COUNCIL ON POSTSECONDARY EDUCATION

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF BUDGETARY COMPARISON—HEALTHCARE WORKFORCE INVESTMENT FUND YEAR ENDED JUNE 30, 2025

	Healthcare Workforce Investment Fund			
	Budget		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State appropriations	\$ 7,000,000	\$ 7,000,000	\$ 141,987	\$ (6,858,013)
Other grant revenues	<u>-0-</u>	<u>-0-</u>	<u>2,081,308</u>	<u>2,081,308</u>
Total revenues	7,000,000	7,000,000	2,223,295	(4,776,705)
<b>Budget Basis Expenditures</b>				
Grants and subsidies	<u>7,000,000</u>	<u>-0-</u>	<u>283,974</u>	<u>283,974</u>
Total budget basis expenditures	7,000,000	-0-	283,974	283,974
Excess (deficiency) of revenues over budget basis expenditures	-0-	7,000,000	1,939,321	(5,060,679)
Fund balance – July 1, 2024	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Fund balance – June 30, 2025</b>	<u><u>\$ -0-</u></u>	<u><u>\$ 7,000,000</u></u>	<u><u>\$ 1,939,321</u></u>	<u><u>\$ (5,060,679)</u></u>

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

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2025

---

### 1. CONTRIBUTIONS

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

### 2. PAYROLL

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

### 3. CHANGES OF ASSUMPTIONS – PENSION NONHAZARDOUS

*Measurement period at June 30, 2024*

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

*Measurement period at June 30, 2023*

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

*Measurement period at June 30, 2022*

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

*Measurement period at June 30, 2021*

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

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

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2025

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2025

---

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

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

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

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

#### *Measurement period at June 30, 2024*

- The healthcare trend assumption was reviewed during the June 30, 2023 valuation and updated to reflect higher anticipated long-term healthcare cost increases.
- Discount rate used increased to 6.50% (based on expected rate of return); 3.97% for implicit subsidy portion (municipal bond rate).

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

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

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

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

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

- Pre 65 healthcare trend rates changed from an initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years to an initial trend starting at 6.30% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
- Post 65 healthcare trend rates changed from an initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years to an initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2025

---

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

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

- Amortization period changed from a 26-year closed period to a 30-year closed period at June 30, 2019. Additionally gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.
- Projected salary increases change from 3.55% - 15.55% to 3.30% - 15.30%, varied by service.
- Retiree mortality changed from RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females) to a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- Pre 65 healthcare trend rates changed from an initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years to an initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- Post 65 healthcare trend rates changed from an initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years to an initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

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

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

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

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

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



## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2025

---

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

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

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

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

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

## **5. SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL (BUDGETARY BASIS) RECONCILIATION**

### 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:

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2025

	Operations	Federal Programs	Regional University Excellence Trust Fund	Research Challenge Trust Fund	Technology Initiative Trust Fund	Special Grants Initiative Fund	Healthcare Workforce Investment Fund
<b>Total revenues per the budgetary comparison schedule</b>	\$ 10,531,365	\$ 7,191,855	\$ 349,857	\$ 666,322	\$ 8,233,030	\$ 1,263,867	\$ 2,223,295
Accounts receivable	-0-	-0-	-0-	-0-	90,760	-0-	-0-
Appropriations receivable	33,195	-0-	-0-	-0-	(151,807)	-0-	-0-
Due from state agencies	-0-	-0-	-0-	-0-	-0-	532,991	-0-
Due from state universities	-0-	-0-	-0-	-0-	319,647	-0-	-0-
Due from federal government	-0-	(671,358)	-0-	-0-	-0-	-0-	-0-
Other grant revenue receivable	-0-	-0-	-0-	-0-	4,620	-0-	-0-
Deferred revenue	-0-	-0-	-0-	-0-	-0-	(474,361)	(1,905,861)
<b>Total revenues per the statement of revenues, expenditures, and changes in fund balance</b>	<u>\$ 10,564,560</u>	<u>\$ 6,520,497</u>	<u>\$ 349,857</u>	<u>\$ 666,322</u>	<u>\$ 8,496,250</u>	<u>\$ 1,322,497</u>	<u>\$ 317,434</u>
<b>Total expenditures per the budgetary comparison schedule</b>	\$ 10,251,335	\$ 6,569,529	\$ 5,827,601	\$ 1,000,000	\$ 8,331,882	\$ 1,090,948	\$ 283,974
Change in accounts payable	33,195	(82,564)	-0-	-0-	(184,073)	172,384	-0-
Change in due to other funds	(55,770)	-0-	-0-	-0-	55,770	-0-	-0-
Change in accrued expenditures	8,733	(19,862)	-0-	-0-	(16,869)	50,663	-0-
Change in compensated absences, noncurrent	144,349	53,394	-0-	-0-	1,772	8,502	-0-
<b>Total expenditures per the statement of revenues, expenditures, and changes in fund balance</b>	<u>\$ 10,381,842</u>	<u>\$ 6,520,497</u>	<u>\$ 5,827,601</u>	<u>\$ 1,000,000</u>	<u>\$ 8,188,482</u>	<u>\$ 1,322,497</u>	<u>\$ 283,974</u>

**ADDITIONAL SUPPLEMENTARY INFORMATION**

# COUNCIL ON POSTSECONDARY EDUCATION

## ADDITIONAL SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET—OPERATIONS FUND JUNE 30, 2025

	General Operations	Administrative Overhead— Grant	S.R.E.B. Contract Dues	Licensure	Special Initiatives Program	Total Operations
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ -0-	\$ 148,952	\$ -0-	\$ -0-	\$ -0-	\$ 148,952
Investments	-0-	753,140	-0-	-0-	-0-	753,140
Intergovernmental receivables	7,993	-0-	-0-	-0-	42,376	50,369
Restricted						
Cash and cash equivalents	-0-	-0-	-0-	141,869	-0-	141,869
Investments	-0-	-0-	-0-	717,326	-0-	717,326
Total assets	<u>\$ 7,993</u>	<u>\$ 902,092</u>	<u>\$ -0-</u>	<u>\$ 859,195</u>	<u>\$ 42,376</u>	<u>\$ 1,811,656</u>
<b><u>LIABILITIES</u></b>						
Accounts and other payables	\$ 7,993	\$ -0-	\$ -0-	\$ -0-	\$ 42,376	\$ 50,369
Accrued expenses	208,009	-0-	-0-	13,911	30,228	252,148
Accrued compensated absences	<u>623,479</u>	<u>-0-</u>	<u>-0-</u>	<u>41,570</u>	<u>3,937</u>	<u>668,986</u>
Total liabilities	<u>839,481</u>	<u>-0-</u>	<u>-0-</u>	<u>55,481</u>	<u>76,541</u>	<u>971,503</u>
<b><u>FUND BALANCES</u></b>						
Restricted	-0-	-0-	-0-	803,714	-0-	803,714
Assigned	-0-	902,092	-0-	-0-	-0-	902,092
Unassigned	<u>(831,488)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(34,165)</u>	<u>(865,653)</u>
Total fund balances	<u>(831,488)</u>	<u>902,092</u>	<u>-0-</u>	<u>803,714</u>	<u>(34,165)</u>	<u>840,153</u>
Total liabilities and fund balances	<u>\$ 7,993</u>	<u>\$ 902,092</u>	<u>\$ -0-</u>	<u>\$ 859,195</u>	<u>\$ 42,376</u>	<u>\$ 1,811,656</u>

See report of independent auditors

# COUNCIL ON POSTSECONDARY EDUCATION

## ADDITIONAL SUPPLEMENTARY INFORMATION COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—OPERATIONS FOR THE YEAR ENDED JUNE 30, 2025

	General Operations	Administrative Overhead— Grant	S.R.E.B. Contract Spaces	Licensure	Special Initiatives Program	Total Operations
<b>REVENUES:</b>						
State appropriations	\$ 8,067,584	\$ -0-	\$ 221,271	\$ -0-	\$ 1,490,511	\$ 9,779,366
Federal revenues	-0-	281,446	-0-	-0-	-0-	281,446
Other grant revenues	-0-	1,848	-0-	-0-	-0-	1,848
Charges for services	-0-	-0-	-0-	501,900	-0-	501,900
Total revenues	8,067,584	283,294	221,271	501,900	1,490,511	10,564,560
<b>EXPENDITURES:</b>						
Personnel services	6,736,701	-0-	-0-	366,162	1,145,489	8,248,352
Utilities, rentals, and other services	854,630	89	-0-	1,100	6,199	862,018
Commodities and supplies	524,012	-0-	221,271	167,129	34,713	947,125
Grants and subsidies	-0-	-0-	-0-	-0-	225,621	225,621
Travel	82,730	-0-	-0-	-0-	15,996	98,726
Total expenditures	8,198,073	89	221,271	534,391	1,428,018	10,381,842
<b>EXCESS OF EXPENDITURES OVER (UNDER) REVENUES</b>	(130,489)	283,205	-0-	(32,491)	62,493	182,718
<b>Fund balances, July 01, 2024</b>	(700,999)	618,887	-0-	836,205	(96,658)	657,435
<b>Fund balances, June 30, 2025</b>	<u>\$ (831,488)</u>	<u>\$ 902,092</u>	<u>\$ -0-</u>	<u>\$ 803,714</u>	<u>\$ (34,165)</u>	<u>\$ 840,153</u>

See report of independent auditors

# COUNCIL ON POSTSECONDARY EDUCATION

## ADDITIONAL SUPPLEMENTARY INFORMATION COMBING BALANCE SHEET—OTHER GOVERNMENTAL FUNDS JUNE 30, 2025

	<b>Equine Industry Program Trust and Revolving Fund</b>	<b>KY Regional Network Enhancement Fund</b>	<b>Kentucky State University Stabilization</b>	<b>Total Non-major Governmental Funds</b>
<b>ASSETS</b>				
Appropriations receivables	\$ -0-	\$ -0-	\$ 19,400	\$ 19,400
Restricted:				
Cash and cash equivalents	77,678	-0-	-0-	77,678
Investments	<u>392,757</u>	<u>-0-</u>	<u>-0-</u>	<u>392,757</u>
Total assets	<u>\$ 470,435</u>	<u>\$ -0-</u>	<u>\$ 19,400</u>	<u>\$ 489,835</u>
<b>LIABILITIES</b>				
Accounts and other payables	\$ 120,000	\$ -0-	\$ 19,400	\$ 139,400
Accrued compensated absences	<u>-0-</u>	<u>-0-</u>	<u>834</u>	<u>834</u>
Total liabilities	<u>120,000</u>	<u>-0-</u>	<u>20,234</u>	<u>140,234</u>
<b>FUND BALANCE</b>				
Restricted	350,435	-0-	-0-	350,435
Unassigned	<u>-0-</u>	<u>-0-</u>	<u>(834)</u>	<u>(834)</u>
Total fund balances (deficit)	<u>350,435</u>	<u>-0-</u>	<u>(834)</u>	<u>349,601</u>
Total liabilities and fund balances	<u>\$ 470,435</u>	<u>\$ -0-</u>	<u>\$ 19,400</u>	<u>\$ 489,835</u>

See report of independent auditors

## COUNCIL ON POSTSECONDARY EDUCATION

### ADDITIONAL SUPPLEMENTARY INFORMATION

#### COMBINING SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES—OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	<b>Equine Industry Program Trust and Revolving Fund</b>	<b>Regional Network Enhancement Program</b>	<b>Kentucky State University Stabilization</b>	<b>Total Other Governmental Funds</b>
<b>REVENUES:</b>				
State appropriations	\$ -0-	\$ -0-	\$ 482,049	\$ 482,049
Intergovernmental revenues	428,978	-0-	-0-	428,978
Total revenues	428,978	-0-	482,049	911,027
<b>EXPENDITURES:</b>				
Personnel services	-0-	-0-	457,309	457,309
Travel	-0-	-0-	11,542	11,542
Grants and subsidies	120,000	-0-	-0-	120,000
Intergovernmental expenditures	360,000	606,018	-0-	966,018
Total expenditures	480,000	606,018	468,851	1,554,869
<b>EXCESS OF EXPENDITURES OVER (UNDER) REVENUES</b>	(51,022)	(606,018)	13,198	(643,842)
<b>Fund balances, July 01, 2024</b>	401,457	606,018	(14,032)	993,443
<b>Fund balances, June 30, 2025</b>	\$ 350,435	\$ -0-	\$ (834)	\$ 349,601

See report of independent auditors

# COUNCIL ON POSTSECONDARY EDUCATION

## ADDITIONAL SUPPLEMENTARY INFORMATION SCHEDULE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDED JUNE 30, 2025

	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Assessment and Professional Development Gaining Early Awareness and Readiness for Undergraduate Programs	\$ 225,621 82,422	\$ -0- -0-
American Rescue Plan	23,195	-0-
Federal Healthcare Workforce Initiative	1,509,625	-0-
Simmons College	765,927	-0-
Technology Initiative Trust Fund	403,910	-0-
Special Grant Initiatives	42,342	-0-
State Healthcare Workforce Initiative	283,974	-0-
Equine Industry Program Trust and Revolving Fund	120,000	-0-
Cancer Research Institutions Matching Fund	-0-	2,256,340
National Stem Cell Research Program	-0-	300,000
Healthcare Residency Program	-0-	8,000,000
Cancer Research Screenings	-0-	5,843,200
Ovarian Cancer Screenings	-0-	1,000,000
Spinal Cord and Head Injury Research	-0-	2,000,000
Southern Regional Education Board Doctoral Scholars Program (SREB)	-0-	50,000
Total grants and subsidies	<u>\$ 3,457,016</u>	<u>\$ 19,449,540</u>





Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington KY 40507 main  
859.253.1100 fax 859.253.1384 email blue@blueandco.com

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

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Council on Postsecondary Education (the Council), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated January 15, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

---

#### Report on Compliance and Other Matters

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

#### Purpose of this Report

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

*Blue & Co., LLC*

Lexington, Kentucky  
January 15, 2026



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington KY 40507 main  
859.253.1100 fax 859.253.1384 email blue@blueandco.com

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

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

Report on Compliance for Each Major Federal Program

*Opinion on Each Major Federal Program*

We have audited Council on Postsecondary Education's (the "Council") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2025. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above is that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

*Basis for Opinion on Each Major Program*

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

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

*Responsibilities of Management for Compliance*

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

### *Auditor's Responsibilities for the Audit of Compliance*

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

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

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

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

### Report on Internal Control Over Compliance

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

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

---

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

*Blue & Co., LLC*

Lexington, Kentucky  
January 15, 2026

# COUNCIL ON POSTSECONDARY EDUCATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2025

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Federal AL Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
Department of Education				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S		\$ -0-	\$ 816,621
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S		-0-	3,080,573
Total Gaining Early Awareness and Readiness for Undergraduate Programs			-0-	3,897,194
<i>Passed Through the Commonwealth of Kentucky</i>				
Education Stabilization Fund				
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300003-21	2,049	223,956
Total Department of Education			\$ 2,049	\$ 4,121,150
Department of the Treasury				
<i>Passed Through the Commonwealth of Kentucky</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund				
Healthcare Workforce Initiative	21.027	SLFRP1027	\$ 1,611,955	\$ 1,914,866
Simmons College	21.027	SLFRP1027	765,927	765,927
Total Department of the Treasury			\$ 2,377,882	\$ 2,680,793
<b>Total Federal Awards Expenditures</b>			<b>\$ 2,379,931</b>	<b>\$ 6,801,943</b>

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

# COUNCIL ON POSTSECONDARY EDUCATION

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2025

---

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Council on Postsecondary Education (the Council) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Some amounts presented in this Schedule may therefore differ from amounts presented in, or used in the preparation of, the basic financial statements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### 3. INDIRECT COST RATE

The Council did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. The Council utilized an 8% indirect cost rate for the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) federal program, as allowed per program guidelines.

### 4. SUBRECIPIENTS

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

#### Elementary and Secondary School Emergency Relief Fund

Subrecipient Name	Amount
Frederick Douglas High School	\$ 2,049

---

*See report of independent auditors.*

## COUNCIL ON POSTSECONDARY EDUCATION

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2025

---

#### Coronavirus State and Local Fiscal Recovery Fund

Subrecipient Name	Amount
Bluegrass Community and Technical College	\$ 12,940
Eastern Kentucky University	35,424
Kentucky Community and Technical College System	795,779
Kentucky State University	93,481
Madisonville Community and Technical College	2,481
Morehead State University	35,090
Murray State University	31,400
Northern Kentucky University	372,829
Simmons College	765,927
University of Kentucky	59,718
University of Louisville	171,571
Western Kentucky University	1,242
	<u>\$ 2,377,882</u>



# COUNCIL ON POSTSECONDARY EDUCATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2025

### I. Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: unmodified

Internal Control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ X No

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ X No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ X No

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

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

Unmodified for all major programs

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

Identification of major program(s):

<b>Assistance Listing Number (s)</b>	<b>Name of Federal Program or Cluster</b>
84.334S	Gaining Early Awareness and Readiness for Undergraduate Programs

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ X Yes \_\_\_\_\_ No

### II. Financial Statement Findings

None

### III. Findings and Questioned Costs - Federal Awards

None

## **COUNCIL ON POSTSECONDARY EDUCATION**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2025**

---

There were no findings reported for the year ended June 30, 2024.



**MATTERS TO BE COMMUNICATED TO THE COUNCIL MEMBERS**

**JUNE 30, 2025**



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507  
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

January 15, 2026

To the Council Members  
Council on Postsecondary Education  
Frankfort, Kentucky

We have audited the financial statements of the government activities, each major fund, and the aggregate remaining fund information (hereon referred to as the "financial statements") of Council on Postsecondary Education (the "Council") as of and for the year ended June 30, 2025, and have issued our report thereon dated January 15, 2026. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated July 1, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Council solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also 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 for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

## **Significant Risks Identified**

We identified and communicated significant risks during the planning phase of our audit. Other than the significant risks communicated in the planning communication we have not identified additional risks during our audit.

## **Qualitative Aspects of the Council's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Council is included in Note 1 to the financial statements. As discussed in Note 2 to the financial statements, effective July 1, 2024, the Council adopted Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities. The Council also adopted GASB Statement No. 102, *Certain Risk Disclosures*. No other new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the Council during the year for which there is 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. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Accounting Estimates and Related Disclosures*

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the net pension liability, net OPEB (Other Post-employment Benefits) liability and related deferred outflows/inflows of resources are 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.
- Management's estimate of the depreciation for subscription-based information technology arrangements (SBITAs) is based on the state's policy of the present value of total payments over the life of the contract. We evaluated the methods, assumptions, and data used to develop the depreciation for SBITAs, determining that it is reasonable in relation to the financial statements as a whole.

- Management accrues for compensated absences utilizing historical usage patterns. Other factors such as pay rates, disaggregation of employee types, leave caps, payout patterns, forfeiture policies and salary-related payments have been considered. We have evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

### **Financial Statement Disclosures**

The financial statement disclosures are neutral, consistent, and clear.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. In connection with the assistance we provided with the preparation of the 2025 financial statements, we proposed adjusting journal entries to convert the cash basis working trial balance to the modified accrual and accrual basis. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements noted.

### **Disagreements with Management**

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

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated as of the date of this letter.

### **Management's Consultations with Other 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. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

---

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Council, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the Council, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Council's auditors.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We have made the following modification to our auditor's report.

#### *Change in Accounting Principle*

A paragraph titled "Change in Accounting Principles" was added to the Report of the Independent Auditors to address the adoption of GASB Statement No. 101, *Compensated Absences*, and Statement No. 102, *Certain Risk Disclosures*. Our opinion was not modified with respect to the adoption of these statements.

### **Other Matters**

#### *Required Supplementary Information ("RSI")*

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules, schedules of proportionate share of net pension and OPEB liabilities, and the schedules of pension and OPEB contributions, which are RSI that supplements the financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

#### *Supplementary Information*

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 GAAP, 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.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

**Restriction on use**

This report is intended solely for the information and use of 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.

Respectfully,

*Blue & Co., LLC*

Lexington, Kentucky  
January 15, 2026





Kentucky Council on Postsecondary Education

# FY2026 Agency Budget Update

FY2026 – As of December 31, 2025

# Council on Postsecondary Education

## FY2026 Budget Reduction

The Consensus Forecasting Group, a statutory committee, issues preliminary and final General Fund revenue estimates by September 30 and December 30, respectively, of each odd-numbered year. On September 25, 2025, agencies were notified that the General Fund revenue forecast for fiscal year 2025–2026 had been revised downward by \$305.2 million. Following the December meeting of the Consensus Forecasting Group, agencies were further notified that, to maintain a balanced budget for fiscal year 2025–2026, a 3% reduction in General Fund appropriations authorized under House Bill 6, the 2024–2026 Executive Branch budget bill, would be implemented.

The total General Fund impact of the Council on Postsecondary Education, CPE, is a \$439,300 reduction. The chart below details measures CPE has taken to accommodate a 3% budget reduction in the current fiscal year.

FY2025-26 Budget Reduction	
<b>General Fund Total Subject to Reduction</b>	<b>\$14,645,700</b>
<b>Operations and Strategic Initiatives</b>	
Vacancy Credits - 3.5 Positions Vacant for 8+ months	(239,300)
<b>Technology Trust Fund Service Reduction</b>	
Reduce Kentucky Regional Optic Network State Contribution	
Reduce Kentucky Virtual Library State Contribution	(110,000)
<b>Healthcare Initiative Fund</b>	
Reduce Available Match Dollars for Scholarships	(90,000)
<b>TOTAL 3% Mandated Budget Reduction</b>	<b>(439,300)</b>
<b>Modified FY2025-26 General Fund Appropriation</b>	<b><u>\$14,206,400</u></b>

*The following report does not incorporate the above budget reduction. The budget reduction became effective on January 1, 2026.*

# GENERAL FUND OPERATIONS

## General Fund – Base Operations

General funds are used to provide essential services and resources that support the board, president, and agency in carrying out CPE's statutory duties and strategic agenda priorities. Units and initiatives funded through general funds are:

- **The Office of the President**, which is the state's primary advocate for public postsecondary education and advises the Governor and General Assembly on higher education matters;
- **CPE Board**, whose responsibilities are set out in KRS 164.013. The CPE Board and its standing and advisory committees meet regularly throughout the year to review staff recommendations and approve major decisions of the Council;
- **Academic Excellence**, which oversees matters relating to the quality of degree programs and instruction;
- **Finance**, which oversees college affordability and deals with postsecondary budgetary matters;
- **Policy and Planning and Data and Research**, which develops and implements the strategic agenda and associated accountability system; collects, analyzes, and warehouses student data; and coordinates communications and events;
- **Workforce and Economic Development**, which aligns degree offerings with workforce needs and addresses critical shortages in the high-need occupational areas; and
- **Agency Operations**, which houses the office of general counsel and government relations, human resources, administrative services, communications and other functions supporting agency staff.

General Fund Base Operations	Council Approved Budget FY 2026	Expenditures As of 12/31/2025	Remaining Balance As of 12/31/2025	Percentage Remaining
Salaries and Wages FY26 = 36 FTE; 4 Interns	\$3,487,400	\$1,766,769	\$1,720,631	49.34%
Benefits	1,955,500	858,021	\$1,097,479	56.12%
Other Personnel Costs - Employee Training	15,000	5,465	\$9,535	63.57%
Professional Service Contracts	235,000	109,427	\$125,573	53.44%
Building Rental	310,000	149,391	\$160,609	51.81%
COT - Technology Support	417,000	189,384	\$227,617	54.58%
Copiers and Printing	16,200	10,080	\$6,120	37.77%
Office Supplies	9,000	5,050	\$3,950	43.89%
Memberships and Dues	45,000	19,758	\$25,242	56.09%
*Travel and Meeting Expenses	42,000	55,003	(\$13,003)	-30.96%
*Misc. Services	12,000	19,112	(\$7,112)	-59.27%
<b>TOTAL GENERAL BASE OPERATIONS</b>	<b>\$6,544,100</b>	<b>\$3,187,461</b>	<b>\$3,356,639</b>	<b>51.29%</b>

\*CPE is awaiting reimbursement for travel, meeting, and other program related expenses.

## General Fund – Strategic Initiatives

HB6 of the 2024 Regular Session appropriates funds to be used for strategic initiative efforts. These funds are used to support:

- **Student Access and Success**, which promotes smoother transitions to and through postsecondary education through policy, programs, and enhanced student support services,
- **Strategic Programs overseen by the Academic Excellence Unit**, such as Graduate Profile grants to institutions and the Faculty Leadership Academy

General Fund Strategic Initiatives	Council Approved Budget FY 2026	Expenditures As of 12/31/2025	Remaining Balance As of 12/31/2025	Percentage Remaining
Salaries and Wages FY26 = 6 FTE	\$500,000	\$271,407	\$228,593	45.72%
Benefits	250,000	107,707	142,293	56.92%
Professional Service Contracts	445,000	87,830	357,171	80.26%
Futuriti- Technology Support	30,000		30,000	100.00%
Misc. Supplies, Dues, and Subscriptions	51,400	46,148	5,252	10.22%
Travel and Meeting Expenses	31,000	10,566	20,434	65.92%
Grants	150,000	50,000	100,000	66.67%
<b>TOTAL Strategic Initiatives OPERATIONS</b>	<b>\$1,457,400</b>	<b>\$573,657</b>	<b>\$883,743</b>	<b>60.64%</b>

## General Fund – Other

HB6 of the 2024 Regular Session appropriated general funds for CPE to be used for defined purposes. The funds are to be used to specifically support:

**Kentucky State University (KSU) Oversight**, HB 250 of the 2022 Regular Session requires CPE to provide ongoing oversight of KSU's progress toward the goals outlined in its management improvement plan. Unused funds appropriated in HB6 of the 2024 Regular Session were carried forward into FY2026.

**Southern Regional Education Board (SREB) Membership**, HB6 of the 2024 Regular Session appropriated general funds for costs associated with the Commonwealth's Southern Regional Education Board (SREB) membership. SREB membership benefits multiple state agencies.

Program	Council Approved Budget FY 2026	Expenditures As of 12/31/2025	Remaining Balance As of 12/31/2025	Percentage Remaining
Operations - SREB Dues	\$224,800	\$224,800	\$0	0.00%
*Kentucky State University Oversight	285,262	219,883	65,379	22.92%
<b>TOTAL GENERAL OPERATIONS</b>	<b>\$510,062</b>	<b>\$444,683</b>	<b>\$65,379</b>	

## TECHNOLOGY TRUST FUND

KRS 164.7911 creates the Technology Initiative Trust Fund, and KRS 164.7921 clarifies that the fund supports ongoing technology investments and upgrades for CPE and postsecondary institutions. KRS 164.800 encourages shared program delivery among libraries, institutions, systems, agencies, and programs. These joint technology purchases and digital subscriptions result in considerable cost savings for the Commonwealth. In addition to supporting postsecondary technology efforts and the adopted strategic agenda, the Technology Trust Fund supports:

**The Kentucky Postsecondary Education Network (KPEN)**, which provides internet access to public postsecondary campuses and other digital initiatives.

KPEN and Technology Support	Council Approved Budget FY 2026	As of 12/31/2025	Remaining Balance As of 12/31/2025	Percentage Remaining
<b>REVENUE</b>				
Prior Year Carry Forward	\$1,386,200	\$1,264,595	(\$121,605)	-8.77%
General Fund	2,114,101	1,157,180	(956,921)	-45.26%
External Payments	550,000	306,204	(243,796)	-44.33%
<b>TOTAL REVENUES</b>	<b>\$4,050,301</b>	<b>\$2,727,980</b>	<b>(\$1,322,321)</b>	<b>-32.65%</b>
<b>EXPENDITURES</b>				
Personnel	518,000	172,988	\$345,012	66.60%
Operating	2,993,894	1,624,876	1,369,018	45.73%
Grants	400,000	72,721	327,279	81.82%
<b>TOTAL EXPENDITURES</b>	<b>\$3,511,894</b>	<b>\$1,797,864</b>	<b>\$1,696,297</b>	<b>48.30%</b>
<b>FUND BALANCE</b>	<b>\$538,407</b>	<b>\$930,116</b>		

**Kentucky Virtual Library (KYVL)** is a consortium of over 300 Kentucky libraries and institutions, including colleges and universities, public libraries, K12 schools, hospitals, the Kentucky Department for Libraries and Archives (KDLA), and more.

Kentucky Virtual Library (KYVL)	Council Approved Budget FY 2026	As of 12/31/2025	Remaining Balance As of 12/31/2025	Percentage Remaining
<b>REVENUE</b>				
Prior Year Carry Forward	\$1,500,000	\$1,827,638	\$327,638	21.84%
General Fund	1,553,499	850,420	(703,079)	-45.26%
Member Fees	2,600,000	1,959,143	(640,857)	-24.65%
<b>TOTAL REVENUES</b>	<b>\$5,653,499</b>	<b>\$4,637,201</b>	<b>(\$1,016,298)</b>	<b>-17.98%</b>
<b>EXPENDITURES</b>				
Personnel	\$415,000	\$206,931	\$208,069	50.14%
Operating	4,100,000	3,941,157	158,843	3.87%
<b>TOTAL EXPENDITURES</b>	<b>\$4,515,000</b>	<b>\$4,148,089</b>	<b>\$366,911</b>	<b>8.13%</b>
<b>FUND BALANCE</b>	<b>\$1,138,499</b>	<b>\$489,112</b>		

## RESTRICTED and TRUST FUND PROGRAMS

### Equine Trust Fund

Pursuant to KRS 138.510(5), the Equine Trust Fund directs one percent of all money wagered on live and historical races at the track to be deposited into a trust for the construction, expansion, or renovation of facilities or the purchase of equipment for equine programs at state universities. CPE serves as the administrative agent of these funds and develops procedures for administering the program and making disbursements in accordance with established guidelines. Funds carry forward until expensed.

### Healthcare Workforce Investment Fund (HWIF)

In 2023, the General Assembly passed HB 200, establishing an innovative fund whereby employers pledge a dollar amount to a postsecondary healthcare program held in trust to be matched by general fund state dollars. Over half of the funds are dedicated to scholarships for students pursuing high-demand healthcare credentials; the remaining dollars recognize program excellence and support administration of the fund at CPE. Funds carry forward until expensed or until the program sunsets in 2030.

### Licensure

As set forth in KRS 164.945-47, CPE is required to license all non-public, postsecondary institutions that operate in Kentucky offering bachelor's degrees or higher, including out-of-state institutions offering programs through distance education. The licensure unit also manages Kentucky's participation in the State Authorization Reciprocity Agreement (SARA), which sets standards for interstate offerings of postsecondary distance education. The fund is funded through licensure fees. Funds carry forward until expensed.

### Research Challenge and Comprehensive University Excellence Trust Fund "Bucks for Brains"

- The Research Challenge Trust Fund provides funding to the University of Kentucky and the University of Louisville to recruit world-class research faculty through an endowment match program. It also supports scientific research leading to new discoveries and innovations for the good of the state (KRS 164.7917). Funds carry forward until expensed.
- The Comprehensive University Excellence Trust Fund (KRS 164.7919) are awarded to Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Northern Kentucky University, and Western Kentucky University to support their designated Programs of Distinction (PODs). Funds carry forward until expensed.

Program	Council Approved Budget FY 2026	As of 12/31/2025	Remaining Balance As of 12/31/2025	Percentage Remaining
Equine Trust Fund	\$750,000	\$240,000	\$510,000	68.00%
Healthcare Workforce Investment Fund	19,200,000	453,127	\$18,746,873	97.64%
Licensure	493,900	295,228	\$198,672	40.23%
Research Challenge Trust Fund	12,373,500	6,585,667	\$5,787,834	46.78%
Comprehensive University Excellence Trust Fund	2,882,400	748,446	\$2,133,954	74.03%
<b>TOTAL Restricted and Trust Funds</b>	<b>\$35,699,800</b>	<b>\$8,322,468</b>	<b>\$7,921,788</b>	

## GRANTS

Grant funds are used to support non-general fund services and resources to further efforts in carrying out CPE's statutory duties and strategic agenda priorities. Most grant funds are awarded for periods that do not coincide with the state fiscal year; the chart below depicts total available funds as of the designated fiscal year.

Responsible Unit	Grant	Beginning Date	End Date	TOTAL Award	FY 2026 Available Funds
Academic Excellence	SHEEO - Alignment for Student Success	1/1/2024	2/28/2026	\$20,000	\$17,883
Communications	Lumina - Advising Framework/ Futuriti	11/10/2025	10/29/2027	\$700,000	\$700,000
Communications	CCSSO Student Outcomes	12/19/2025	6/30/2027	\$100,000	\$100,000
Executive	STRADA - Travel Grant	8/1/2025	6/30/2026	\$7,500	\$7,500
Licensure	NC SARA	7/3/2025	6/30/2026	\$7,500	\$7,500
Simmons College	Fiscal Recovery Funds	7/1/2022	12/31/2026	\$7,280,200	\$2,630,836
Student Access and Success	GEARUP 4	10/1/2018	9/30/2026		\$185,000
Student Access and Success	GEARUP 5	10/1/2026	9/30/2032	\$29,999,970	\$4,999,995
Student Access and Success	Save The Children	8/1/2022	12/31/2027	\$499,349	\$248,255
Student Access and Success	ECMC-Scaling Student Basic Needs	1/1/2024	12/31/2026	\$1,551,355	\$1,000,000
Student Access and Success	James Graham Brown Kentucky Student Success Center	3/11/2021	6/30/2024		\$88,719
Student Access and Success	James Graham Brown Kentucky Student Success Center	7/1/2024	6/30/2028	\$3,250,000	\$1,135,504
Student Access and Success	Office of Adult Education Adult Learner	7/1/2024	6/30/2026	\$775,000	\$200,000
Student Access and Success	SHEEO - Student Basic Needs	4/7/2025	12/31/2027	\$60,000	\$60,000
Workforce and Economic Development	Federal - State Fiscal Recovery Funds Healthcare Workforce	7/1/2022	12/31/2026	\$10,000,000	\$2,469,199
Workforce and Economic Development	CHFS - Career Ladders in Mental and Behavioral Health (CLIMB)	9/15/2023	6/30/2026	\$1,500,000	\$1,174,515
Workforce and Economic Development	CHFS - Career Ladders in Mental and Behavioral Health (CLIMB) 2.0	8/1/2025	6/30/2026	\$461,627	\$461,627
Workforce and Economic Development	DCBS Training	4/25/2025	6/30/2026	\$1,687,623	\$1,447,719
Workforce and Economic Development	Opioid Abatement	7/1/2025	6/30/2026	\$488,676	\$488,676
Workforce and Economic Development	SHEEO - Justice - Impacted Students	4/1/2025	3/31/2026	\$40,000	\$40,000
				<b>\$58,528,800</b>	<b>\$17,560,816</b>

\* TOTAL Available Funds ; grant awards often span multiple state fiscal years

# FIDUCIARY FUNDS

## Overview

Fiduciary (or pass-through) funds are appropriated by the General Assembly to CPE and held for the benefit of individuals or units outside of the agency. CPE is the trustee or fiduciary responsible for these assets, which can be used only for trust beneficiaries. CPE ensures assets reported in these funds are used for their intended purposes.

## Financial Overview

Program	Council Approved Budget FY 2026	Expenditures As of 12/31/2025	Remaining Balance As of 12/31/2025	Percentage Remaining
App Reg Healthcare - Psychiatric Residency	\$8,000,000		\$8,000,000	100.00%
Cancer Research Matching Program	3,923,000	1,016,485	2,906,515	74.09%
Cancer Research - Tobacco Settlement Funds	6,250,000		6,250,000	100.00%
Ovarian Cancer Screening	1,000,000	500,000	500,000	50.00%
Spinal Cord and Head Injury Research	2,000,000	2,000,000	0	0.00%
SREB Doctorial Scholars Program	50,000		50,000	100.00%
*Simmons College	2,470,900	951,054	1,519,846	61.51%
<b>TOTAL FIDICARY FUNDS</b>	<b>\$23,693,900</b>	<b>\$4,467,540</b>	<b>\$1,569,846</b>	<b>6.63%</b>

## Program Descriptions

- Appalachian Regional Healthcare**  
**Psychiatric Residency:** HB1 of the 2024 Regular Session appropriates funding to be distributed to Appalachian Regional Healthcare to establish a psychiatric residency program to serve Kentucky.
- Cancer Research Matching Funds**  
 KRS 164.043 creates the cancer research institutions' matching fund. For tax periods beginning on or after June 1, 2005, the one cent (\$.01) surtax collected under KRS 138.140(1)(c) shall be deposited into the fund. One-half of the monies is distributed to the University of Kentucky and one-half to the University of Louisville. The two universities must provide a dollar-for-dollar match to receive funds.
- Cancer Research**  
 HB6 of the 2024 Regular Session appropriates Tobacco Settlement Funds to be used for cancer research and screening to be shared equally between the University of Kentucky and the University of Louisville.
- Ovarian Cancer Screening**  
 HB6 of the 2024 Regular Session appropriates funding to the ovarian cancer screening outreach program at the University of Kentucky.



- **Spinal Cord and Head Injury Research**

HB6 of the 2024 Regular Session appropriates funding to support spinal cord and head injury research. In accordance with KRS 211.500, KRS 211.502, KRS 211.504, the appropriation in each fiscal year shall be shared between the University of Kentucky and the University of Louisville.

- **SREB Doctoral Scholars**

HB6 of the 2024 Regular Session appropriates funding for annual dues to the Southern Regional Education Board (SREB).

- **Simmons College**

HB 1 of the 2022 Regular Session appropriates funds for the Teacher Education Initiative at Simmons College. The funds shall also be used to expand academic offerings in psychology to produce more licensed mental health practitioners, quality control technology workers, and logistics and supply chain managers. Additionally, HB 1 of the 2024 Regular Session appropriates dollars from the State Fiscal Recovery Funds to support infrastructure planning and facility acquisition for student residential housing, an onsite tutoring/study facility, and the development and design of capital improvements to support academic program expansion.