COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT (CASB DS-2)
REQUIRED BY PUBLIC LAW 100-679
FOR
EDUCATIONAL INSTITUTIONS
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1. This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and persons completing it are to describe the educational institution and its cost accounting practices. For complete regulations, instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 of Title 48 CFR (48 CFR 9903).

2. Part I of the Statement provides general information concerning each reporting unit (e.g., segments, business units, and central system or group (intermediate administration) offices). Parts II through VI pertain to the types of costs generally incurred by the segment or business unit directly performing under Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). Part VII pertains to the types of costs that are generally incurred by a central or group office and are allocated to one or more segments performing under Federally sponsored agreements.

3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Parts I through VI.

4. Each central or group office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing under Federally sponsored agreements should complete the Cover Sheet, the Certification, Part I and Part VII of the Disclosure Statement. Where a central or group office incurs the types of cost covered by Parts IV, V and VI, and the cost amounts allocated to segments performing under Federally sponsored agreements are material, such office(s) should complete Parts IV, V, or VI for such material elements of cost. While a central or group office may have more than one reporting unit submitting Disclosure Statements, only one Statement needs to be submitted to cover the central or group office operations.

5. The Statement must be signed by an authorized signatory of the reporting unit.

6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code which describes the segment's (reporting unit's) cost accounting practices.

7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words "End of Part" should be inserted after the last entry.
8. Where the cost accounting practice being disclosed is clearly set forth in the institution's existing written accounting policies and procedures, such documents may be cited on a continuation sheet and incorporated by reference. In such cases, the reporting unit should provide the date of issuance and effective date for each accounting policy and/or procedures document cited. Alternatively, copies of the relevant parts of such documents may be attached as appendices to the pertinent Disclosure Statement Part. Such continuation sheets and appendices should be labeled and cross-referenced with the applicable Disclosure Statement item number. Any supplementary comments needed to fully describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when disclosed practices are changed to comply with a new CAS or when practices are changed with or without agreement of the Government (Also see 48 CFR 9903.202-3).

10. Amendments shall be submitted to the same offices to which submission would have to be made were an original Disclosure Statement being filed.

11. Each amendment should be accompanied by an amended cover sheet (indicating revision number and effective date of the change) and a signed certification. For all resubmissions, on each page, insert "Revision Number _____" and "Effective Date _____" in the Item Description block; and, insert "Revised" under each Item Number amended. Resubmitted Disclosure Statements must be accompanied by similar notations identifying the items which have been changed.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
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</thead>
</table>

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

CONTINUATION SHEET

NAME OF REPORTING UNIT
<table>
<thead>
<tr>
<th>Section</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1</td>
<td>Educational Institution</td>
</tr>
<tr>
<td></td>
<td>(a) Name    University of Kentucky</td>
</tr>
<tr>
<td></td>
<td>(b) Street Address Administration Drive</td>
</tr>
<tr>
<td></td>
<td>(c) City, State and ZIP Code Lexington, Kentucky 40506-0032</td>
</tr>
<tr>
<td></td>
<td>(d) Division or Campus of (if applicable)</td>
</tr>
<tr>
<td>0.2</td>
<td>Reporting Unit is: (Mark one.)</td>
</tr>
<tr>
<td></td>
<td>A. <strong>X</strong> Independently Administered Public Institution</td>
</tr>
<tr>
<td></td>
<td>B. _____ Independently Administered Nonprofit Institution</td>
</tr>
<tr>
<td></td>
<td>C. _____ Administered as Part of a Public System</td>
</tr>
<tr>
<td></td>
<td>D. _____ Administered as Part of a Nonprofit System</td>
</tr>
<tr>
<td></td>
<td>E. _____ Other (Specify) ___________________________________</td>
</tr>
<tr>
<td>0.3</td>
<td>Official to Contact Concerning this Statement:</td>
</tr>
<tr>
<td></td>
<td>(a) Name and Title Frank A. Butler, Executive Vice President for Finance and Administration</td>
</tr>
<tr>
<td></td>
<td>(b) Phone Number (include area code and extension) (859) 257-1841</td>
</tr>
<tr>
<td>0.4</td>
<td>Statement Type and Effective Date: CASB DS-2; July 1, 1997</td>
</tr>
<tr>
<td></td>
<td>A. (Mark type of submission. If a revision, enter number)</td>
</tr>
<tr>
<td></td>
<td>(a) _____ Original Statement</td>
</tr>
<tr>
<td></td>
<td>(b) <strong>X</strong> Amended Statement; Revision No. 3</td>
</tr>
<tr>
<td></td>
<td>B. Effective Date of this Statement: (Specify) October 1, 2005</td>
</tr>
<tr>
<td>0.5</td>
<td>Statement Submitted To (Provide office name, location and telephone number, include area code and extension):</td>
</tr>
<tr>
<td></td>
<td>A. Cognizant Federal Agency: Dept. of Health &amp; Human Servs. Washington DC (202) 401-2808</td>
</tr>
<tr>
<td></td>
<td>B. Cognizant Federal Auditor: Dept. of Health &amp; Human Servs. Atlanta, GA (404)-331-2446</td>
</tr>
</tbody>
</table>
CERTIFICATION

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above-named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. § 422.

Date of Certification: ________________

___________________________________
(Signature)

Frank A. Butler
(Print or Type Name)

Executive Vice President for Finance and Administration
(Title)

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE IS PRESCRIBED IN 18 U.S.C. § 1001
### Part I

#### 1.1.0 Description of Your Cost Accounting System

For recording expenses charged to Federally sponsored agreements (e.g., contracts, grants and cooperative agreements).

Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.

| A. | Accrual |
| B. | X Modified Accrual Basis 1/ |
| C. | Cash Basis |
| Y. | Other 1/ |

#### 1.2.0 Integration of Cost Accounting with Financial Accounting

The cost accounting system is: (Mark one. If B or C is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.)

| A. | Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.) |
| B. | Not integrated with financial accounting records (Cost data are accumulated on memorandum records.) |
| C. | X Combination of A and B |

#### 1.3.0 Unallowable Costs

Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one)

| A. | Specifically identified and recorded separately in the formal financial accounting records. 1/ |
| B. | Identified in separately maintained accounting records or workpapers. 1/ |
| C. | Identifiable through use of less formal accounting techniques that permit audit verification. 1/ |
| D. | X Combination of A, B or C 1/ |
| E. | Determinable by other means. 1/ |

1/ Describe on a Continuation Sheet.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3.1</td>
<td>Treatment of Unallowable Costs. (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)</td>
</tr>
<tr>
<td>1.4.0</td>
<td>Cost Accounting Period: July 1 to June 30 (Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements, e.g., 7/1 to 6/30. If the cost accounting period is other than the institution's fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.)</td>
</tr>
<tr>
<td>1.5.0</td>
<td>State Laws or Regulations. Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.</td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.0</td>
<td>Description of Your Cost Accounting System - Modified Accrual Basis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The accrual method of assigning costs to federal projects is used except for leave costs which are charged on a cash basis.</td>
<td></td>
</tr>
<tr>
<td>1.2.0 Revised</td>
<td>Integration of Cost Accounting with Financial Accounting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The cost accounting system uses the financial accounting and cost sharing information directly from the Integrated Resources Information Systems Financial module (IRIS FI) and adds to it the following information contained in separate computer systems:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- depreciation for equipment and buildings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- building space allocation for purposes of distributing costs to functions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The financial accounting system provides for the association of an F &amp; A cost category code with each cost element. Use of these codes allows the University to sort financial data in the format required for the facilities and administrative (F&amp;A) cost calculation.</td>
<td></td>
</tr>
<tr>
<td>1.3.0 Revised</td>
<td>Unallowable Costs - Combination of A, B, and C</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unallowable costs, identified on a transaction basis and specified by OMB Circular A-21, are determined by three methods: [1] specific identification in the formal accounting records; [2] the use of separately prepared and maintained memorandum records; and [3] the use of less formal accounting techniques. All methods permit audit verification.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The following procedures are used:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A. Unallowable costs, identified on a transaction basis and identified by OMB Circular A-21, Sections C-12, and J, are specifically identified and individually isolated within IRIS by use of general ledger accounts. The vast majority of unallowable costs are detected by the accounts payable approval process and are rejected prior to processing. Availability controls on sponsored project accounts prevent unallowable costs from posting by restricting general ledger accounts at the budget level.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B. Section J of A-21 specifically identifies activities that are unallowable for inclusion in the University’s indirect cost proposal. Expenses of this nature are identified and reported with other unallowable activities and Other Institutional Activities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>C. Less formal accounting techniques such as workpapers and independent analyses are used in the preparation of the University’s facilities and administrative cost proposal when the formal accounting records are reviewed to identify unallowable costs.</td>
<td></td>
</tr>
</tbody>
</table>
### Treatment of Unallowable Costs

Unallowable costs identified as described above may be recorded as either direct (part of a base) or indirect (part of a pool). When unallowables are recorded as part of a direct base, the cost is left in the base to draw its share of indirect costs. When unallowables are recorded as part of an indirect cost pool, the cost is removed from the pool. These rules are uniformly applied to each direct base, including service center costs, and every indirect cost pool described in Part III of this disclosure.

Unallowable costs (as defined by OMB Circular A-21, Sections C-12, and J) are specifically identified and individually isolated within the Integrated Resource Information Systems (IRIS) by use of general ledger accounts. The vast majority of unallowable costs are detected by the accounts payable approval process and are rejected prior to processing. Availability controls on sponsored project accounts prevent unallowable costs from posting by restricting general ledger accounts at the budget level.

### State Laws or Regulations

The following State laws and regulations influence the University's cost accounting practices.

1. The fiscal year is established by the Commonwealth of Kentucky.
2. Commonwealth of Kentucky purchasing and travel regulations are incorporated into the operating procedures of the University. Changes in state regulations will result in changes in University procedures.
3. The Commonwealth of Kentucky requires property (buildings and contents) to be insured in the State Fire and Tornado Insurance Fund on an actual cash value (ACV) basis.

END OF PART I
**Instructions for Part II**

Institutions should disclose what costs are, or will be, charged directly to Federally sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.

2.1.0 **Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.** (For all major categories of cost under each major function or activity such as, instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.)

2.2.0 **Description of Direct Materials.** All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies.)

2.3.0 **Method of Charging Direct Materials and Supplies.** (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

2.3.1 Direct Purchases for Projects are Charged to Projects at:

- **A.** Actual Invoiced Costs
- **B.** Actual Invoiced Costs Net of Discounts Taken
- **Y.** Other(s) 1/
- **Z.** Not Applicable

2.3.2 Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects):

- **A.** First In, First Out
- **B.** Last In, First Out
- **C.** Average Costs 1/
- **D.** Predetermined Costs 1/
- **Y.** Other(s) 1/
- **Z.** Not Applicable

1/ **Describe on a Continuation Sheet**
### Description of Direct Personal Services

All personal services directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the personal services compensation costs, including applicable fringe benefits costs, if any, within each major institutional function or activity that are charged as direct personal services.)

### Method of Charging Direct Salaries and Wages

(Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.)

<table>
<thead>
<tr>
<th>Direct Personal Services Category</th>
<th>Faculty (1)</th>
<th>Staff (2)</th>
<th>Students (3)</th>
<th>Others (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Payroll Distribution Method</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Individual time card/actual hours and rates)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Plan - Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. After-the-fact Activity Records</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>(Percentage Distribution of employee activity)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Multiple Confirmation Records</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Employee Reports prepared each academic term, to account for employee’s activities, direct and indirect charges are certified separately.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y. Other(s)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet.
**COST ACCOUNTING STANDARDS BOARD**  
**DISCLOSURE STATEMENT**  
**REQUIRED BY PUBLIC LAW 100-679**  
**EDUCATIONAL INSTITUTIONS**  

**PART II - DIRECT COSTS**  
**NAME OF REPORTING UNIT**  
University of Kentucky

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
</thead>
</table>
| 2.5.1    | Salary and Wage Cost Distribution Systems.  
Within each major function or activity, are the methods marked in Item 2.5.0 used by all employees compensated by the reporting unit? (If "NO", describe on a continuation sheet, the types of employees not included and describe the methods used to identify and distribute their salary and wage costs to direct and indirect cost objectives.) |  
X Yes  
___ No |
| 2.5.2    | Salary and Wage Cost Accumulation System.  
(Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.) |
| 2.6.0    | Description of Direct Fringe Benefits Costs. All fringe benefits that are attributable to direct salaries and wages and are charged directly to Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet all of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.) |
| 2.6.1    | Method of Charging Direct Fringe Benefits. (Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0. is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g., instruction, research); and, then to individual projects or direct cost objectives within each function.) |
| 2.7.0    | Description of Other Direct Costs. All other items of cost directly identified with Federally sponsored agreements or similar cost objectives. (List on a continuation sheet the principal classes of other costs which are charged directly, e.g., travel, consultants, services, subgrants, subcontracts, malpractice insurance, etc.) |
### 2.8.0 Cost Transfers

When Federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor rate, indirect costs) originally used to charge or allocate costs to the project (Consider transactions where the original charge and the credit occur in different cost accounting periods). (Mark one, if "No", explain on a continuation sheet how the credit differs from original charge.)

- **Yes**
- **No**

### 2.9.0 Interorganizational Transfers

This item is directed only to those materials, supplies, and services which are, or will be transferred to you from other segments of the educational institution. (Mark the appropriate line(s) in each column to indicate the basis used by you as transferee to charge the cost or price of interorganizational transfers or materials, supplies, and services to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, explain on a continuation sheet.)

<table>
<thead>
<tr>
<th>Basis Used by Transferee</th>
<th>Materials</th>
<th>Supplies</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. At full cost excluding indirect costs attributable to group or central office expenses.</td>
<td>___</td>
<td>___</td>
<td>X</td>
</tr>
<tr>
<td>B. At full cost including indirect costs attributable to group or central office expenses.</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>C. At established catalog or market price or prices based on adequate competition.</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>Y. Other(s) 1/</td>
<td>___</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>Z. Interorganizational transfers are not applicable</td>
<td>X</td>
<td>X</td>
<td>___</td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet.
<table>
<thead>
<tr>
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<th>Item Description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.0</td>
<td>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.</td>
<td></td>
</tr>
</tbody>
</table>

(The following is an excerpt from the University of Kentucky’s policy “Costing Guidelines for Sponsored Projects.”)

OMB Circular A-21: Cost Principles for Educational Institutions states “Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution.” (A-21, D.1.)

The above statement implicitly makes the point that charges to a sponsored project should support the project’s purpose and activity and represent those costs necessary to meet the project’s scientific and technical requirements. Such charges cannot be assigned arbitrarily or for the purpose of simplified budget management that is unrelated to the sponsored agreement’s purpose.

Additional Criteria for Determining Direct Costs

1. The cost must be included in the awarded budget, or the cost must be permitted within rebudgeting authority granted by the sponsor.

When preparing applications for sponsored projects, the PI usually submits a detailed budget. This budget includes line items such as salaries and wages, benefits, travel, supplies and other direct costs. The award reflects approved budgeted items and becomes a part of the agreement between the university and the sponsor. Only those costs that are included in the budget, or rebudgeted costs allowed by the sponsor, should be charged. If the cost requires institutional and/or sponsor prior approval after the award is made, the approval must be secured before the cost is incurred.

2. The cost must not be restricted by the sponsor.

Costs that are restricted or unallowable as indicated in the award notice or sponsor guidelines may not be charged to a sponsored project.

Acceptable Direct Costs

Direct costs must meet A-21 requirements cited above and be “identifiable to a particular cost objective” (A-21, F.6.b.). The “particular cost objective” requirement means that costs cannot be directly charged if they are incurred for the benefit of research in general, or the interest of the researcher in general. They must be clearly identified with the work of a particular project or group of projects.

Documentation of Direct Costs

A. The cost must be identified with activity in the sponsored agreement to which the cost is charged. For example:
### Item No. | Item Description | Revision #3, Effective Date October 1, 2005
--- | --- | ---
2.1.0 | **Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.** (continued) | 
1. Long distance telephone and fax costs should be linked to the sponsored agreement by means of a manual log or analyzing the long distance phone bill and allocating costs.  
2. Purchases for a specific sponsored agreement must identify the grant’s account number on the invoice, requisition, purchase order, or other payment document.  
3. Supplies drawn from a central storeroom or inventory may be charged directly to a sponsored agreement if their applicability to the sponsored agreement is recorded at the time of withdrawal. All such costs must be charged to sponsored agreements based on anticipated usage at the time of withdrawal.  

B. Documentation that links the cost incurred to the sponsored agreement activity should be done by someone who is in a position to know the sponsored agreement activity; e.g., the person who is making the long distance telephone call (as in example A.1 above) or the person designated by the principal investigator to purchase goods and services for that particular project.  

C. Only actual costs may be charged to the sponsored agreement.  

---

### Unacceptable Direct Costing Practices

The following direct costing practices are unacceptable because they do not meet A-21’s standard for a "high degree of accuracy" in the assignment of costs to sponsored agreements:  
1. Rotation of charges among sponsored agreements by month without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored agreement;  
2. Assigning charges to the sponsored agreement with the largest remaining balance;  
3. Charging the budgeted amount rather than charging an amount based on actual usage;  
4. Assigning charges to a sponsored agreement in advance of the time the cost is actually incurred;  
5. Identifying a cost as something other than what it actually is, such as classifying an item of equipment as a supply;  
6. Charging expenses exclusively to sponsored agreements when the expense has supported non-sponsored agreement activities;  
7. Assigning charges that are part of normal administrative support (indirect costs) for sponsored agreements (e.g., accounting, payroll).  

Indirect costs are those that cannot be readily identified with a program, sponsored project, activity, or other cost objective.  

Costs incurred for the same purpose and in like circumstances are treated as either direct or indirect costs. However, indirect costs may be charged as direct costs in unlike circumstances. Costs normally charged indirect may be charged direct under the following circumstances:  

1. **Industrial/Commercial.** Projects sponsored by these organizations are proposed and awarded to for the joint benefit of the sponsor and the University. Direct and indirect costs are assigned to projects based on the agreement between the sponsor and the University.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.0</td>
<td><strong>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (continued)</strong></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td><strong>Foundations and Not-For-Profit Agencies and Associations.</strong> Projects sponsored by these organizations are proposed and awarded to for the joint benefit of the sponsor and the University. Direct and indirect costs are assigned to projects based on the agreement between the sponsor and the University. The guidelines of these organizations specify the costs to be charged to a project.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td><strong>State Sponsored Agreements.</strong> The University complies with State agency regulations and statutory requirements. Consequently, costs are assigned based on the sponsor’s agreement and the budget.</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td><strong>United States Department of Agriculture (USDA).</strong> The University complies with USDA appropriations, legislative mandates, and program requirements. This includes Federal appropriations that are administered by USDA for State Extension and Agricultural Experiment Stations.</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td><strong>Training Grants.</strong> Training grants are obviously for a different purpose than research grants and contracts and may involve special circumstances that require certain indirect costs to be treated as direct. Each exception is carefully reviewed and justified on a case-by-case basis, included in the proposed project budget, and approved by the sponsoring agency.</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td><strong>Planning Grants.</strong> Planning grants are used for preliminary work to determine the feasibility of a proposed line of inquiry and/or other activities that will facilitate proposal development. For these types of agreements, the federal agency will fund indirect costs at a specified percentage. Since planning grants are for a different purpose (planning) than a traditional research project, these project budgets may include direct costs that are specifically identified with the project.</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td><strong>Geographically Inaccessible Projects.</strong> Projects that are geographically inaccessible to normal departmental administrative services (i.e., a project that takes place in site(s) remote from the main campus in Lexington).</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td><strong>Projects That Require Travel and Meeting Arrangements.</strong> Projects that require travel and meeting arrangements such as but not limited to, conferences, continuing education, workshops, and seminars for large numbers of participants.</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td><strong>Projects Involving Large, Complex Programs.</strong> Large, complex programs, where size, nature and complexity of the activity goes well beyond the normal departmental support or there is a functional difference in work by individuals in the same job class. Examples include program project grants, center grants, grant for the Experimental Program to Stimulate Competitive Research (EPSCoR), and other sponsored agreements and contracts that entail assembling and managing teams of investigators.</td>
<td></td>
</tr>
<tr>
<td>Item No.</td>
<td>Item Description</td>
<td>Revision #3, Effective Date October 1, 2005</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>2.1.0</td>
<td>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (continued)</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Projects Which Involve Extensive Data Management. Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting. For example, if a project requires substantial mailing expenses in the performance of the project activities or technical work, postage should be charged as a direct cost of the project.</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Projects Involving Extensive Reports. Projects whose principal focus includes the preparation and production of manuals, large reports, books and monographs (excluding routine progress and technical reports), software and multimedia material.</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Projects Involving Other Specific Requirements. Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, IRB preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications.</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Other Sponsored Activities (Not Research or Instruction). Funded projects which are beyond the traditional instructional and research responsibilities of an academic unit. These activities primarily provide services beneficial to individuals and groups external to the institution. Examples include activities such as public service, workshops, community development, and projects supported by funds passed through the state.</td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>Specific Costs Incurred for a Different Purpose. Additional specific costs that are justified by special purpose and circumstance may be approved by the Director of OSPA. If approved, the cost is budgeted on the Sponsored Agreement.</td>
<td></td>
</tr>
<tr>
<td>2.2.0</td>
<td>Description of Direct Materials</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The principal classes of materials and supplies which are directly charged to federally sponsored agreements or similar cost objectives include: chemical and lab supplies, radioisotopes, drugs, minor equipment (those less than the capitalization level), gases, gasoline, and supplies (such as audio, visual, photo, dental, electronic, engineering, medical, teaching and data processing).</td>
<td></td>
</tr>
<tr>
<td>2.3.2</td>
<td>Inventory Valuation Method</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Materials and supplies inventories are handled on an average cost basis. Fuel inventories are handled on a FIFO basis. Livestock is valued at current market prices.</td>
<td></td>
</tr>
</tbody>
</table>
2.4.0 Description of Direct Personal Services

Direct personal service costs include salaries and wages plus fringe benefits. Personal services costs are charged directly to federally sponsored projects or similar cost objectives according to the effort expended. Full-time employees are eligible for fringe benefits described in 2.6.0.

Employees are grouped into three major categories: faculty, staff, and student employees.

Faculty  Annual compensation for faculty is established for an academic year by contract, and is for a nine, ten, eleven, or twelve-month period. Faculty compensation costs, including fringe benefits, are distributed to federally sponsored projects or similar cost objectives based upon plan confirmation reports (Distribution of Effort (DOE) Forms). Faculty compensation for overloads for nine, ten, eleven, or twelve-month appointments for periods other than the academic year are calculated using base compensation divided by the number of days in the academic year, then multiplied by the number of days worked in the non-academic-year period.

Part-time Faculty  Compensation for part-time faculty is established for each academic year or semester.

Staff  Annual compensation for exempt full-time and part-time staff is established for each fiscal year. Compensation for non-exempt full-time and part-time staff is based upon hourly rates of pay multiplied by actual hours worked. Overtime pay is calculated at 1 1/2 times the hourly rate for hours worked in excess of 40 per week.

Students  Compensation for student employees is based on hourly rates of pay multiplied by actual hours worked. Teaching assistants are compensated based upon an academic year salary and research assistants are compensated on a monthly basis.

2.5.0 Method of Charging Direct Salaries and Wages

Payroll Distribution Method. For non-exempt staff and hourly paid students, the Payroll Authorization Record (PAR) form establishes the hourly pay rate within the payroll system. Time reports are prepared each pay period, documenting the number of hours worked and the cost objects to be charged, and are submitted electronically into the payroll system by authorized personnel in University departments. The payroll system computes the gross pay (based upon hours and hourly pay rate) and direct fringe benefits and distributes these charges to the appropriate cost objects.

Plan- Confirmation. For full-time faculty, the Payroll Authorization Record (PAR) form establishes the faculty salary to be paid each pay period. The Distribution of Effort (DOE) form identifies 100% of the effort, by activity, and identifies a cost object to be charged for the prospective academic year. The data from the PAR and the DOE is entered into the payroll system; the payroll system computes the gross pay and direct fringe benefits and distributes these charges to the appropriate general ledger accounts. Revised DOE forms are submitted during the academic year, whenever faculty activity percentages change. An after-the-fact activity record, confirming the distribution of faculty effort for the prior academic year, is prepared and certified annually.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5.0</td>
<td>Method of Charging Direct Salaries and Wages (continued)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>After-the-Fact Activity Records. For exempt staff, part-time faculty, and student research and graduate assistants, the Payroll Authorization Record (PAR) forms are used to establish the salary for each pay period. Authorized officials electronically enter cost objects to be charged, as well as the percentage of the salary to be charged to each account, for each pay period, into the payroll system. The payroll system computes the gross pay and direct fringe benefits and distributes these charges to the defined cost objects in the appropriate percentage. A semi-annual, after-the-fact activity record confirms the distribution of activity that represents a reasonable estimate of the work performed by the employee as described in A-21.</td>
<td></td>
</tr>
<tr>
<td>2.5.2</td>
<td>Salary and Wage Cost Accumulation System</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The specific accounting records and reports used to record the share of total salary and wage costs attributable to each direct and indirect cost objective are:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Full-Time Faculty</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The plan confirmation system is used as a basis for distribution of salaries for full-time faculty. Under this system, the distribution of salaries and wages is based on planned activities for the faculty contract year and updated throughout the year to reflect any significant changes in work activity. The accounting records used to record the salary costs are:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) The salary proposal for non-clinical faculty, the Anticipated Annual Remuneration (AAR) for clinical faculty, and the Payroll Authorization Record (PAR) establish the faculty contract salary for the academic year. Salary changes during the academic year, if any, require a revised PAR.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Distribution of Effort (DOE) form. This form identifies the faculty’s assignment activities for the fiscal year including the cost object to be charged for each activity. Both direct and indirect activity is assigned a cost object and a percentage of effort. For each pay period, the percentage of effort is applied to the salary (as defined in a above) and the charges are distributed to the appropriate cost objects. Revised DOE forms are used to revise the salary distribution of payroll charges when there is a significant change in the faculty activity. Note: For grants from the National Institute of Health (NIH) to which the annual salary cap apply, the total percentage of faculty effort is applied to the NIH salary cap and charged directly to the sponsored project.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) Statement of Reasonableness. This form is used to obtain after-the-fact confirmation that the salary charged to both direct and indirect costs is reasonable in relation to the activity performed. The confirmation is received for the academic year and summer term.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exempt Staff, Part-Time Faculty, and Teaching, Research and Graduate Assistants</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) The Payroll Authorization Record (PAR) forms are used to establish the salary for each pay period. Authorized officials electronically enter cost objects to be charged, as well as the percentage of the salary to be charged to each cost object, for each pay period, into the payroll system. The payroll system computes the gross pay and direct fringe benefits and distributes these charges to the defined cost objects in the appropriate percentage.</td>
<td></td>
</tr>
</tbody>
</table>
### Salary and Wage Cost Accumulation System (continued)

(b) **Statement of Reasonableness.** This form is used to obtain after-the-fact confirmation that the salary charged to both direct and indirect costs is reasonable in relation to the activity performed. The confirmation is obtained on a semi-annual basis.

#### Non-exempt Staff and Students

(a) The Payroll Authorization Record (PAR) form establishes the hourly pay rate within the payroll system.

(b) Cross Application Time Sheets (CATS) are prepared each bi-weekly pay period, documenting the number of hours worked and the cost objects to be charged, and are submitted electronically into the payroll system by authorized personnel in University departments. The payroll system computes the gross pay (based upon hours and hourly pay rate) and direct fringe benefits and distributes these charges to the appropriate cost object.

### Reconciliation of Salary and Wage Costs to Payroll Records

For each payroll period, the data is recorded in the financial accounting records of the University. A statement of expenditures is provided monthly for each cost object including each sponsored project account. Payroll is processed with the Integrated Resource Information Systems Human Resources module (IRIS HR) Accounting entries are posted to the IRIS FI module. Payroll will not post to IRIS FI if it does not balance.

### Description of Direct Fringe Benefits Costs

The following fringe benefits are attributable to direct salaries and wages and charged directly to federally sponsored agreements or similar cost objectives:

<table>
<thead>
<tr>
<th>No.</th>
<th>Fringe Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>FICA Taxes</td>
</tr>
<tr>
<td>2.</td>
<td>Retirement</td>
</tr>
<tr>
<td>3.</td>
<td>Health Insurance</td>
</tr>
<tr>
<td>4.</td>
<td>Life Insurance</td>
</tr>
<tr>
<td>5.</td>
<td>Vacation Leave</td>
</tr>
<tr>
<td>6.</td>
<td>Sick Leave</td>
</tr>
<tr>
<td>7.</td>
<td>Holiday Pay</td>
</tr>
<tr>
<td>8.</td>
<td>Disability</td>
</tr>
<tr>
<td>9.</td>
<td>Workers’ Compensation</td>
</tr>
<tr>
<td>10.</td>
<td>Employee Education</td>
</tr>
<tr>
<td>11.</td>
<td>Supplemental Retirement</td>
</tr>
<tr>
<td>12.</td>
<td>Post Retirement Benefits</td>
</tr>
<tr>
<td>13.</td>
<td>Wellness</td>
</tr>
<tr>
<td>14.</td>
<td>Unemployment</td>
</tr>
<tr>
<td>15.</td>
<td>Terminal Vacation</td>
</tr>
<tr>
<td>16.</td>
<td>Terminal Sick Leave</td>
</tr>
</tbody>
</table>

### Method of Charging Direct Fringe Benefits

Direct fringe benefit costs are charged or allocated directly to sponsored agreements or similar cost objectives. FICA taxes are charged directly for part-time employees. Part-time employees who are half-time or greater accrue vacation and sick leave on a pro rata basis and part-time employees who are 75% or greater are eligible for the same fringe benefits as full-time employees on a pro rata basis. The following fringe benefits are specifically identified to each employee and are charged individually as direct cost:

<table>
<thead>
<tr>
<th>No.</th>
<th>Fringe Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>FICA Taxes</td>
</tr>
<tr>
<td>2.</td>
<td>Retirement</td>
</tr>
<tr>
<td>3.</td>
<td>Health Insurance</td>
</tr>
<tr>
<td>4.</td>
<td>Life Insurance</td>
</tr>
<tr>
<td>5.</td>
<td>Vacation Leave</td>
</tr>
<tr>
<td>6.</td>
<td>Sick Leave</td>
</tr>
<tr>
<td>7.</td>
<td>Holiday Pay</td>
</tr>
</tbody>
</table>
Method of Charging Direct Fringe Benefits (continued)

The following fringe benefits are direct charged via Fringe Benefit rates applied to salaries and wages (separately negotiated and approved by DHHS).

1. Disability  
2. Workers’ Compensation  
3. Employee Education  
4. Supplemental Retirement Income  
5. Post Retirement Benefits  
6. Wellness  
7. Unemployment  
8. Terminal Vacation  
9. Terminal Sick Leave

Separate fringe benefit rates are developed for the following classes of employee:

- Full time staff
- Full time faculty
- All others

The fringe benefits included in the rate calculations for each of these employee classes is shown in the following table:

<table>
<thead>
<tr>
<th>Fringe type</th>
<th>FT Staff</th>
<th>FT Faculty</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disability</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Employee Education</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Supplemental Retirement Income</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Post Retirement Benefits</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wellness</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Unemployment</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Terminal Vacation</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Terminal Sick Leave</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Description of Other Direct Costs

The principal classes of other costs which are charged directly to federally sponsored agreements include travel, sub-contracts, equipment, equipment maintenance, equipment rental, service center costs, long distance telephone calls, consultant fees, patient care costs, trainee costs, duplicating, rental of equipment and space, renovation of space, interlibrary loans and demurrage.

END OF PART II
### Instructions for Part III

Institutions should disclose how the segment's total indirect costs are identified and accumulated in specific indirect cost categories and allocated to applicable indirect cost pools and service centers within each major function or activity, how service center costs are accumulated and "billed" to users, and the specific indirect cost pools and allocation bases used to calculate the indirect cost rates that are used to allocate accumulated indirect costs to Federally sponsored agreements or similar final cost objectives. A continuation sheet should be used wherever additional space is required or when a response requires further explanation to ensure clarity and understanding.

The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0.

- **A.** Direct Charge or Allocation
- **B.** Total Expenditures
- **C.** Modified Total Cost Basis
- **D.** Modified Total Direct Cost Basis
- **E.** Salaries and Wages
- **F.** Salaries, Wages and Fringe Benefits
- **G.** Number of Employees (head count)
- **H.** Number of Employees (full-time equivalent basis)
- **I.** Number of Students (head count)
- **J.** Number of Students (full-time equivalent basis)
- **K.** Student Hours -- classroom and work performed
- **L.** Square Footage
- **M.** Usage
- **N.** Unit of Product
- **O.** Total Production
- **P.** More than one base (Separate Cost Groupings) 1/
- **Y.** Other(s) 1/
- **Z.** Category or Pool not applicable

---

1/ List on a Continuation sheet, the category and subgrouping(s) of expense involved and the allocation base(s) used.
### Indirect Cost Categories - Accumulation and Allocation

This item is directed at the identification, accumulation and allocation of all indirect costs of the institution. (Under the column heading, "Accumulation Method," insert "Yes" or "No" to indicate if the cost elements included in each indirect cost category are identified, recorded and accumulated in the institution's formal accounting system. If "No," describe on a continuation sheet, how the cost elements included in the indirect cost category are identified and accumulated. Under the column heading "Allocation Base," enter one of the allocation base codes A through P, Y, or Z, to indicate the basis used for allocating the accumulated costs of each indirect cost category to other applicable indirect cost categories, indirect cost pools, other institutional activities, specialized service facilities and other service centers. Under the column heading "Allocation Sequence," insert 1, 2, or 3 next to each of the first three indirect cost categories to indicate the sequence of the allocation process. If cross-allocation techniques are used, insert "CA." If an indirect cost category listed in this section is not used, insert "NA.")

<table>
<thead>
<tr>
<th>Indirect Cost Category</th>
<th>Accumulation Method</th>
<th>Allocation Base Code</th>
<th>Allocation Sequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Depreciation/Use Allowances/Interest Building</td>
<td>No</td>
<td>L</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>(b) Operation and Maintenance</td>
<td>Yes</td>
<td>L</td>
<td>2</td>
</tr>
<tr>
<td>(c) General Administration and General Expense</td>
<td>No</td>
<td>D</td>
<td>3</td>
</tr>
<tr>
<td>(d) Departmental Administration</td>
<td>No</td>
<td>D</td>
<td></td>
</tr>
<tr>
<td>(e) Sponsored Projects Administration</td>
<td>No</td>
<td>D</td>
<td></td>
</tr>
<tr>
<td>(f) Library</td>
<td>Yes</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>(g) Student Administration and Services</td>
<td>Yes</td>
<td>J</td>
<td></td>
</tr>
<tr>
<td>(h) Other 1/</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet
### Service Centers

Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service Centers include "recharge centers" and the "specialized service facilities" defined in Section J of Circular A-21. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a Continuation Sheet if any of the services are charged to users on a basis other than usage of the services. Enter "Z" in Column 1, if not applicable.)

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2.0</td>
<td>Service Centers</td>
<td>Revised</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.2.0 Service Centers. Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service Centers include &quot;recharge centers&quot; and the &quot;specialized service facilities&quot; defined in Section J of Circular A-21. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a Continuation Sheet if any of the services are charged to users on a basis other than usage of the services. Enter &quot;Z&quot; in Column 1, if not applicable.)</td>
</tr>
</tbody>
</table>
### Indirect Cost Pools and Allocation Bases

(Identify all of the indirect cost pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to distribute accumulated indirect costs to Federally sponsored agreements or similar cost objectives within each major function or activity. For all applicable indirect cost pools, enter the applicable Allocation Base Code A through P, Y, or Z, to indicate the basis used for allocating accumulated pool costs to Federally sponsored agreements or similar cost objectives.)

<table>
<thead>
<tr>
<th>Indirect Cost Pools</th>
<th>Allocation Base Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Instruction</td>
<td></td>
</tr>
<tr>
<td>X On-Campus</td>
<td>D</td>
</tr>
<tr>
<td>X Off-Campus</td>
<td>D</td>
</tr>
<tr>
<td>Other 1/</td>
<td></td>
</tr>
<tr>
<td>B. Organized Research</td>
<td></td>
</tr>
<tr>
<td>X On-Campus</td>
<td>D</td>
</tr>
<tr>
<td>X Off-Campus</td>
<td>D</td>
</tr>
<tr>
<td>Other 1/</td>
<td></td>
</tr>
<tr>
<td>C. Other Sponsored Activities</td>
<td></td>
</tr>
<tr>
<td>X On-Campus</td>
<td>D</td>
</tr>
<tr>
<td>X Off-Campus</td>
<td>D</td>
</tr>
<tr>
<td>Other 1/</td>
<td></td>
</tr>
<tr>
<td>D. Other Institutional Activities 1/</td>
<td>Z</td>
</tr>
</tbody>
</table>

### Composition of Indirect Cost Pools

(For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, subgroupings of expenses, and elements of cost included.)

1/ Describe on a Continuation Sheet
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.5.0</td>
<td><strong>Composition of Allocation Bases.</strong> (For each allocation base code used in Items 3.1.0 and 3.3.0, describe on a continuation sheet the makeup of the base. For example, if a modified total direct cost base is used, specify which of the elements of direct cost identified in Part II, Direct Costs, that are included, e.g., materials, salaries and wages, fringe benefits, travel costs, and excluded, e.g., subcontract costs over first $25,000. Where applicable, explain if service centers are included or excluded. Specify the benefiting functions and activities included. If any cost objectives are excluded from the allocation base, such cost objectives and the alternate allocation method used should be identified. If an indirect cost allocation is based on Cost Analysis Studies, identify the study, and fully describe the study methods and techniques applied, the composition of the specific allocation base used, and the frequency of each recurring study. )</td>
<td></td>
</tr>
<tr>
<td>3.6.0</td>
<td><strong>Allocation of Indirect Costs to Programs That Pay Less Than Full Indirect Costs.</strong> Are appropriate direct costs of all programs and activities included in the indirect cost allocation bases, regardless of whether allocable indirect costs are fully reimbursed by the sponsoring organizations?</td>
<td></td>
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<tr>
<td>A. _____ X Yes</td>
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<tr>
<td>B. _____ No 1/</td>
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</tbody>
</table>

1/ Describe on a Continuation Sheet.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.0</td>
<td>Indirect Cost Categories - Accumulation and Allocation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Depreciation/Use Allowance/Interest</td>
<td></td>
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<tr>
<td></td>
<td>Building:</td>
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<td></td>
<td>The University employs straight line depreciation and</td>
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<td></td>
<td>maintains this data and computes the depreciation in</td>
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<td>a separate computer system. The calculated depreciation</td>
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<td></td>
<td>is allocated by the functional use of the assigned</td>
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<td></td>
<td>square footage of the building. See 3.5.0 square</td>
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<td></td>
<td>footage – L.</td>
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<td>Equipment:</td>
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<td>The University employs straight line depreciation and</td>
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<td>maintains this data and computes the depreciation in</td>
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<td>a separate computer system. The calculated depreciation</td>
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<td>is allocated by the functional use of the assigned</td>
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<td>square footage of the building. See 3.5.0 square</td>
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<td>footage – L.</td>
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<td>Capital Improvements to Land:</td>
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<td></td>
<td>The University employs straight line depreciation and</td>
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<td>maintains this data and computes the depreciation in</td>
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<td>a separate computer system. The calculated depreciation</td>
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<td>is allocated by the functional use of the assigned</td>
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<td>square footage of the building, where the capital</td>
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<td>improvement can be specifically assigned to a</td>
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<td>building. Capital improvement to Land costs not</td>
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<td>directly associated with a building are allocated by</td>
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<td>FTE student and FTE employees. The FTE student portion</td>
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<td>is allocated to the instruction function. The FTE</td>
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<td>employee portion is allocated to major functions by</td>
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<td>salaries and wages.</td>
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<td>Interest:</td>
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<td></td>
<td>External interest is recorded by building, and the</td>
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<td>data are maintained in a separate set of memorandum</td>
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<td>records. External interest is allocated by the</td>
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<td>functional use of the net assignable square</td>
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<td>footage in each building. See 3.5.0 square footage -</td>
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<td></td>
<td>L.</td>
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<td></td>
<td>(c) General Administration and General Expenses</td>
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<td></td>
<td>The Administration is comprised of the University-</td>
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<td>wide executive and administrative offices that do</td>
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<td>not relate solely to a single major activity,</td>
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<td>function, or segment of the institution. Costs are</td>
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<td>identified and accumulated within the Integrated</td>
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<td>Resource Information Systems (IRIS) by use of</td>
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<td>general ledger accounts based on actual expenditures</td>
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<td>of these functional areas. Total expenditures</td>
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<td>are accumulated in the general administrative cost</td>
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<td>pool for allocation. This cost pool receives an</td>
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<td></td>
<td>allocation from building and equipment depreciation,</td>
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<td>and plant O&amp;M and is allocated based on MTDC. See</td>
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<td></td>
<td>3.5.0 modified total direct cost - D.</td>
<td></td>
</tr>
</tbody>
</table>
3.1.0 Indirect Cost Categories - Accumulation and Allocation (continued)

(d) Departmental Administration

The department level administrative cost is recorded in cost objects. The faculty administration allowance as defined by Circular A-21 is calculated for each department, division or organizational unit. The dean’s administrative office costs are recorded in separate cost objects. In the memorandum records, the dean’s costs are allocated to each organizational unit within a college based on the department’s, division’s, or other organizational unit’s MTDC. The departmental administration cost accumulation incorporates the Direct Charged Equivalent (DCE) methodology. The costs included in departmental administration are net of the salaries and wages directly assigned as direct costs to sponsored activities and the salaries and wages allocated as direct costs to non-sponsored activities (e.g., instruction and departmental research) by a direct charge equivalent (DCE). The DCE is defined as the ratio of sponsored general and support salaries and wages to sponsored faculty and professional staff salaries and wages multiplied by non-sponsored faculty and professional staff salaries and wages net of the allowance for bid and proposal and other administrative work described in Circular A-21, §F.6.a.(2).a:

\[
\text{DCE} = \frac{\text{Sponsored general & support S&W}}{\text{Sponsored faculty & professional S&W less A-21 allowance}} \times \frac{\text{Non-sponsored faculty & professional S&W}}{}
\]

See 3.5.0. modified total direct costs - D.

(e) Sponsored Projects Administration

Expenses recognized as Sponsored Projects Administration represent separate offices and organizational units established primarily to administer sponsored projects. For purposes of determination of indirect cost rates, an analysis of the operating expenses reported in the Institutional and Academic Support categories is performed to identify expenses that are to be reported as Sponsored Projects Administration. The cost pool receives an allocation from building and equipment depreciation, plant O&M, and General Administration and is allocated based on MTDC. See 3.5.0 modified total direct costs - D.

3.2.0 Service Centers

(d) Other Service Centers with Annual Operating Budgets exceeding $1,000,000 or that generates significant charges to Federally sponsored agreements either as a direct or indirect cost:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications/Networking</td>
<td>C</td>
<td>B</td>
<td>C</td>
<td>B</td>
<td>A</td>
</tr>
<tr>
<td>Hazardous Material</td>
<td>C</td>
<td>B</td>
<td>C</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Publishing and Postal Services</td>
<td>C</td>
<td>B</td>
<td>C</td>
<td>B</td>
<td>A</td>
</tr>
<tr>
<td>Student &amp; Temporary Employee Placement Services (STEPS)</td>
<td>C</td>
<td>B</td>
<td>C</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Clinical Research Organization</td>
<td>C</td>
<td>B</td>
<td>C</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Capital Project Management</td>
<td>C</td>
<td>B</td>
<td>C</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Motor Pool (AG)</td>
<td>C</td>
<td>B</td>
<td>C</td>
<td>A</td>
<td>A</td>
</tr>
</tbody>
</table>
3.2.0 Revised

Service Centers (continued)

Column 4, Code B

(4) User Charges Code

External users of service centers may be charged a higher rate than that charged to internal users. The definition of an “external user” is as follows:

Customers outside the organizational/administrative structure of the university. This category includes students, faculty, and staff acting in a personal capacity.

(6) Variance Code

The University service center policy requires the service centers to work on a break-even basis. Annual variances within plus or minus 10% of total annual expenditures are carried forward as adjustments (increasing or decreasing) to the next year’s billing rate(s). If revenues result in a net gain in excess of the 10% break-even requirement, the service center is expected to refund the total net over recovery to users proportionately. If the service center expenses result in a net loss in excess of the 10% break-even requirement, the amount will be subsidized by the University. University subsidies of service centers are excluded from indirect cost pools.

3.3.0 Revised

(d) Other Institutional Activities

The Other Institutional Activities consist of the University’s Auxiliaries. Accumulated indirect costs are not distributed to federally sponsored agreements.

3.4.0 Revised

Composition of Indirect Cost Pools. Describe the major organizational components, subgroupings of expenses, and elements of cost included in each cost pool.

Indirect Cost Categories (3.1.0)

(a) Depreciation/Use Allowance/Interest

The University employs straight line depreciation on buildings, equipment, and capital improvements. Any portion of an asset acquired with federal funding is excluded. Interest is based on the actual interest paid.

(b) Operation and Maintenance

The major organizational units and offices included in the Operation and Maintenance indirect costs are:

Plant Operations Administration
Costs incurred are those administrative costs that cannot be allocated to a single cost objective and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

Custodial Service
Costs incurred to maintain the cleanliness of buildings and consist of salary and wages, fringe benefits, materials, supplies and service center charges.
## Composition of Indirect Cost Pools (continued)

### Maintenance
Costs incurred to maintain routine building operations and grounds and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

### Utilities
Costs incurred for electricity, chilled water, steam, natural gas, and water. Costs also included are for the maintenance of the utility and distribution systems for non-auxiliary buildings and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

### Campus Planning
Costs incurred for the University Architect and Capital Projects Management Office and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

### Health Safety Training Programs
Costs incurred for employee training and health safety and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

### Environmental Health and Safety Testing
Costs incurred for testing and maintenance of safety devices and other equipment, such as sprinklers, fire alarm systems, eye wash stations, and extinguishers and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

### Waste Collection & Disposal Service
Costs incurred for the disposal of waste excluding hazardous waste and recycling and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

### University Fire Marshall
Fire protection cost incurred for the preservation and safeguarding of property and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

### Moving & Delivery Services
Costs incurred to move general campus deliveries and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

### Parking and Transportation Service
Costs incurred to enforce University parking regulations, parking structure maintenance, and shuttle service. These costs are offset by parking and transportation income and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

### Insurance
Costs incurred to insure buildings, equipment, and contents and consist of salary and wages, fringe benefits, materials, supplies and service center charges.

### Police Protection
Costs incurred to safeguard persons and equipment and consist of salary and wages, fringe benefits, materials, supplies and service center charges.
### Composition of Indirect Cost Pools (continued)

#### (c) General Administration and General Expenses

The President has full authority and responsibility over the administration of the academic, business and fiscal operations of the University. Reporting directly to the President are the Provost, Executive Vice President for Finance and Administration, Executive Vice President for Health Affairs, and the Executive Vice President for Research.

Included in the General Administration and General Expenses are the following:

- **Office of the President**
  - Chief of Staff
  - General Counsel
  - Vice President for Institutional Research, Planning and Effectiveness
  - Vice President for University Initiatives/Associate Provost for Multicultural Affairs
  - Commission on Diversity
  - Commission on Women

  (Services provided by the Office of the President on behalf of the entire University include: academic planning; faculty, staff and student policies; budget development, negotiation and allocation; government relations and legal affairs.)

- **Office of the Provost**
  - Academic areas of the colleges
  - Agricultural Experiment Station
  - Agricultural Cooperative Extension Service
  - University Extension Classes
  - Graduate School
  - Law School

  (The Provost is the chief operating officer for the academic areas of the University and has operational responsibilities for the academic programs, public service, faculty personnel and institutional research and planning.)

- **Executive Vice President for Finance and Administration**
  - Human Resources
  - Controller
  - Treasurer
  - Facilities Management
  - Campus Services
  - Vice President for Planning, Budget and Policy

  (The Executive Vice President for Finance and Administration is the chief financial officer of the University.)

- Costs related to the Executive Vice President for Health Affairs are primarily assigned to the Hospital.

- Costs related to the Executive Vice President for Research are primarily assigned to Sponsored Projects Accounting.

The expenses in the General Administration pool consist of salaries and wages, fringe benefits applicable to the salaries and wages, and materials and supplies.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
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<tbody>
<tr>
<td>3.4.0</td>
<td>Composition of Indirect Cost Pools (continued)</td>
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</tbody>
</table>

This cost pool receives allocations from the calculated building and equipment depreciation, plus O&M operating expenses.

(d) **Departmental Administration**

This pool includes the deans’ office expenses, departmental administrative expenses, and the allowance for faculty administration. This cost pool receives allocations from building and equipment depreciation, plant O&M, and General Administration.

The expenses in this pool consist of salary and wages, fringe benefits, and materials and supplies.

(e) **Sponsored Projects Administration**

These costs have been incurred by a separate organization or organizations established to administer sponsored projects, including grants and contract administration, editing and publishing of research and other reports.

This cost pool includes expenses of the Executive Vice President for Research, Office of Sponsored Projects Administration, University of Kentucky Research Foundation, and Sponsored Projects Accounting Office.

Services provided by the Executive Vice President for Research on behalf of the entire University include: assistance to faculty and staff in the application for research grants; assistance in the administration of grants when awarded; ensuring compliance with federal regulations regarding research; seeking protection in the form of copyrights and patents for discoveries and inventories; providing support to research faculty for equipment and special needs; and sponsoring post-doctoral fellowships.

The expenditures included are salary and wages, fringe benefits, and materials and supplies. This pool receives allocations from building and equipment depreciation, plant O&M, and General Administration.

(f) **Library**

This pool includes the costs of operating the central library system. This cost pool receives allocations from building and equipment depreciation, plant O&M, and General Administration. The expenses in this pool consist of salary and wages, fringe benefits, and materials and supplies.

(g) **Student Administration and Services**

The major organizational units and offices included in this indirect cost pool are:

- Vice President for Student Affairs
- Associate Provost – Undergraduate Education
- Admissions and Scholarship Office
- Registrar
- Dean of Students
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
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<tr>
<td>3.4.0</td>
<td>Composition of Indirect Cost Pools (continued)</td>
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<td>(g) Student Administration and Services (continued)</td>
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<td>Office of International Affairs</td>
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<td>Kentuckian</td>
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<td>UK Parent Association</td>
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<td>Black Cultural Center</td>
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<td>Debate Institute</td>
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<td>Counseling and Testing Service</td>
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<td>Central Advising Service and Transfer Center</td>
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<td>Career Planning and Placement Center</td>
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<td>Campus Recreation</td>
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<td>Radio Free Lexington</td>
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</table>

This pool includes salaries and wages, fringe benefits, materials, and supplies. This cost pool receives allocations from building and equipment depreciation, plant O&M, and General Administration.

### SERVICE CENTERS

The University of Kentucky Service Center and Recharge Operations Policy and Procedures comply with cost principals set forth in the Office of Management and Budget Circular A-21 Section J.47. The principles provide for recognition of the full allocated cost of Federal grants and contracts with no provision for profit or other increments above actual incurred, documented costs.

The service centers include the salaries and wages, fringe benefits, and materials and supplies, and allocated indirect costs.

### 3.5.0 Composition of Allocation Bases

3.5.0 Composition of Allocation Bases used in 3.1.0

(a) Depreciation/Interest

Building

Allocation Base Code - L Square Footage

Through a periodic space utilization survey net assignable square footage on a per building basis is identified by room, by building and function. Building use is calculated by a combination of methods. Office space is based upon an average personnel (FTE) basis by department. Other space is allocated based on room use. Common areas, restrooms, hallways, elevators, and federally funded space are excluded. Costs are allocated by the net assignable square footage function.

(a) Depreciation/Interest

Equipment

Allocation Base Code - L Square Footage

Refer to square footage allocation definition above.

(a) Capital Improvements to Land

Allocation Base Code - P More than one base (Separate Cost Groupings)
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
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<tbody>
<tr>
<td>3.5.0 Revised</td>
<td><strong>Composition of Allocation Bases used in 3.1.0 (continued)</strong></td>
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<tr>
<td></td>
<td>Capital Improvements to Land cost directly associated with a building. See allocation base defined in 3.5.0 (a) Composition of Allocation Bases - Building.</td>
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<td></td>
<td>Capital Improvement to Land cost not directly associated with a building is allocated by FTE student and FTE employees. The FTE student is allocated to the instruction function. FTE employee allocated to major functions by salaries and wages.</td>
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<tr>
<td>(a) Interest</td>
<td><strong>Allocation Base Code – L Square Footage</strong></td>
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<td></td>
<td>Refer to square footage allocation definition above.</td>
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<td>(b) Operation and Maintenance</td>
<td><strong>Allocation Base Code – L Square Footage</strong></td>
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<td>Refer to square footage allocation definition above.</td>
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<tr>
<td>(c) General Administration and General Expenses</td>
<td><strong>Allocation Base Code - D Modified Total Direct Cost</strong></td>
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<td></td>
<td>Modified Total Direct Costs consist of salaries and wages, fringe benefits, materials, supplies, travel, service center charges, and subawards up to the first $25,000 each. Modified Total Direct Costs exclude equipment, capital expenditures, charges for patient care and tuition remission, rental costs of off-site facilities, scholarships and fellowships, and each subaward in excess of $25,000.</td>
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<td></td>
<td>Accumulated costs are allocated based on the modified total direct costs except for those for the Hospital and the clinical enterprise at the medical center (which report to the Executive Vice President for Health Affairs). These costs are allocated to the hospital and clinics based on a time study done annually to support the Medicare cost report. Modified total direct costs are reconciled to total costs per the Integrated Resources Information Systems (IRIS).</td>
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<tr>
<td>(d) Departmental Administration</td>
<td><strong>Allocation Base Code - D Modified Total Direct Cost</strong></td>
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<td></td>
<td>Refer to modified total direct cost allocation definition above.</td>
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<tr>
<td>(e) Sponsored Projects Administration</td>
<td><strong>Allocation Base Code - D Modified Total Direct Cost (sponsored agreements)</strong></td>
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<td></td>
<td>The allocation base for sponsored projects administration is the modified total direct cost, as described above, of all sponsored agreements.</td>
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<td>(f) Library</td>
<td><strong>Allocation Base Code - Y Usage</strong></td>
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<tr>
<td></td>
<td>Library cost is allocated on the basis of full-time equivalents (FTE) of students, students working on research, employees, and other users. Other users costs are based on library statistical records.</td>
<td></td>
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</tbody>
</table>
Composition of Allocation Bases used in 3.1.0 (continued)

(f) Library (continued)
   The student amount is allocated to instruction. The students working on research are allocated to research. The employee amount is allocated to the proper function based upon the salary and wages distribution. Other users amounts are allocated to other institutional activities.

(g) Student Administration and Services
   Allocation Base Code – J Number of Students (full-time equivalent basis)

   Student service cost is allocated to the functions (instruction and research) on a full-time equivalent basis.

Composition of Allocation Bases used in 3.3.0

All indirect cost pools included in 3.3.0 are allocated based on MTDC.

Modified Total Direct Costs consist of salaries and wages, fringe benefits, materials and supplies, travel, service center charges, and subawards up to the first $25,000 each. Modified Total Direct Costs exclude equipment, capital expenditures, charges for patient care and tuition remission, rental costs of off-site facilities, scholarships and fellowships, and each subaward in excess of $25,000.

The benefiting functions and activities included in the base for each pool are as follows:

A. Instruction
   1. On-Campus
   2. Off-Campus
   3. College of Agriculture on-Campus
   4. College of Agriculture off-Campus

B. Organized Research
   1. On-Campus
   2. Off-Campus
   3. College of Agriculture on-Campus
   4. College of Agriculture off-Campus

C. Other Sponsored Activities
   1. On-Campus
   2. Off-Campus
   3. College of Agriculture on-Campus
   4. College of Agriculture off-Campus

END OF PART III
## Part IV - Depreciation and Use Allowances

### NAME OF REPORTING UNIT
University of Kentucky

### Item No. | Item description | Revision #3, Effective Date October 1, 2005
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#### 4.1.0 Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives

For each asset category listed below, enter a code from A through C in Column (1) describing the method of depreciation; a code from A through D in Column (2) describing the basis for determining useful life; a code from A through C in Column (3) describing how depreciation methods or use allowances are applied to property units; and Code A or B in Column (4) indicating whether or not the estimated residual value is deducted from the total cost of depreciable assets. Enter Code Y in each column of an asset category where another or more than one method applies. Enter Code Z in Column (1) only, if an asset category is not applicable.

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Depreciation Method</th>
<th>Useful Life</th>
<th>Property Unit</th>
<th>Residual Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>(a) Land Improvements</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(b) Buildings</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(c) Building Improvements</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(d) Leasehold Improvements</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(e) Equipment</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(f) Furniture and Fixtures</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(g) Automobiles and Trucks</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(h) Tools</td>
<td>A</td>
<td>C</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>(i) Enter Code Y on this line</td>
<td>Y</td>
<td>_</td>
<td>_</td>
<td>_</td>
</tr>
</tbody>
</table>

- **Columns**
  - (1) Depreciation Method Code
  - (2) Useful Life Code
  - (3) Property Unit Code
  - (4) Residual Value Code

- **Notes**
  - Enter Code Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. (Otherwise enter Code Z.)
  - Column (1)–Depreciation Method Code
    - A. Straight Line
    - B. Expensed at Acquisition
    - C. Use Allowance
    - Y. Other or more than one method 1/
  - Column (2)–Useful Life Code
    - A. Replacement Experience
    - B. Term of Lease
    - C. Estimated service life
    - D. As prescribed for use allowance by Office of Management and Budget Circular No A-21
    - Y. Other or more than one method 1/
  - Column (3)–Property Unit Code
    - A. Individual units are accounted for separately
    - B. Applied to groups of assets with similar service lives
    - C. Applied to groups of assets with varying service lives
    - Y. Other or more than one method 1/
  - Column (4)–Residual Value Code
    - A. Residual value is deducted
    - B. Residual value is not deducted
    - Y. Other or more than one method 1/

---

1/ Describe on a Continuation Sheet
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1.1</td>
<td>Asset Valuations and Useful Lives. Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.)</td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>X Yes</td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td>No</td>
<td>1/</td>
</tr>
<tr>
<td>4.2.0</td>
<td>Fully Depreciated Assets. Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.)</td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>X Yes</td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>4.3.0</td>
<td>Treatment of Gains and Losses on Disposition of Depreciable Property. Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>Excluded from determination of sponsored agreement costs</td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td>X Credited or charged currently to the same pools to which the depreciation of the assets was originally charged</td>
<td></td>
</tr>
<tr>
<td>C.</td>
<td>Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved</td>
<td></td>
</tr>
<tr>
<td>D.</td>
<td>Not accounted for separately, but reflected in the depreciation reserve account</td>
<td></td>
</tr>
<tr>
<td>Y.</td>
<td>Other(s) 1/</td>
<td></td>
</tr>
<tr>
<td>Z.</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>4.4.0</td>
<td>Criteria for Capitalization. (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.)</td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>Minimum Dollar Amount</td>
<td>See continuation page</td>
</tr>
<tr>
<td>B.</td>
<td>Minimum Life Years</td>
<td>Two years or more</td>
</tr>
<tr>
<td>4.5.0</td>
<td>Group or Mass Purchase. Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)</td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>Yes</td>
<td>1/</td>
</tr>
<tr>
<td>B.</td>
<td>X No</td>
<td></td>
</tr>
<tr>
<td>Item No.</td>
<td>Item Description</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Capitalization Policy</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Land will be capitalized in the University’s financial records at cost. Gifts will be capitalized at fair market value at the time of donation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Buildings, building improvements, fixed equipment (other than communications and network equipment), infrastructure assets and land improvements over $100,000, whether constructed or purchased, will be capitalized in the University’s financial records at cost. Gifts over $100,000 will be capitalized at fair market value at the time of donation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Telecommunications equipment acquired and installed by the University’s Communications and Network Services service center will be capitalized in the University’s financial records at cost over $5,000.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. All nonexpendable movable equipment costing $2,000 or more ($1,000 for computers) will be capitalized and recorded in the Physical Facilities Inventory System. Capital assets are recorded at cost. Gifts will be capitalized at fair market value at the time of donation.</td>
<td></td>
</tr>
</tbody>
</table>
### Part V - Other Costs and Credits

#### 5.1.0 Method of Charging Leave Costs
Do you charge vacation, sick, holiday and sabbatical leave costs to sponsored agreements on the cash basis of accounting (i.e., when the leave is taken or paid), or on the accrual basis of accounting (when the leave is earned)? (Mark applicable line(s))

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>X</td>
<td>Cash</td>
</tr>
<tr>
<td>B.</td>
<td></td>
<td>Accrual 1/</td>
</tr>
</tbody>
</table>

#### 5.2.0 Applicable Credits
This item is directed at the treatment of "applicable credits" as defined in Section C of OMB Circular A-21 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.). (Indicate how the principal types of credits and incidental receipts the institution receives are usually handled.)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td></td>
<td>The credits/receipts are offset against the specific direct or indirect costs to which they relate.</td>
</tr>
<tr>
<td>B.</td>
<td></td>
<td>The credits/receipts are handled as a general adjustment to the indirect pool.</td>
</tr>
<tr>
<td>C.</td>
<td></td>
<td>The credits/receipts are treated as income and are not offset against costs.</td>
</tr>
<tr>
<td>D.</td>
<td>X</td>
<td>Combination of methods 1/</td>
</tr>
<tr>
<td>Y.</td>
<td></td>
<td>Other 1/</td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet.
### 5.2.0 Applicable Credits (continued)

Applicable credits are offset against the specific direct or indirect cost pools to which they relate.

A. Credits/receipts offset against the specific direct or indirect costs to which they relate include the following:

- Purchase discounts
- Rebates
- Recoveries on losses
- Adjustments on overpayments
- Educational discounts

B. Credits/receipts handled as a general adjustment to the indirect pool include:

- Library fees
- Library fines
- Parking fees
- Parking fines

C. Credits/receipts treated as income and are not offset against costs.

If a refund, not specific to an award, is received in the next fiscal year, it is treated as revenue.

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**END OF PART V**
Instructions for Part VI

This part covers the measurement and assignment of costs for employee pensions, post retirement benefits other than pensions (including post retirement health benefits) and insurance. Some organizations may incur all of these costs at the main campus level or for public institutions at the governmental unit level, while others may incur them at subordinate organization levels. Still others may incur a portion of these costs at the main campus level and the balance at subordinate organization levels.

Where the segment (reporting unit) does not directly incur such costs, the segment should, on a continuation sheet, identify the organizational entity that incurs and records such costs. When the costs allocated to Federally sponsored agreements are material, and the reporting unit does not have access to the information needed to complete an item, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)

6.1.0 Pension Plans.

6.1.1 Defined-Contribution Pension Plans. Identify the types and number of pension plans whose costs are charged to Federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)

<table>
<thead>
<tr>
<th>Type of Plan</th>
<th>Number of Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Institution employees participate in State/Local Government Retirement Plan(s)</td>
<td></td>
</tr>
<tr>
<td>B. Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution</td>
<td>3</td>
</tr>
<tr>
<td>C. Institution has its own Defined-Contribution Plan(s)</td>
<td></td>
</tr>
</tbody>
</table>

6.1.2 Defined-Benefit Pension Plan. (For each defined-benefit plan (other than plans that are part of a State or Local government pension plan) describe on a continuation sheet the actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)

1/ Describe on a Continuation Sheet
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>6.2.0</td>
<td>Post Retirement Benefits Other Than Pensions (including post retirement health care benefits) (PRBs). (Identify on a continuation sheet all PRB plans whose costs are charged to Federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.)</td>
<td></td>
</tr>
<tr>
<td>Z.</td>
<td>[ ] Not Applicable</td>
<td></td>
</tr>
<tr>
<td>6.2.1</td>
<td>Determination of Annual PRB Costs. (On a continuation sheet, indicate whether PRB costs charged to Federally sponsored agreements are determined on the cash or accrual basis of accounting. If costs are accrued, describe the accounting practices used, including actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)</td>
<td></td>
</tr>
<tr>
<td>6.3.0</td>
<td>Self-Insurance Programs (Employee Group Insurance). Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>_____ When accrued (book accrual only)</td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td>X _____ When contributions are made to a nonforfeitable fund</td>
<td></td>
</tr>
<tr>
<td>C.</td>
<td>_____ When contributions are made to a forfeitable fund</td>
<td></td>
</tr>
<tr>
<td>D.</td>
<td>_____ When the benefits are paid to an employee</td>
<td></td>
</tr>
<tr>
<td>E.</td>
<td>_____ When amounts are paid to an employee welfare plan</td>
<td></td>
</tr>
<tr>
<td>Y.</td>
<td>_____ Other or more than one method 1/</td>
<td></td>
</tr>
<tr>
<td>Z.</td>
<td>_____ Not Applicable</td>
<td></td>
</tr>
<tr>
<td>6.4.0</td>
<td>Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance.)</td>
<td></td>
</tr>
<tr>
<td>6.4.1</td>
<td>Worker’s Compensation and Liability. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>_____ When claims are paid or losses are incurred (no provision for reserves)</td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td>_____ When provisions for reserves are recorded based on the present value of the liability</td>
<td></td>
</tr>
<tr>
<td>C.</td>
<td>_____ When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability</td>
<td></td>
</tr>
<tr>
<td>D.</td>
<td>_____ When funds are set aside or contributions are made to a fund</td>
<td></td>
</tr>
<tr>
<td>Y.</td>
<td>X _____ Other or more than one method 1/</td>
<td></td>
</tr>
<tr>
<td>Z.</td>
<td>_____ Not Applicable</td>
<td></td>
</tr>
</tbody>
</table>

1/ Describe on a Continuation Sheet
### Item No. 6.4.2

**Casualty Insurance.** Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)

- **A.** ✓ When losses are incurred (no provision for reserves)
- **B.** When provisions for reserves are recorded based on replacement costs
- **C.** When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructibles.
- **D.** Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)
- **Y.** Other or more than one method 1/
- **Z.** Not Applicable

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1/ Describe on a Continuation Sheet.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Description</th>
<th>Revision #3, Effective Date October 1, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1.2</td>
<td>Pension Plans</td>
<td>In addition to retirement benefits provided from the group retirement plans, the University provides supplemental retirement income benefits to certain eligible employees. The cost of supplemental retirement benefits is included in the fringe benefit rate and charged to Federal grants and contracts. Costs are incurred when benefits are paid to the retirees.</td>
</tr>
<tr>
<td>6.2.0</td>
<td>Health and Life Insurance Benefits for Retirees</td>
<td>Post-retirement health care benefits and post-retirement life insurance benefits are provided to retirees. The post-retirement benefits are applicable only to regular full-time employees who meet the requirements of the University.</td>
</tr>
</tbody>
</table>
| 6.4.1   | Workers Compensation and Liability | A. When claims are paid or losses are incurred (no provision for reserves). Unemployment Compensation Insurance  
B. When provisions for reserves are recorded based on the present value of the liability. Medical Malpractice Liability Insurance  
C. When provisions for reserves are recorded based on full or undiscounted value, as contrasted with present value of the liability. Worker's Compensation and Employers Liability  
General and Automobile Liability |

END OF PART VI