



# AGENDA

EASTERN KENTUCKY UNIVERSITY  
BOARD OF REGENTS

QUARTERLY MEETING

DECEMBER 12, 2019





**Eastern Kentucky University  
Board of Regents**

**Quarterly Meeting**

**December 12, 2019**

**Black Box Theater  
Center for the Arts  
Eastern Kentucky University**

Committee Meetings will begin at 12:30 p.m. and run consecutively.

**SCHEDULE**

- 12:30 p.m.    Convene Committee Meetings in the Black Box Theater, Center for the Arts
- Diversity and Inclusion Committee
- Student Life and Athletics Committee
- Audit and Compliance Committee
- Finance and Administration Committee
- Organizational Performance, Enrollment Growth and Student Success Committee
- Executive Committee and Academic Affairs
- 1:30 p.m.    Convene Board Meeting in the Black Box Theater, Center for the Arts

Eastern Kentucky University  
Board of Regents  
Diversity and Inclusion Committee  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

12:30 p.m.

- I. **Call to Order** (Committee Chair Juan Castro)
- II. **Action Items**
  - A. **Consent Agenda**
    - i. Approval of the August 29, 2019 Diversity and Inclusion Committee meeting minutes  
(Juan Castro) .....11
- III. **Adjourn**

**Eastern Kentucky University  
Board of Regents  
Student Life and Athletics Committee  
Agenda**

**December 12, 2019**

**Black Box Theater  
Center for the Arts  
Eastern Kentucky University**

- I. Call to Order** (Committee Chair Vasu Vasudevan)
- II. Information Items**
  - A.** Introduction of Interim Athletics Director, Mark Sandy
- III. Action Items**
  - A.** Consent Agenda
    - i. Approval of the August 29, 2019 Student Life, Discipline and Athletics Committee Meeting Minutes (Vasu Vasudevan).....14
    - ii. Approval of the OVC Governing Board Certification Form (Lewis Diaz).....16
- IV. Adjourn**



Eastern Kentucky University  
Board of Regents

Audit and Compliance Committee  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

- I. **Call to Order** (Committee Chair Alan Long)
- II. **Information Item**
  - A. Audit Presentation by Crowe LLP for Fiscal Year Ending June 30, 2019
    - i. Report on Compliance with Ky House Bill 622.....18
    - ii. Report on Lease Law Compliance.....19
    - iii. Report on SAS 144 Letter.....20
- III. **Action Item**
  - A. Consent Agenda
    - i. Approval of the August 29, 2019 Audit and Compliance Committee Meeting Minutes  
(Alan Long) .....26
  - B. Approval of the Audit for Fiscal Year Ending June 30, 2019 (Barry Poynter) .....28
- IV. **Adjourn**

Eastern Kentucky University  
Board of Regents

Finance and Administration Committee  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

- I. **Call to Order** (Committee Chair Lynn Taylor Tye)
- II. **Information Items**
  - A. Financial Update (Barry Poynter) ..... 148
- III. **Action Items**
  - A. **Consent Agenda**
    - i. Approval of the August 29, 2019 Finance and Planning Committee Meeting Minutes  
(Lynn Taylor Tye) ..... 156
  - B. **Land Lease – Kit Carson Commons Project** (David McFaddin)..... 158
- IV. **Adjourn**

Eastern Kentucky University  
Board of Regents

Organizational Performance, Enrollment Growth and Student Success Committee  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

- II. **Call to Order** (Committee Co-Chair Bryan Makinen)
- III. **Information Items**
  - A. Written Report-Student Success Performance Metrics (Gene Palka) ..... 205
- IV. **Action Item**
  - A. Consent Agenda
    - i. Approval of the August 29, 2019 Organizational Performance, Enrollment Growth and Student Success Committee Meeting Minutes (Bryan Makinen)..... 221
- V. **Adjourn**



Eastern Kentucky University  
Board of Regents

Executive and Academic Affairs Committee  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

- I. **Call to Order** (Committee Chair Lewis Diaz)
- II. **Information Item**
  - A. Academic Affairs Update (Jerry Pogatshnik)
- III. **Action Item**
  - A. Consent Agenda
    - i. Approval of the August 29, 2019 Executive and Academic Affairs Committee Meeting Minutes (Lewis Diaz) ..... 224
    - ii. Personnel Actions (President Benson) ..... 226
    - iii. Approval of Degree Candidates for Fall 2019 (Sherry Robinson)..... 234
    - iv. Council on Academic Affairs Presentation (Sherry Robinson)..... 235
    - v. Approval of Honorary Degree for P.G. Peeples (Sherry Robinson)..... 249
- IV. **Adjourn**

Eastern Kentucky University  
Board of Regents

Regular Quarterly Meeting  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

1:30 p.m.

- I. Call to Order
- II. Written Informational Reports
  - A. Legislative Update (Ethan Witt)..... 257
  - B. Marco Ciocca, Faculty Senate Chair..... 258
  - C. Caelin Scott, Staff Council Chair..... 261
  - D. Madison Lipscomb, SGA President ..... 263
- III. Oral Informational Reports
  - A. Michael Benson, President
  - B. Lewis Diaz, Chair
- IV. Executive Session
- V. Action Items
  - A. Consent Agenda
    - i. Approval of the August 29 2019 Board Meeting Minutes (Lewis Diaz)..... 264
    - ii. Personnel Actions (President Benson) ..... 226
    - iii. Approval of the OVC Governing Board Certification Form.....16
    - iv. Approval of Degree Candidates for Fall 2019..... 234
    - v. Council on Academic Affairs Presentation.....235
    - vi. Approval of Honorary Degree for P.G. Peeples .....249
  - B. Approval of Audit for the Fiscal Year Ending June 30, 2019..... 28
  - C. Land Lease – Kit Carson Commons Project..... 158
  - D. Appointment of Interim President of Eastern Kentucky University
  - E. Approval of Resolution Regarding President Benson
- VI. Adjournment

Eastern Kentucky University  
Board of Regents  
Diversity and Inclusion Committee  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

12:30 p.m.

- I. **Call to Order** (Committee Chair Juan Castro)
- II. **Action Items**
  - A. **Consent Agenda**
    - i. Approval of the August 29, 2019 Diversity and Inclusion Committee meeting minutes  
(Juan Castro) .....11
- III. **Adjourn**



**Eastern Kentucky University  
Board of Regents  
Diversity and Inclusion Committee  
Meeting Minutes**

**August 29, 2019**

**O'Donnell Auditorium  
Whitlock Building  
Eastern Kentucky University**

**Swearing in of New Student Regent Madison Lipscomb**

Student Regent Madison Lipscomb was formally sworn in by State Representative Deanna Frazier.

**Call to Order**

Committee Chair Juan Castro called the meeting of the Diversity and Inclusion Committee to order at 12:35 p.m. at the O'Donnell Auditorium, Whitlock Building, Eastern Kentucky University. Committee Chair Castro established a quorum was present.

**Committee Members Present**

Juan Castro  
Laura Babbage  
Vasu Vasudevan  
Bryan Makinen  
Jason Marion  
Madison Lipscomb

**Committee Members Absent**

Nancy Collins

**Information Items**

**A. Report on Summer Diversity Camps**

Dr. Abbey Poffenberger, Chair of the Department of Languages, Cultures and Humanities; Dr. Socorro Zaragoza, Associate Professor of Spanish; Liliana Gomez de Coss, Director, Multicultural Affairs; and Gaby Baca, Associate Director of Latino Recruitment and Retention presented on the Camino Camp and Latino Student Success, a copy of which is incorporated herein and will be included with the official copy of the minutes.

## **B. Report on the President's Inclusive Excellence Advisory Committee**

President Benson presented a report on the President's Inclusive Excellence Advisory Committee to the Board, a copy of which is incorporated herein and will be included with the official copy of the minutes.

## **New Business**

There was no new business.

## **Adjourn**

There being no further business, Committee Chair Castro requested a motion to adjourn. A motion was made by Regent Babbage to adjourn the meeting. The motion was seconded by Regent Marion. The motion passed by voice vote, and the meeting of the Diversity and Inclusion Committee was thereby adjourned at 12:56 p.m.

Eastern Kentucky University  
Board of Regents  
  
Student Life and Athletics Committee  
Agenda  
  
December 12, 2019  
  
Black Box Theater  
Center for the Arts  
Eastern Kentucky University

- I. **Call to Order** (Committee Chair Vasu Vasudevan)
- II. **Information Items**
  - A. Introduction of Interim Athletics Director, Mark Sandy
- III. **Action Items**
  - A. Consent Agenda
    - i. Approval of the August 29, 2019 Student Life, Discipline and Athletics Committee Meeting Minutes (Vasu Vasudevan) ..... 14
    - ii. Approval of the OVC Governing Board Certification Form (Lewis Diaz) ..... 16
- IV. **Adjourn**



**Eastern Kentucky University  
Board of Regents  
Student Life and Athletics Committee  
Meeting Minutes**

**August 29, 2019**

**O'Donnell Auditorium  
Whitlock Building  
Eastern Kentucky University**

**Call to Order**

Committee Chair Vasu Vasudevan called the meeting of the Student Life and Athletics Committee to order at 12:56 p.m. at the O'Donnell Auditorium, Whitlock Building, Eastern Kentucky University. Committee Chair Vasudevan established a quorum was present.

**Committee Members Present**

Vasu Vasudevan  
Laura Babbage  
Jason Marion  
Madison Lipscomb  
Lynn Taylor Tye

**Committee Members Absent**

Nancy Collins

**Information Items**

**A. Big E Welcome Presentation**

Dr. Skip Daugherty, Vice President for Student Affairs and Campus Life, gave a presentation on Student Life, including Big E Welcome, to the Board, a copy of which is incorporated herein and will be included with the official copy of the minutes.

**B. Athletics Preview**

Steve Lochmueller, Director of Athletics, gave a presentation on EKU Athletics to the Board, a copy of which is incorporated herein and will be included with the official copy of the minutes.

**Action Item**

**A. Consent Agenda**

**i. Approval of the June 18, 2019 Student Life, Discipline and Athletics Committee Minutes**

A motion was made by Regent Marion to approve the minutes of the June 18, 2019 meeting of the Finance and Planning Committee of the Board of Regents. The motion was seconded by Regent Tye. The motion passed by voice vote.

**New Business**

There was no new business.

**Adjourn**

Hearing no objection, Committee Chair Vasudevan declared the meeting of the Student Life and Athletics Committee adjourned at 1:19 p.m.



## OHIO VALLEY CONFERENCE

### *Governing Board Certification Form Academic Year 2019-20*

As Chairman of the Governing Board at \_\_\_\_\_, I attest that:

- 1) Responsibility for the administration of the athletics program has been delegated to the Chief Executive Officer of the institution.
- 2) The Chief Executive Officer has the mandate and support of the board to operate a program of integrity in full compliance with NCAA, OVC, and all other relevant rules and regulations.
- 3) The Chief Executive Officer, in conjunction with the Director of Athletics and Faculty Athletic Representative, determines how the institutional vote shall be cast on issues of athletics policy presented to the NCAA and the Ohio Valley Conference.

Date Presented to the Governing Board: \_\_\_\_\_

Signed: \_\_\_\_\_  
(Chair of the Governing Board)

*Please return completed form to:*

*Beth DeBauche  
Commissioner  
Ohio Valley Conference  
215 Centerview Drive, Suite 115  
Brentwood, TN 37027  
bdebauche@ovc.org*



Eastern Kentucky University  
Board of Regents

Audit and Compliance Committee  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

- I. **Call to Order** (Committee Chair Alan Long)
- II. **Information Item**
  - A. Audit Presentation by Crowe LLP for Fiscal Year Ending June 30, 2019
    - i. Report on Compliance with Ky House Bill 622.....18
    - ii. Report on Lease Law Compliance.....19
    - iii. Report on SAS 144 Letter.....20
- III. **Action Item**
  - A. Consent Agenda
    - i. Approval of the August 29, 2019 Audit and Compliance Committee Meeting Minutes  
(Alan Long) .....26
  - B. Approval of the Audit for Fiscal Year Ending June 30, 2019 (Barry Poynter) .....28
- IV. **Adjourn**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH SPECIFIED REQUIREMENTS OF COMMONWEALTH  
OF KENTUCKY HOUSE BILL 622

Board of Regents  
Eastern Kentucky University And  
Secretary of Finance and  
Administration Cabinet of  
The Commonwealth of Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States, the financial statements of Eastern Kentucky University (the "University") and its discretely presented component unit, collectively, a component unit of the Commonwealth of Kentucky, which are comprised of the statement of net position as of June 30, 2019, and the statement of revenues, expenses and changes in net position and the statement of cash flows, for the year then ended. The discretely presented component unit's financial statements are comprised of the statement of financial position as of June 30, 2019 and the statement of activities for the year then ended. We have issued our report thereon dated October 11, 2019.

In connection with our audit, nothing came to our attention that caused us to believe the University failed to comply with the provisions set forth in the Commonwealth of Kentucky's House Bill 622 (KRS164A.555 to 164A.630) insofar as they related to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the University's noncompliance with the above-referenced requirements, insofar as they relate to accounting matters.

The report is intended solely for the information and use of the Board of Regents, management of the University, and Secretary of Finance and Administration Cabinet of the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe LLP

Louisville, Kentucky  
October 11, 2019

## INDEPENDENT AUDITOR'S REPORT

Board of Regents and Audit Committee  
Eastern Kentucky University  
Richmond, Kentucky  
and  
Kentucky Auditor of Public Accounts  
Frankfort, Kentucky  
and  
Secretary of Finance and Administration Cabinet  
Department of Facilities Management of the  
Commonwealth of Kentucky  
Frankfort, Kentucky  
and  
Governor of Kentucky  
Frankfort, Kentucky  
and  
Council on Postsecondary Education  
Frankfort, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States, the financial statements of Eastern Kentucky University (the "University") and its discretely presented component unit, collectively, a component unit of the Commonwealth of Kentucky, which are comprised of the statement of net position as of June 30, 2019, and the statement of revenues, expenses and changes in net position and the statement of cash flows, for the year then ended. The discretely presented component unit's financial statements are comprised of the statement of financial position as of June 30, 2019 and the statement of activities for the year then ended. We have issued our report thereon dated October 11, 2019.

In connection with our audit, nothing came to our attention that caused us to believe that the provisions of KRS 56.800 through 56.823, KRS 48.111 and KRS 48.190 as well as the Model Audit Program Checklist for Lease Law Compliance for Postsecondary Education Institutions applied to the University during the year ended June 30, 2019, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of the applicability of such requirements. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the applicability of such requirements, insofar as they relate to accounting matters.

The report is intended solely for the information and use of the Board of Regents, the Audit Committee, and management of Eastern Kentucky University and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe LLP

Louisville, Kentucky  
October 11, 2019

Eastern Kentucky University  
Schedule of New and Renewed Property Leases  
For the year ended June 30, 2019

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No new or renewed real property leases for the year ended June 30, 2019.

October 11, 2019

Audit Committee  
Board of Regents  
Eastern Kentucky University  
Richmond, Kentucky

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

#### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with Eastern Kentucky University (the "University") for further information on the responsibilities of management and of Crowe LLP.

#### **AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of the University's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts or disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you on April 22, 2019.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.

- Where the entity has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
  - The allocation of responsibilities between you and management.
  - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications with regulators.
  - Other matters you believe are relevant to the audit of the financial statements.
- Matters relative to the use of other auditors/other accountants during the audit:
  - An overview of the type of work to be performed by other auditors/other accountants.
  - The basis for the decision to make reference to the audit of the other auditor in our report on the entity's financial statements. <remove if not applicable>
  - An overview of the nature of our planned involvement in the work to be performed by the other auditor/other accountant.

## **SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES**

Significant Accounting Policies: The Audit Committee should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the Audit Committee should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform The Audit Committee about such matters. To assist the Audit Committee in its oversight role, we also provide the following.

<b>Accounting Standard</b>	<b>Impact of Adoption</b>
<b><i>GASB Statement No. 83, Certain Asset Retirement Obligations</i></b> This Statement was issued to improve accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.	Adoption of this Statement did not have a material impact on the University's financial position or results of operations.
<b><i>GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements</i></b> This Statement was issued to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt as a liability that arises from a contractual obligation to pay cash or other assets in one or more payments to settle an amount that is fixed as the date the contractual obligation is established. Required debt disclosures include unused lines of credit, assets pledged as collateral for debt, and terms specified in debt	Adoption of this Statement did not have a material impact on the University's financial position or results of operations.

Accounting Standard	Impact of Adoption
agreements (e.g., events of default, termination events, and subjective acceleration clauses). Disclosure requirements also include existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.	
<b>Significant Unusual Transactions.</b>	No such matters noted.
<b>Significant Accounting Policies in Controversial or Emerging Areas.</b>	No such matters noted

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the University's year end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Allowance for Doubtful Accounts and Bad Debt Expense	The allowance for doubtful accounts was determined by management by a process involving consideration of past experiences, current aging information, information from credit reports, contacts with the customers, and other available data including environmental factors such as industry, geographical, economic and political factors.	We tested this accounting estimate by reviewing, on a test basis, the information listed and by testing information in certain customers' credit files.
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management's estimates.
Useful Lives of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the University.	We tested the propriety of information underlying management's estimates.
Accrued Compensated Absences	Accrued compensated absences are estimated based on vacation and sick hours accumulated by each employee and the respective pay rate of each employee.	We tested the propriety of information underlying management's estimates.
Self-Insurance Liability	The self-insurance liability is estimated based upon known claims.	We tested the propriety of information underlying management's estimates.

## **AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES**

We are to discuss with you our comments about the following matters related to the University's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

## **CORRECTED AND UNCORRECTED MISSTATEMENTS**

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There was one corrected misstatement to correct pension and OPEB deferred outflows, deferred inflows and expense to agree to the plan actuarial reports.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements

## OTHER COMMUNICATIONS

Communication Item	Results
<b>Other Information In Documents Containing Audited Financial Statements</b> Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.	We read the Management's Discussion and Analysis of Financial Condition and Results of Operations and noted no material inconsistencies or misstatement of facts in such information based on our reading thereof.
<b>Significant Difficulties Encountered During the Audit</b> We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.	There were no significant difficulties encountered in dealing with management related to the performance of the audit.
<b>Disagreements With Management</b> We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the University's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.
<b>Consultations With Other Accountants</b> If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.	We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.
<b>Representations The Auditor Is Requesting From Management</b> We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
<b>Significant Issues Discussed, or Subject to Correspondence, With Management</b> We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed, or subject to correspondence, with management.
<b>Significant Related Party Findings and Issues</b> We are to communicate to you significant findings and issues arising during the audit in connection with the University's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
<b>Other Findings or Issues We Find Relevant or Significant</b> We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.



We are pleased to serve Eastern Kentucky University as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Regents and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

*Crowe LLP*  
Crowe LLP

Louisville, Kentucky  
October 11, 2019

**Eastern Kentucky University  
Board of Regents  
Audit and Compliance Committee  
Meeting Minutes**

**August 29, 2019**

**O'Donnell Auditorium  
Whitlock Building  
Eastern Kentucky University**

**Call to Order**

Committee Chair Alan Long called the meeting of the Audit and Compliance Committee to order at 1:19 p.m. at the O'Donnell Auditorium, Whitlock Building, Eastern Kentucky University. Committee Chair Long established a quorum was present.

**Committee Members Present**

Alan Long  
Juan Castro  
Laura Babbage  
Bryan Makinen  
Jason Marion  
Lynn Taylor Tye

**Committee Members Absent**

Nancy Collins

**Information Item**

**A. Update on Ethics Hotline Reporting**

Mr. Mark Maier, Associate Counsel, presented an update on the University's Ethics Reporting Hotline to the Board, a copy of which is incorporated herein and will be included with the official copy of the minutes. Mr. Maier also introduced Haley Norberg, the new Policy, Compliance, and Governance Administrator, who will facilitate the hotline moving forward.

**Action Item**

**A. Consent Agenda**

**i. Approval of the June 18, 2019 Audit and Compliance Committee Minutes**

A motion was made by Regent Castro to approve the minutes of the June 18, 2019 meeting of the Audit and Compliance Committee of the Board of Regents. The motion was seconded by Regent Tye. The motion passed by voice vote.

### **New Business**

There was no new business.

### **Adjourn**

Hearing no objection, Committee Chair Long declared the meeting of the Audit and Compliance Committee adjourned at 1:30 p.m.

**EASTERN KENTUCKY UNIVERSITY**  
**REPORT ON AUDIT OF INSTITUTION**  
**OF HIGHER EDUCATION**  
**IN ACCORDANCE WITH UNIFORM GUIDANCE**  
**June 30, 2019**

EASTERN KENTUCKY UNIVERSITY  
REPORT ON AUDIT OF INSTITUTION  
OF HIGHER EDUCATION  
IN ACCORDANCE WITH UNIFORM GUIDANCE  
June 30, 2019

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EASTERN KENTUCKY UNIVERSITY  
REPORT ON AUDIT OF INSTITUTION  
OF HIGHER EDUCATION  
IN ACCORDANCE WITH UNIFORM GUIDANCE  
June 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

Board of Regents  
Eastern Kentucky University and  
The Secretary of Finance and Administration  
Cabinet of the Commonwealth of Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Eastern Kentucky University ("the University" or "University"), a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Eastern Kentucky University Foundation, Inc., which represents the entire discretely presented component unit of the University. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Eastern Kentucky University Foundation, Inc., is based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Eastern Kentucky University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 17, the Schedule of the University's Proportionate Share of the Net Pension Liability on page 92, the Schedule of the University's Pension Contributions on page 93, the Schedule of the University's Proportionate Share of the Net OPEB Liability on page 96, and the Schedule of the University's OPEB Contributions on page 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

  
Crowe LLP

Louisville, Kentucky  
October 11, 2019



## Introduction

Eastern Kentucky University (“EKU” or the “University”) is a public institution of higher learning located in central Kentucky and serving primarily the eastern region of the Commonwealth. Many EKU students are the first in their families to attend college.

EKU is wrapping up the most comprehensive revitalization in its history, with several new residence halls, academic facilities and other buildings opening in recent years or in the near future on the main campus. The University, which also boasts regional campuses in Corbin and Manchester, offers a diverse range of degree programs at the associate, baccalaureate, master’s and doctoral levels. The University’s prominent programs include Aviation, Criminal Justice, Education, Environmental Health Science, Forensic Science, Game Design, Homeland Security, Nursing, Occupational Therapy and PGA Golf Management. The nationally prominent Honors Program consistently leads the nation in the number of student presenters at the National Collegiate Honors Council. The institution offers four doctoral programs: Educational Leadership and Policy Studies, Nursing Practice, Occupational Therapy and Clinical Psychology.

Nearly 90 percent of EKU graduates are Kentucky residents, and 75 percent of the University’s degree holders are employed in Kentucky after graduation, giving EKU the title of “Kentucky’s University.” In Fall 2018, the University welcomed nearly 16,000 students, with a growing number attracted to EKU Online programs, often ranked among the nation’s most affordable. The University’s four-year graduation rate has more than doubled in the last eight years, and recent freshman classes are the best-prepared academically in the institution’s history.

The University has consistently ranked in the top tier of Regional Universities in the South as published by *U.S. News & World Report* for the past nine years. In addition, *Forbes Magazine* has rated Eastern among “America’s Best Colleges” for 11 consecutive years. EKU is home to almost 1,200 military-affiliated students and their dependents and has been ranked no lower than 17<sup>th</sup> nationally seven of the past eight years in the annual “Best for Vets” survey by Military Times *EDGE* magazine.

EKU has also received the Minority Access Diversity Institution Award for seven consecutive years and was the only regional university in Kentucky to receive the 2017 Higher Education Excellence in Diversity (HEED) Award from *Insight into Diversity* magazine. The University also earned national distinction among the “Great Colleges to Work For” five of the last 10 years, according to the annual report on the academic workplace by the *Chronicle of Higher Education*.

The University has generated record amounts of private support in recent years and is well ahead of pace as it enters the public phase of its current comprehensive campaign. EKU has been recognized for five consecutive years for Contributions to the Public Good from *Washington Monthly* magazine and was ranked second by the magazine among public universities in Kentucky in its 2017 “Best Bang for the Buck” survey.

The audited financial statements for the fiscal year 2019 for Eastern Kentucky University, and the statements for the Eastern Kentucky University Foundation, Inc. (the “Foundation”), an affiliated organization and component unit of the University, are included in this report. This section, Management’s Discussion and Analysis (“MD&A”), is intended to provide an overview of the University’s financial position at June 30, 2019, with selected comparative information for the years ended June 30, 2018 and 2017. The MD&A should be read in conjunction with the accompanying financial statements and notes.

## Financial Highlights

At June 30, 2019, Eastern Kentucky University's financial position decreased as reflected in the Statement of Net Position.

- Total assets decreased by \$695 thousand to \$653.2 million at June 30, 2019, compared to \$653.9 million at June 30, 2018. The major factors affecting this include an increase in net capital assets being depreciated of \$69.4 million and an increase in current assets of \$8.2 million, offset by a decrease in capital assets not being depreciated of \$54.3 million and a decrease in restricted cash of \$23.6 million.
- Deferred outflows decreased by \$41.4 million to \$60.3 million at June 30, 2019, compared to \$101.7 million at June 30, 2018. The decrease is attributed to a decrease in deferred outflows related to pensions and OPEB.
- Overall liabilities decreased by \$155.8 million to \$561.0 million at June 30, 2019, compared to a \$716.8 million at June 30, 2018. This decrease is primarily the result of a \$146.2 million decrease in Net Pension and OPEB Liability.
- Deferred inflows increased by \$70.5 million to \$261.9 million at June 30, 2019, compared to \$191.4 million at June 30, 2018. The increase is attributed to an increase in KERS/KTRS pensions.
- Total net position at June 30, 2019 increased \$43.3 million to \$(109.3) million. The greatest factor affecting this increase was a decrease in Net Pension Liability.

## Using the Annual Report

This annual report consists of a series of financial statements that have been prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities*. The financial statements consist of Statements of Net Position as of June 30, 2019 and 2018, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows for the fiscal years then ended. These statements reflect both the financial position of the University as of the end of the 2019 and 2018 fiscal years, as well as the results of operating and nonoperating activities and cash flows. Also included are the financial statements for the Foundation, which are presented in this report in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14*.

## Reporting Entity

The University is a component unit of the Commonwealth of Kentucky (the "Commonwealth").

## Statement of Net Position

The Statement of Net Position provides a snapshot of the financial position of the University at the end of the fiscal year. In this statement, assets and liabilities are segregated into their current and noncurrent components with net position reported as capital, restricted, or unrestricted. Unrestricted net position is further designated for specific purposes as noted in this discussion and in the notes to the financial statements.

**Assets** – Total assets at June 30, 2019, decreased to \$653.1 million compared to \$653.9 million at June 30, 2018.

*Cash and Cash Equivalents* – Total cash and cash equivalents at June 30, 2019, totaled \$85.8 million; \$21.5 million less than the June 30, 2018, level of \$107.3 million. This decrease is attributable primarily to a decrease of restricted cash and cash equivalents of \$23.6 million.

*Investments* – The Foundation holds and manages investments owned by the University. At June 30, 2019, the market value of investments held by the Foundation on behalf of the University was \$20.5 million compared to \$20.1 million at June 30, 2018, an increase of \$357 thousand.

*Capital Assets* – The historical cost, less accumulated depreciation, of the University's capitalized assets was \$513.2 million as of June 30, 2019, a net increase after depreciation of \$15.1 million from the \$498.1 million balance at June 30, 2018. Depreciation expense for the fiscal year totaled \$22.9 million.

*Other Asset Categories* – The balances in the various other asset categories were essentially unchanged at June 30, 2019, compared to June 30, 2018, with the exception of accounts receivable (net of allowance) which increased in total by \$5.5 million; loans to students, which decreased in total by \$43 thousand; and prepaid interest, which increased in total by \$620 thousand.

**Deferred Outflows** – The deferred outflows for the year ended June 30, 2019, totaled \$60.3 million and represent the unamortized deferred refunding balance of bonds, as well as the contributions to the KTRS and KERS pension and KTRS and KERS OPEB. This is a decrease of \$41.4 million under the June 30, 2018 balance of \$101.7 million.

**Liabilities** – Total liabilities at June 30, 2019, were \$561.0 million compared to \$716.8 million at June 30, 2018. This decrease of \$155.8 million is primarily attributable to a decrease in Net Pension and OPEB Liability from fiscal year 2019 of \$146.2 million.

*Bonds Payable and Capital Lease Obligations* – In total, bonds payable and capital lease obligations decreased by \$9 million as of June 30, 2019, compared to June 30, 2018. At June 30, 2019, the total bonds payable and capital lease obligations were \$141.9 million versus \$150.9 million at June 30, 2018. This decrease is attributable to the principal payments made on the bonds.

*Other Liability Categories* – At June 30, 2019, the balances in various other liability categories decreased by \$568 thousand to \$61.5 million compared to \$60.9 million at June 30, 2018. The majority of the balances in this category are comprised of accounts payable, interest payable, payroll/benefits liabilities, external contracts and grants, and unearned revenues associated with tuition and fees billed in June 2019, for summer school classes, as well as unearned revenues associated with the Case Dining Hall agreement.

**Deferred Inflows** – The deferred inflows for the year ended June 30, 2019, totaled \$261.9 million and represent the KTRS and KERS pension, KTRS and KERS OPEB, as well as a Service Concession for Housing projects constructed as part of the P3 initiative on campus. This is an increase of \$70.5 million primarily attributed to KTRS and KERS pension, compared to the June 30, 2018 deferred inflows balance of \$191.4 million.

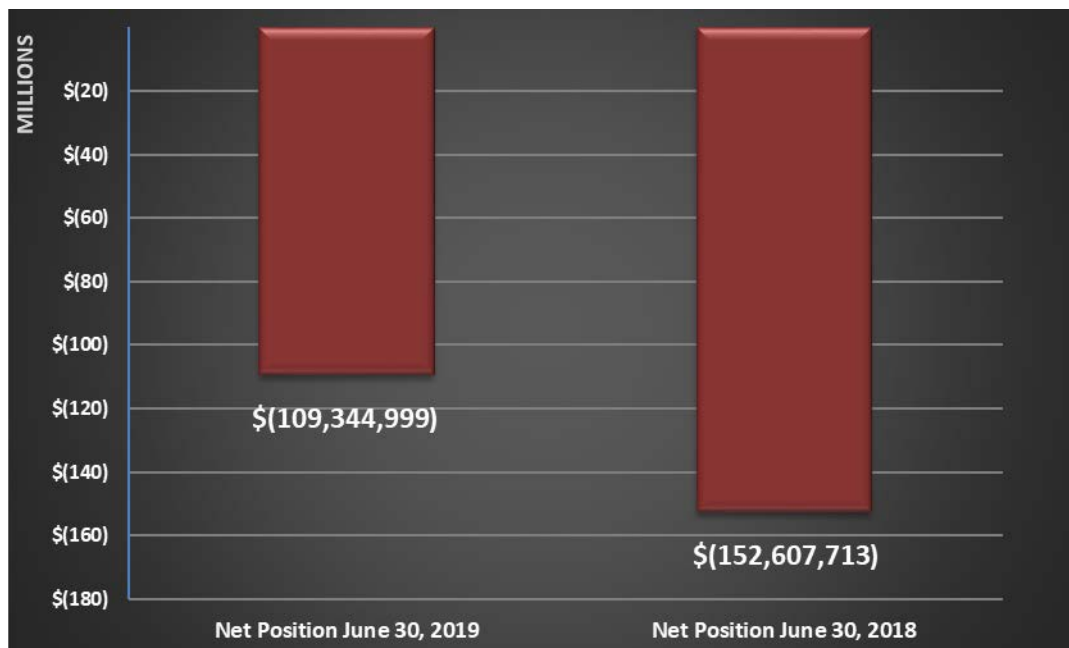
**Net Position** – Total Net Position at June 30, 2019, was \$(109.3) million; an increase of \$43.3 million from June 30, 2018.

*Net Investment in Capital Assets* – Net position invested in capital assets increased by \$28.9 million as of June 30, 2019, to \$264.3 million compared to the June 30, 2018, level of \$235.4 million. The primary contributing factor to this increase was a decrease of Construction in Progress.

*Restricted Net Position* – In total, restricted net position decreased by \$11.2 million to \$74.1 million at June 30, 2019, compared to \$85.3 million at June 30, 2018. The net decrease is primarily attributable to the decrease in restricted expendable for capital projects of \$11.5 million.

*Unrestricted Net Position* – Unrestricted net position increased by \$25.5 million to \$(447.8) million at June 30, 2019, compared to the June 30, 2018 unrestricted net position of \$(473.3) million. This increase is primarily attributable to the KTRS and KERS pension expense adjustments.

The chart below illustrates the net position for the years ended June 30, 2019 and 2018:



## Unrestricted Net Position

A portion of net position is considered unrestricted. The unrestricted net position may be designated for certain uses, but does not have formal governmental, donor, or other restrictions. The balances for unrestricted net position at June 30 are shown below with the respective designations indicated.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Inventories	\$ 273	\$ 278	\$ 267
Outstanding encumbrances	1,250	2,844	3,045
Departmental commitments	9,520	9,832	15,440
Designated projects and contingency reserves	17,092	12,304	6,784
Health care self-insurance reserve	3,000	3,000	3,000
Auxiliary working capital	5,784	4,792	6,065
University capital projects	1,000	11,199	10,106
KTRS Pension	(214,884)	(255,822)	(275,002)
KERS Pension	(206,038)	(197,481)	(166,919)
KTRS OPEB	(27,356)	(27,287)	-
KERS OPEB	<u>(37,430)</u>	<u>(36,999)</u>	<u>-</u>
Total unrestricted net position	<u>\$ (447,789)</u>	<u>\$ (473,340)</u>	<u>\$ (397,214)</u>

The following are the major components reflected in the Statements of Net Position:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Current assets	\$ 75,604	\$ 67,408	\$ 69,021
Capital assets – net	513,190	498,085	471,326
Other noncurrent assets	<u>64,400</u>	<u>88,396</u>	<u>82,680</u>
Total assets	<u>\$ 653,194</u>	<u>\$ 653,889</u>	<u>\$ 623,027</u>
<b>DEFERRED OUTFLOWS</b>			
Unamortized deferred refunding balance	\$ 261	\$ 395	\$ 556
KTRS/KERS Pensions	52,707	91,212	126,261
KTRS/KERS OPEB	<u>7,374</u>	<u>10,133</u>	<u>-</u>
Total deferred outflows	<u>\$ 60,342</u>	<u>\$ 101,740</u>	<u>\$ 126,817</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 43,964	\$ 42,076	\$ 37,851
Noncurrent liabilities	<u>516,991</u>	<u>674,702</u>	<u>688,968</u>
Total liabilities	<u>\$ 560,955</u>	<u>\$ 716,778</u>	<u>\$ 726,819</u>
<b>DEFERRED INFLOWS</b>			
Service Concession - Housing	\$ 66,367	\$ 68,737	\$ 71,108
Other Deferred Inflows	7,390	7,650	5,318
KTRS/KERS Pensions	175,919	113,676	10,816
KTRS/KERS OPEB	<u>12,250</u>	<u>1,396</u>	<u>-</u>
Total deferred inflows	<u>\$ 261,926</u>	<u>\$ 191,459</u>	<u>\$ 87,242</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 264,327	\$ 235,410	\$ 254,001
Restricted – expendable	61,785	72,989	66,663
Restricted – nonexpendable	12,333	12,333	12,333
Unrestricted	<u>(447,789)</u>	<u>(473,340)</u>	<u>(397,214)</u>
Total net position	<u>\$ (109,344)</u>	<u>\$ (152,608)</u>	<u>\$ (64,217)</u>

### Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position reflect the operating, nonoperating, and capital revenues and expenses of the University. The increase in total net position is a result of these activities.

**Operating Results** – As indicated in the Statement of Revenues, Expenses, and Changes in Net Position, there was a net loss of \$70.4 million from operations for the fiscal year ended June 30, 2019, prior to consideration of state appropriations and other net nonoperating revenues. This is compared to a loss of \$128.3 million from operations for the fiscal year ended June 30, 2018.

### Operating Revenues

Below is a summary of operating revenues for fiscal year 2019 as compared to fiscal years 2018 and 2017:

	<u>Year ended June 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tuition and fees	\$ 152,593	\$ 157,426	\$ 155,399
Scholarships and discounts	<u>(64,220)</u>	<u>(64,922)</u>	<u>(60,456)</u>
Net tuition and fees	88,373	92,504	94,943
Grants and contracts	46,418	49,048	50,022
Other revenues	<u>22,840</u>	<u>25,942</u>	<u>20,304</u>
Total education and general fund	157,631	167,494	165,269
Auxiliaries	25,220	25,414	29,209
Scholarships and discounts	<u>(10,480)</u>	<u>(12,610)</u>	<u>(10,581)</u>
Net auxiliaries	<u>14,740</u>	<u>12,804</u>	<u>18,628</u>
Total operating revenues	<u>\$ 172,371</u>	<u>\$ 180,298</u>	<u>\$ 183,897</u>

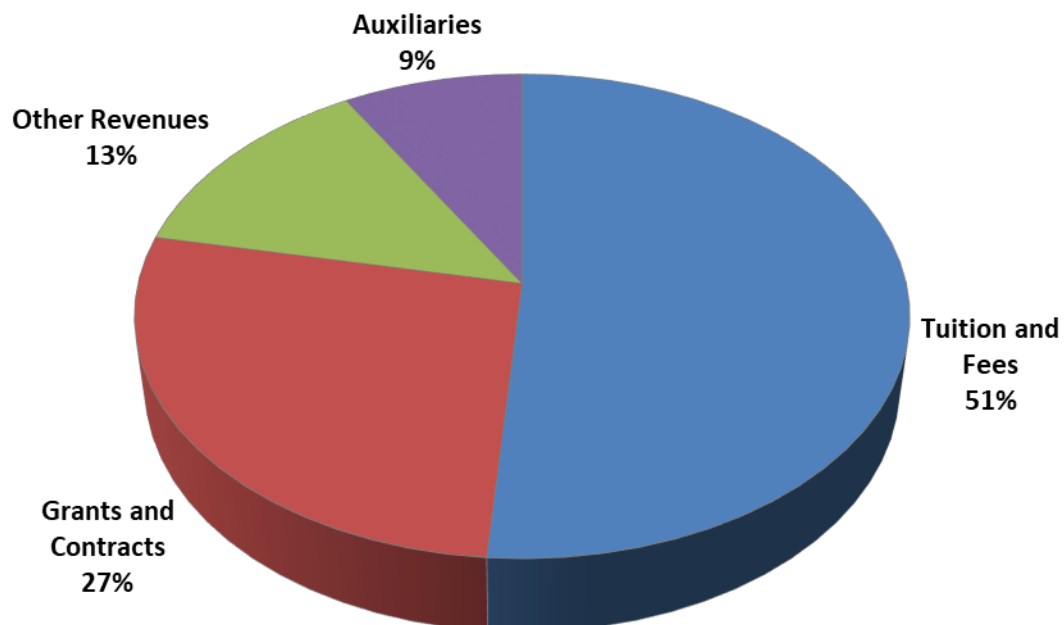
*Tuition and Fees* – Income from student tuition and fee assessments, shown net of the tuition discount, was \$88.3 million for the fiscal year ended June 30, 2019, compared to \$92.5 million for the fiscal year ended June 30, 2018. The decrease of \$4.2 million in net tuition and fees reflects principally a decrease in gross tuition and fee revenue during the year ended June 30, 2019.

*Grants and Contracts* – For the fiscal year ended June 30, 2019, there was \$46.4 million recognized revenue from all grants and contracts compared to \$49.0 million for the year ended June 30, 2018; a decrease of \$2.6 million. Revenues recognized from external grants and contracts can vary significantly from one fiscal year to the next given variations in new awards, awards ending their grant cycle, and amounts recognized for activities occurring in a given year.

*Auxiliaries* – Auxiliary enterprises consist of University functions provided for the academic and physical well-being of students. While these functions are not directly related to providing educational services, they are important for student convenience and support. Like tuition and fees, housing revenues are reported net of scholarships and financial aid that directly offset these costs to students. In the Statements of Revenues, Expenses, and Changes in Net Position, \$14.7 million is reported for net auxiliary revenues for the year ended June 30, 2019, compared to \$12.8 million for the year ended June 30, 2018. The majority of auxiliary revenues for both fiscal years is attributable to student residence hall fees.

*Other Operating Revenues* – Revenues in the various categories that make up other operating revenues can vary widely from year to year when unexpected revenues come into the University. For the fiscal year ended June 30, 2019, total other operating revenues were \$22.8 million compared to \$25.9 million for June 30, 2018, a decrease of \$3.1 million.

#### **Source of Operating Revenues – Fiscal Year 2019**



## Operating Expenses

*Educational and General* – Educational and general expenses are those expenditures associated with both academic instruction and support of the educational mission of the University. These include expenditures related to both operational activities and those activities where funding is restricted for specific purposes, such as external contracts and grants. Educational and general expenditures include instructional costs, expenditures related to public service, academic support services such as libraries, student services including health services and student activities, administrative costs for the University, the maintenance and operation of the University's physical facilities, financial and scholarship expenses not directly related to tuition or housing, and debt service expenditures. For the fiscal year ended June 30, 2019, educational and general expenditures totaled \$254.8 million compared to \$272.5 million for the fiscal year ended June 30, 2018; a decrease of \$17.7 million.

*Auxiliaries* – As indicated above, auxiliary enterprises are essential student service activities that do not directly impact educational and general operations. The total auxiliary expenditures for the year ended June 30, 2019, were \$19.9 million, compared to \$21.8 million for the year ended June 30, 2018.

Below is a summary of operating expenditures for fiscal year 2019, compared to fiscal years 2018 and 2017:

	Year ended June 30,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Instruction, academic support and libraries	\$ 110,017	\$ 117,860	\$ 119,193
Research and public service	42,141	43,985	44,730
Student services	18,424	20,100	21,334
Institutional support and operations and maintenance of plant	45,610	54,865	50,269
Student financial aid	15,482	14,443	15,865
Depreciation	22,919	19,991	18,706
Other operation expenses	<u>228</u>	<u>1,302</u>	<u>1,867</u>
Total educational and general expenses	254,821	272,546	271,964
Auxiliaries	19,860	21,796	20,679
Pension expense adjustments	(32,381)	11,382	42,559
OPEB expense adjustments	<u>500</u>	<u>2,927</u>	<u>-</u>
Total operating expenses	<u>\$ 242,800</u>	<u>\$ 308,651</u>	<u>\$ 335,202</u>

*Instruction, Academic Support, and Libraries* – The total expenditures of these three areas, which directly relate to teaching, academic, and faculty support, decreased \$7.9 million to \$110.0 million for the year ended June 30, 2019, compared to \$117.9 million for the year ended June 30, 2018.

*Research and Public Service* – Expenditures in these categories are primarily related to external contracts and grants activity. These activities can vary significantly from year to year due to both timing of awards and project completions. For the fiscal year ended June 30, 2019, total expenditures related to research and public service was \$42.1 million, compared to \$44.0 million for the fiscal year ended June 30, 2018; a decrease of \$1.9 million.

*Student Services* – Expenditures for student services for fiscal year 2019 decreased by \$1.7 million to \$18.4 million compared to \$20.1 million in fiscal year 2018. The student services function includes expenditures for many activities contributing to student development outside the instructional setting.



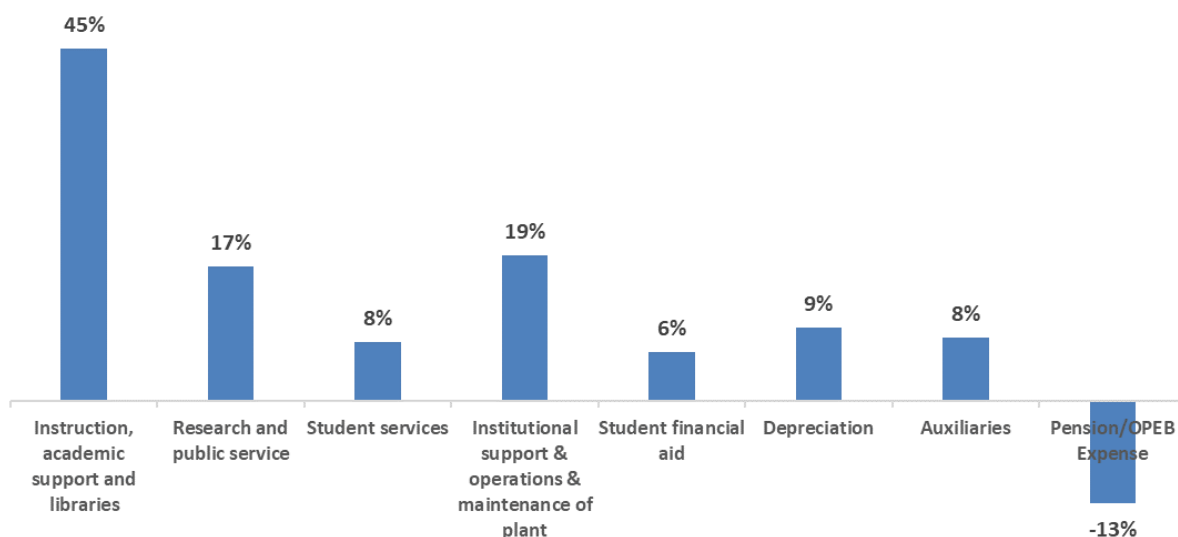
*Institutional Support and Operations and Maintenance of Plant* – These functions provide physical and administrative support for the University and include administrative offices, physical plant operations, noncapital maintenance expenses, utility expenses, technology support, legal, property and liability insurance, and other similar operational support costs. For the fiscal year ended June 30, 2019, the expenditures for these areas totaled \$45.6 million compared to \$54.8 million for the year ended June 30, 2018; a decrease of \$9.2 million.

*Student Financial Aid* – Tuition and fees, as well as certain auxiliary revenues, are shown net of financial aid from all sources directly awarded to fund those respective areas. As a result, the financial aid expense shown on the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal years highlighted is relatively low in relationship to the total amounts expended for financial aid both from governmental sources and institutional sources. For fiscal year 2019, the total financial aid expenditure was \$90.2 million compared to \$92.0 million for fiscal year 2018, a decrease of \$1.8 million as shown in the table on the following page.

*Pension Expense Adjustments* – Upon adoption of GASB Statement No. 68 Accounting and Financial Reporting for Pensions, the University reports Pension Expense on the Statement of Revenues, Expenses, and Changes in Net Position. For the fiscal year ending June 30, 2019, the University recorded \$(32.4) million of Pension Expense Adjustments. This is a \$43.7 million decrease from the fiscal year ending June 30, 2018 Pension Expense Adjustments of \$11.4 million. These expense adjustments do not include actual contributions to the plan.

*OPEB Expense Adjustments* – Upon adoption of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the University reports OPEB Expense on the Statement of Revenues, Expenses, and Changes in Net Position. For the fiscal year ending June 30, 2019, the University recorded \$500 thousand of OPEB Expense Adjustments. For the fiscal year ending June 30, 2018, the University recorded \$2.9 million of OPEB Expense Adjustments. These expense adjustments do not include actual contributions to the plan.

### Major Areas of Operating Expense – Fiscal Year 2019



Net student financial aid reported on the Statement of Revenues, Expenses, and Changes in Net Position reflect the residual financial aid paid directly to the students. The net student financial aid for the year ended June 30, 2019, was \$15.4 million, an increase of \$1.0 million compared to \$14.4 million for the year ended June 30, 2018.

The information below shows the gross dollars associated with financial aid support:

	Year ended June 30,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tuition and fee discount	\$ 64,220	\$ 64,922	\$ 60,456
Auxiliary enterprises discount	10,480	12,610	10,581
Student financial aid expense	<u>15,482</u>	<u>14,443</u>	<u>15,865</u>
Total student financial aid expense	<u>\$ 90,182</u>	<u>\$ 91,975</u>	<u>\$ 86,902</u>

### **Non-Operating Revenues/Expenses**

*State Appropriations* – Funding from state appropriations for operations and debt service for the fiscal year ended June 30, 2019 was \$64.2 million. This was a decrease of \$200 thousand from the prior year ending June 30, 2018 amount of \$64.4 million.

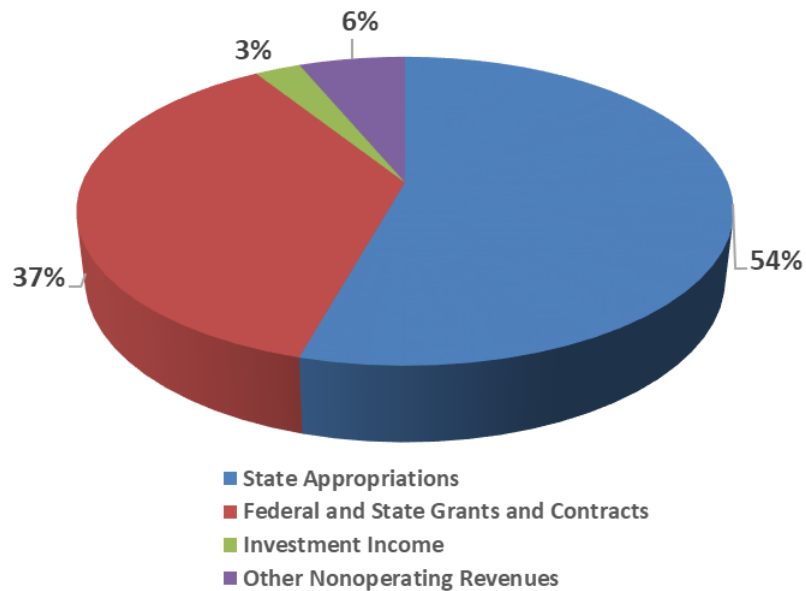
*Investment Income* – Total investment income for the fiscal years ended June 30, 2019 and 2018, was \$3.2 million and \$2.0 million, respectively; an increase of \$1.2 million.

*Federal and State Grants and Contracts* – Total federal and state grant revenue for the fiscal year ended June 30, 2019, was \$43.4 million, compared to \$44.5 million from fiscal year 2018. This was a decrease from prior year revenue of \$1.1 million.

*Other Non-Operating Revenues* – Other non-operating revenues totaled \$7.4 million for the year ended June 30, 2019, a decrease of \$2.4 million compared to \$9.8 million from the prior year ended June 30, 2018.

*Other Non-Operating Expenses* – Other non-operating expenses totaled \$664 thousand for the year ended June 30, 2019, a decrease of \$25.1 million compared to \$25.7 million from the prior year ended June 30, 2018. The decrease in non-operating expenses is primarily due to the transfer of the DOCJT Training Complex to the Department of Criminal Justice Training in the prior fiscal year. The NBV of the buildings at the time of transfer was approximately \$25.0 million.

## Major Sources of Non-Operating Revenues – Fiscal Year 2019



*Capital Support*– For the year ended June 30, 2019, the University received funds from the Commonwealth totaling \$1.1 million for new capital projects, compared to fiscal year 2018 when the University received funds from the Commonwealth totaling \$10.6 million for new capital projects.

	Year ended June 30,		
	2019	2018	2017
Operating revenues	\$ 172,371	\$ 180,299	\$ 183,897
Operating expenses	<u>242,799</u>	<u>308,651</u>	<u>335,202</u>
<b>Operating loss</b>	(70,428)	(128,352)	(151,305)
Nonoperating revenues – net	<u>112,607</u>	<u>90,686</u>	<u>107,043</u>
<b>Gain (loss) before capital appropriations</b>	42,179	(37,666)	(44,262)
Capital appropriations	<u>1,084</u>	<u>10,633</u>	<u>22,898</u>
<b>Change in net position</b>	43,263	(27,033)	(21,364)
Net position – beginning of year	<u>(152,608)</u>	<u>(125,575)</u>	<u>(42,853)</u>
<b>Net position – end of year</b>	<u>\$ (109,345)</u>	<u>\$ (152,608)</u>	<u>\$ (64,217)</u>

## Statements of Cash Flows

The Statements of Cash Flows provides information related to cash sources and uses during the fiscal year. The Statement focuses on three areas: cash generated and utilized from operations; noncapital and capital financing activities; and investing activities. Additionally, there is a reconciliation section in the Statement whereby the net cash used in operations is reconciled to the loss from operations reflected in the Statements of Revenues, Expenses, and Changes in Net Position.

The following is summary information from the Statements of Cash Flows:

	Year ended June 30,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Cash provided by (used in)</b>			
Operating activities	\$ (86,545)	\$ (88,549)	\$ (90,436)
Noncapital financing activities	111,648	108,833	107,525
Capital and related financing activities	(49,374)	(15,265)	13,817
Investing activities	<u>2,837</u>	<u>1,205</u>	<u>212</u>
Net change in cash and cash equivalents	(21,434)	6,224	31,118
Cash and cash equivalents – beginning of year	<u>107,279</u>	<u>101,055</u>	<u>69,937</u>
<b>Cash and cash equivalents – end of year</b>	<u>\$ 85,845</u>	<u>\$ 107,279</u>	<u>\$ 101,055</u>

## Capital Asset and Debt Administration

During fiscal years 2019 and 2018, the following projects were completed by the University:

	Year ended June 30,	
	2019	2018
RCF2145 KY 52 Lancaster Avenue Drainage	\$ 20	\$ -
RCF 2200 Model Gym Bleachers	36	-
Loading Dock / Truck Driveway Center for Arts	38	-
HVAC Controls Upgrade Foster Bldg.	44	-
RCF 2069 Football Laundry Room	58	-
A.B. Carter HVAC upgrade	81	-
RCF 1972 HVAC KSP Digital Forensics Memorial Hall	81	-
RCF 1869 NSB Solar Panel System (Roof)	92	-
RCF 1982 Ramsey Heat Plant Boiler # 4	111	-
RCF 1944 Arlington HVAC	122	-
Stratton Sewer Pump Station	143	-
Martin Parking Lot	174	-
RCF 1858 Robotic Milker Meadowbrook Farm - Grant 50%	397	-
RCF 1793 Clay Hall Chiller	232	-
RCF 1733 Donovan Annex Boiler	294	-
Replace Steam Lines between manholes 35 & 36	388	-
RCF 1604 Summit St Parking Lot (tiered)	498	-
NSB Phase 2 AV/IT Infrastructure	651	-
RCF 1800 Telford Makeup Air Handling Unit	686	-
RCF 1763 Telford Air Handling Units (2) Lobby Area	736	-
RCF 1791 Softball Hitting/Pitching Facility	1,693	-
RCF 1791 Baseball Hitting/Pitching Facility	1,799	-
Renovate/Improve Athletic Facilities – Softball	2,124	-
Renovate/Improve Athletic Facilities – Baseball	5,033	-
RCF 1606 Telford Hall AC Equipment	4,991	-
Renovate/Improve Athletic Facilities – Football	10,165	-
Science Building-Phase 2 and 3	58,816	-
Coates Cooling Tower Unit	-	96
Swine Gestation Barn Upgrade Electrical – Farm	-	19
Ramsey Building Gate/Curtain for Coal Blinds	-	25
RCF 1452 Barnes Mill/Lancaster Rd Traffic Lights – ECU funded	-	38
RCF 1452 Barnes Mill/Lancaster Rd Traffic Lights – Grant funded	-	150
RCF 1575 Moberly Lower Gym	-	1,130
RCF 1631 Perkins Bldg. Natural Gas Generator	-	320
RCF 1652 Roy Kidd Statue	-	109
RCF 1669 Lancaster Rd/Hall Dr Crosswalk – ECU Funded 20%	-	46
RCF 1669 Lancaster Rd/Hall Dr Crosswalk – Grant 453208 Funded 80%	-	176
Arlington IT Infrastructure	-	90
RCF 1821 Baseball/Softball Dugout Renovation	-	44
RCF 1868 Keene Hall ECU Logo Sign	-	31
RCF 1945 Intramural Fields Parking Lot	-	27
New Hall B Construction	-	31,425
New Martin Hall Construction	-	39,683
RCF 1833 McGregor Hall Bathroom Renovations	-	43
Parking Garage	-	6,690
Ashland Addition	-	243
Total	\$ 89,503	\$ 80,385

The following projects were still in process at June 30, 2019:

	Total Expenditures Through <u>June 30, 2019</u>	Estimated Cost to Complete at <u>June 30, 2019</u>
Begley Bldg. Sewer Lift Station	\$ 28	\$ -
Coates Bldg. – Façade Repairs	16	-
RCF 1622 Student Rec & Wellness Center	28,124	11,692
RCF 1623 Powell Bldg. Student Center	16,620	10,180
RCF 1711 Bypass Pedway	472	2,528
RCF 1825 Softball Renov Phase II Build concessions/restrooms	23	-
RCF 1847 Commonwealth 13th Flr Renovation	75	579
Relocate Underground Utilities for Student Rec Center	91	67
Coates Exterior Repairs	27	1,333
RCF 1987 Begley Bldg. Sewer Lift Station	266	34
RCF 1778 Student Rec Center Site Prep (Raze Dupree & Todd Halls)	1,060	-
RCF2153 Telford Hall replace pipes	55	1,202
RCF2145 ECU Roy Kidd Statue Wall	8	162
RCF2140 Model HVAC installation for 3 areas	24	208
Installation for rail system and storage unit at new Student Rec Center	18	41
Design Student Recreation and Wellness Center	<u>184</u>	<u>-</u>
Total	<u>\$ 47,091</u>	<u>\$ 28,026</u>

Long-term debt at June 30, 2019, was \$141.9 million compared to \$150.9 million at June 30, 2018. The \$9.0 million decrease is the result of the decrease to bonds payable for payments of principal owed on bonds in fiscal year 2019.

### **Economic and Other Factors Impacting Future Periods**

The following is a brief discussion of economic and other factors that could have an impact on the University in the future:

- The level of state-appropriated funds received by the University will continue to be a major factor in the future of the University. Presently, state-appropriated funds represent just over one-fourth of the University's education and general budget. The balance of the education and general budget must come from other sources, primarily student tuition revenue. The Council on Postsecondary Education (CPE) determines a ceiling on annual tuition increases at state universities, which may limit the ability of the University to generate additional tuition revenues. Improving the affordability of a college education for our students remains vitally important to Eastern; with every tuition increase, there must be a corresponding focus and analysis of financial aid available to our students.
- The University feels strongly that campus facility improvements will continue to enhance student success. The various facility improvement projects that have taken place over the last several years are part of a larger Center for Student Life initiative, designed to transform the living and learning experience of our students. The new Student Recreation & Wellness Center and the renovated and updated Powell Student Center will come online in fiscal year 2020, and the addition of a pedway across the bypass will round out the major projects in the Center for Student Life initiative.

- The University's top general fund capital construction priorities remain a new Model Laboratory School/College of Education complex and a new aviation facility at the Central Kentucky Regional Airport.
- The Performance Based Funding model has been implemented in Kentucky. Going forward, the University's entire state appropriation will be incorporated into the performance-funding model, with receipt of any/all state funds contingent upon performance. The budgetary and financial challenges presented by placing the University's entire state appropriation into this model are significant.
- Make No Little Plans: A Vision for 2020, the University's Strategic Plan, has been extended for two years through 2022. This strategic plan details priorities related to academic excellence, student success, institutional distinction, financial strength, campus revitalization, and service to communities and region.
- Given the ongoing and often conflicting pressures for revenue generation, the goal of maximizing affordability for our students, and the goal of continually strengthening our core educational mission, the University must continue to seek additional revenue from other sources. Other sources include unrestricted annual gifts, the Eastern Kentucky University Foundation, and funds generated through University research and entrepreneurial activities. The University remains committed to continuing to seek more and better ways to operate as efficiently as possible and continually reduce expenses.
- The Commonwealth's economic health is inextricably linked with the national and international economy. While the current U.S. economic outlook remains healthy, because of the state's current pension obligations the economic forecast for the Commonwealth is more uncertain.

### ***Requests for Information***

This financial report is designed to provide a general overview of Eastern Kentucky University's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Vice President of Finance and Administration, Eastern Kentucky University, Coates CPO 35A, 521 Lancaster Avenue, Richmond, KY 40475.

EASTERN KENTUCKY UNIVERSITY  
STATEMENTS OF NET POSITION  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 45,362,894	\$ 43,191,684
Accounts receivable – net of allowance of \$3,088,023 and \$2,966,658 for 2019 and 2018	28,056,468	22,603,401
Loans to students – net of allowance of \$1,929 and \$1,079 for 2019 and 2018	517,692	560,271
Inventories	272,635	277,519
Prepaid expenses	<u>1,394,689</u>	<u>774,884</u>
Total current assets	<u>75,604,378</u>	<u>67,407,759</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	40,482,070	64,087,717
Investments	20,484,587	20,127,991
Loans to students – net of allowance of \$12,790 and \$8,053 for 2019 and 2018	3,432,987	4,180,269
Capital assets – net of accumulated depreciation of \$287,845,149 and \$265,575,347 for 2019 and 2018	453,602,700	384,186,774
Capital assets not being depreciated	<u>59,587,554</u>	<u>113,898,377</u>
Total noncurrent assets	<u>577,589,898</u>	<u>586,481,128</u>
<b>Total Assets</b>	<u>653,194,276</u>	<u>653,888,887</u>
<b>Deferred Outflows</b>		
Unamortized deferred refunding loss balance	261,364	395,174
KTRS/KERS pension	52,707,203	91,212,421
KTRS/KERS OPEB	<u>7,374,075</u>	<u>10,131,979</u>
Total deferred outflows	<u>60,342,642</u>	<u>101,739,574</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 713,536,918</u>	<u>\$ 755,628,461</u>



EASTERN KENTUCKY UNIVERSITY  
STATEMENTS OF NET POSITION  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 13,263,473	\$ 11,470,068
Accrued interest	956,040	1,177,718
Accrued salaries and benefits	3,936,855	4,554,963
Accrued compensated absences	2,911,260	3,262,392
Payroll withholding payable	911,299	965,405
Refundable deposits	359,378	40,650
Assets held for others	307,057	326,385
Unearned revenue	12,263,541	11,266,483
Bonds payable	9,055,494	9,011,987
Total current liabilities	<u>43,964,397</u>	<u>42,076,051</u>
<b>Noncurrent Liabilities</b>		
Unearned revenue	26,541,935	28,954,838
Bonds payable, noncurrent portion	107,329,565	116,385,059
Leases payable, noncurrent portion	25,500,000	25,500,000
Net pension liability	297,710,091	430,839,830
Net OPEB liability	59,910,311	73,021,894
Total noncurrent liabilities	<u>516,991,902</u>	<u>674,701,621</u>
Total liabilities	<u>560,956,299</u>	<u>716,777,672</u>
<b>Deferred Inflows</b>		
Service concession – housing	66,367,006	68,737,256
Other deferred inflows	7,389,892	7,649,834
KTRS/KERS pension	175,918,887	113,675,739
KTRS/KERS OPEB	12,249,833	1,395,673
Total deferred inflows	<u>261,925,618</u>	<u>191,458,502</u>
<b>Net Position</b>		
Net investment in capital assets	264,326,511	235,409,533
Restricted		
Expendable for capital projects	51,535,636	63,050,460
Expendable for loans to students	4,059,997	4,071,593
Expendable for scholarships	2,863,072	2,925,994
Expendable for institutional support	3,326,390	2,941,937
Unexpendable for permanent endowment	12,332,772	12,332,772
Unrestricted	<u>(447,789,377)</u>	<u>(473,340,002)</u>
Total net position	<u>(109,344,999)</u>	<u>(152,607,713)</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 713,536,918</u>	<u>\$ 755,628,461</u>

EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,453,156	\$ 2,840,864
Pledges receivable – net	477,716	787,163
Cash surrender value of life insurance	172,500	186,807
Total current assets	<u>3,103,372</u>	<u>3,814,834</u>
Noncurrent assets		
Investments	77,692,302	73,209,275
Pledges receivable – net	1,030,016	1,813,529
Property and equipment – net	703,149	717,273
Other noncurrent assets	49,896	50,937
Total noncurrent assets	<u>79,475,363</u>	<u>75,791,014</u>
<b>Total Assets</b>	<u>\$ 82,578,735</u>	<u>\$ 79,605,848</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 24,109	\$ 25,675
Due to University	360,760	222,375
Total current liabilities	<u>384,869</u>	<u>248,050</u>
Noncurrent liabilities		
Deferred gift liabilities	350,743	368,709
Assets held for others	20,484,587	20,127,990
Total noncurrent liabilities	<u>20,835,330</u>	<u>20,496,699</u>
<b>Total Liabilities</b>	<u>21,220,199</u>	<u>20,744,749</u>
Net assets		
Without donor restrictions		
Board designated endowment	4,931,566	7,541,872
Undesignated	869,807	(2,709,592)
Total net assets without donor restrictions	<u>5,801,373</u>	<u>4,832,280</u>
With donor restrictions		
Purpose restrictions	23,991,385	23,381,653
Perpetual in nature	31,565,778	30,647,166
Total net assets with donor restrictions	<u>55,557,163</u>	<u>54,028,819</u>
Total net assets	<u>61,358,536</u>	<u>58,861,099</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 82,578,735</u>	<u>\$ 79,605,848</u>

EASTERN KENTUCKY UNIVERSITY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Tuition and fees – net	\$ 88,373,243	\$ 92,504,337
Federal grants and contracts	25,355,714	23,855,127
State grants and contracts	15,507,689	21,019,232
Nongovernmental grants, contracts, and gifts	5,554,237	4,174,124
Sales and services of educational activities	6,595,893	6,204,504
Auxiliary enterprises – housing	9,321,159	7,640,515
Auxiliary enterprises – other	5,419,193	5,163,675
Other operating revenues	<u>16,243,849</u>	<u>19,737,435</u>
Total operating revenues	<u>172,370,977</u>	<u>180,298,949</u>
<b>OPERATING EXPENSES</b>		
Educational and general		
Instruction	85,330,882	92,786,050
Research	803,691	942,341
Public service	41,337,474	43,043,104
Libraries	3,859,362	4,271,382
Academic support	20,826,355	20,802,536
Student services	18,423,658	20,099,947
Institutional support	22,180,908	28,244,741
Operations and maintenance of plant	23,429,098	26,619,872
Depreciation	17,934,103	16,585,051
Student financial aid	15,481,988	14,443,064
Auxiliary enterprises		
Housing and other auxiliaries	19,859,598	21,795,858
Depreciation	4,984,803	3,406,192
Pension expense adjustments	(32,381,373)	11,382,080
OPEB expense adjustments	500,481	2,926,926
Other operating expenses	<u>228,423</u>	<u>1,301,783</u>
Total operating expenses	<u>242,799,451</u>	<u>308,650,927</u>
<b>Operating loss</b>	(70,428,474)	(128,351,978)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	64,189,000	64,394,700
Federal and state grants and contracts	43,354,141	44,438,024
Investment income	3,193,708	1,965,829
Interest expense	(4,863,988)	(4,266,304)
Other nonoperating revenues	7,399,251	9,880,219
Other nonoperating expenses	<u>(664,478)</u>	<u>(25,726,213)</u>
Net nonoperating revenues	<u>112,607,634</u>	<u>90,686,255</u>
<b>Gain (loss) before capital appropriations</b>	42,179,160	(37,665,723)
Capital appropriations	<u>1,083,554</u>	<u>10,633,377</u>
<b>Change in net position</b>	43,262,714	(27,032,346)
Net position – beginning of year	<u>(152,607,713)</u>	<u>(125,575,367)</u>
<b>Net position – end of year</b>	<u>\$ (109,344,999)</u>	<u>\$ (152,607,713)</u>

EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
Years ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Contributions	\$ 205,401	\$ 2,280,271	\$ 2,485,672	\$ 142,107	\$ 2,959,883	\$ 3,101,990
Income from investments - net of investment expenses of \$208,158 and \$206,555 for 2019 and 2018, respectively	185,997	1,423,973	1,609,970	195,609	1,381,338	1,576,947
Net realized and unrealized gains on investments	286,989	1,901,967	2,188,956	405,075	2,366,665	2,771,740
Other income - net	69,807	27,044	96,851	66,039	19,021	85,060
	748,194	5,633,255	6,381,449	808,830	6,726,907	7,535,737
Net assets released from restrictions	4,104,911	(4,104,911)	-	3,614,437	(3,614,437)	-
Total revenues, gains, and other support	4,853,105	1,528,344	6,381,449	4,423,267	3,112,470	7,535,737
<b>EXPENSES</b>						
Support for the University	3,721,231	-	3,721,231	4,048,970	-	4,048,970
Management and general	162,781	-	162,781	158,857	-	158,857
Total expenses	3,884,012	-	3,884,012	4,207,827	-	4,207,827
Change in net assets	969,093	1,528,344	2,497,437	215,440	3,112,470	3,327,910
Net assets - beginning of year	4,832,280	54,028,819	58,861,099	4,616,840	50,916,349	55,533,189
<b>Net assets - end of year</b>	<b>\$ 5,801,373</b>	<b>\$55,557,163</b>	<b>\$61,358,536</b>	<b>\$ 4,832,280</b>	<b>\$54,028,819</b>	<b>\$58,861,099</b>

EASTERN KENTUCKY UNIVERSITY  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 88,897,316	\$ 93,139,705
Grants, contracts and gifts	41,958,153	50,894,658
Payments to suppliers	(65,546,290)	(68,876,865)
Payments for utilities	(8,078,255)	(8,694,156)
Payments to employees	(121,186,500)	(130,579,764)
Payments for benefits	(41,481,799)	(51,521,697)
Payments to students	(15,332,783)	(12,090,134)
Loans issued to students and employees	(4,335)	(471,243)
Collections of loans to students and employees	794,196	1,003,163
Auxiliary enterprise charges		
Residence halls	8,929,056	7,609,764
Other	5,419,193	5,163,675
Sales and services of educational activities	6,595,893	6,204,504
Other receipts	<u>12,490,983</u>	<u>19,669,879</u>
Net cash used in operating activities	(86,545,172)	(88,548,511)
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	64,189,000	64,394,700
Other nonoperating revenues	<u>47,458,721</u>	<u>44,438,024</u>
Net cash provided by noncapital financing activities	111,647,721	108,832,724
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(34,611,303)	(33,376,626)
Principal paid on bonds payable and capital leases	(8,270,000)	(9,190,000)
Interest paid on bonds payable and capital leases	(7,576,349)	(7,327,568)
Proceeds on issuance of bonds payable	-	21,860,000
State reimbursement of capital lease payments	-	2,136,106
Capital appropriations	<u>1,083,554</u>	<u>10,633,377</u>
Net cash used in capital and related financing activities	(49,374,098)	(15,264,711)
<b>INVESTING ACTIVITIES</b>		
Interest on investments	<u>2,837,112</u>	<u>1,204,611</u>
Net cash provided by investing activities	<u>2,837,112</u>	<u>1,204,611</u>
Increase (decrease) in cash and cash equivalents	(21,434,437)	6,224,113
Cash and cash equivalents – beginning of year	<u>107,279,401</u>	<u>101,055,288</u>
<b>Cash and cash equivalents – end of year</b>	<u>\$ 85,844,964</u>	<u>\$ 107,279,401</u>

EASTERN KENTUCKY UNIVERSITY  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (70,428,474)	\$ (128,351,978)
Depreciation expense	22,918,906	19,991,243
Contributed capital assets	(1,530,000)	-
Changes in operating assets and liabilities		
Accounts receivable – net	(5,453,266)	2,133,051
Loans to students – net	789,861	531,920
Inventories	4,884	(10,104)
Prepaid expenses	(619,805)	228,506
Accounts payable	1,793,405	3,785,350
Accrued liabilities	(1,023,346)	(1,460,868)
Refundable deposits	318,728	(25,450)
Assets held for others	(19,328)	45,178
Unearned revenue	(1,415,845)	275,973
Deferred outflows – KTRS/KERS pension	38,505,218	35,048,169
Deferred outflows – KTRS/KERS OPEB	2,757,904	(6,062,979)
Deferred inflows – KTRS/KERS pension	62,243,148	102,859,295
Deferred inflows – KTRS/KERS OPEB	10,854,160	1,395,673
Net pension liability	(133,129,739)	(126,525,384)
Net OPEB liability	<u>(13,111,583)</u>	<u>7,593,894</u>
Net cash flows used in operating activities	<u>\$ (86,545,172)</u>	<u>\$ (88,548,511)</u>
Supplemental cash flows information		
Capital assets acquired through construction agreements	\$ -	\$ 32,574,192
Capital asset acquisitions in accounts payable	4,528,312	4,469,175
Capital leases payable extinguished (see Note 6)	-	4,410,000
Contributed capital assets	1,530,000	-

## **NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations** – Eastern Kentucky University (the “University”) is a regional, coeducational, public institution of higher education offering general and liberal arts programs, pre-professional and professional training in education and various other fields at both the undergraduate and graduate levels. Located in Richmond, Kentucky, the University has a distinguished record of over eleven decades of educational service to the Commonwealth of Kentucky (the “Commonwealth”).

**Reporting Entity** – The University is a component unit of the Commonwealth and is included in the basic financial statements of the Commonwealth. The University’s financial statements, as defined by Statement No. 14 and amended by Statement No. 61 of the Governmental Accounting Standards Board (“GASB”), include the financial operations and financial position of Eastern Kentucky University Foundation, Inc. (the “Foundation”), which is a corporation formed for educational, charitable and public purposes in accordance with the provisions of KRS 273.010 and a discretely presented component unit of the University. Specifically, it was founded to cooperate with the University and with the Board of Regents of the University (the “Board”) in the promotion of the educational, civic, and charitable purpose of the University and Board in any lawful manner deemed appropriate by the Board. This purpose includes the encouragement of scholarship and research, the promotion of the prestige, expansion, and development of the University, including the development of its physical plant, its faculty and the assistance of its students and alumni. Certain officers of the Foundation are also officers of the University. The Foundation is included in the University’s financial statements as a component unit as it is organized exclusively to benefit the University by generating funding and performing the University’s development activities. The separate financial statements of the Foundation can be obtained by written request to the Eastern Kentucky University Foundation, Jones 324 Coates CPO 19A, 521 Lancaster Avenue, Richmond, Kentucky 40475.

**Basis of Accounting and Presentation** – The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in the preparation of the financial statements. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Investment income and interest expense from government-mandated nonexchange transactions that are not program specific (such as state appropriations) are included in nonoperating revenues and expenses.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in Net Position during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents** – The University considers all liquid investments with original maturities of three months or less to be cash equivalents. Funds held by the Commonwealth are considered cash equivalents and are carried at cost, which approximates market value.

**Restricted Cash and Cash Equivalents** – Restricted cash is restricted for the purchase of capital assets.

## **NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

**Investments and Investment Income** – Investments in equity and debt securities are carried at fair value determined using quoted market prices. Investments in nonnegotiable certificates of deposit, money market accounts, and repurchase agreements are carried at cost, which approximates market value. Amounts due for debt service in the upcoming year represent short-term investments; all other investments are classified as long-term.

The University's investments held with the Foundation are governed by the Foundation's investment policies that determine permissible investments by category. The holdings include U.S. and foreign equity securities as well as alternative investments.

Investment income consists of interest and dividend income, realized gains and the net change for the year in the fair value of investments carried at fair value.

**Accounts Receivable** – Accounts receivable consist primarily of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff and receivables from federal, state and private agencies for grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. Estimated uncollectible amounts are determined by considering a number of factors, including the length of time accounts receivable are past due, previous loss history and the condition of the general economy and the industry as a whole.

**Loans to Students** – The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts.

**Inventories** – Inventories are stated at the lower of cost or market determined on the first-in, first-out method.

**Capital Assets** – Capital assets are recorded at cost at the date of acquisition. Gifts are recorded at acquisition value at the date of donation. The University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expenses are incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the assets; generally, 40 years for buildings, 15–20 years for land improvements, 25 years for infrastructure, 10 years for library books, and 3–15 years for equipment.

Costs incurred during the construction of capital assets are recorded as construction in progress and are not depreciated until placed into service. The University capitalizes interest as a component of capital assets constructed for its own use. Total interest incurred for the years ended June 30, 2019 and 2018 was \$6,486,549 and \$6,385,744, of which \$1,622,562 and \$2,119,440 was capitalized.

**Compensated Absences** – University employees begin to accumulate annual vacation allocations from the beginning date of employment; however, accrued vacation is not granted until three months of employment have been completed. The maximum accumulation of vacation leave is limited to the number of days that can be accumulated in one year, based on the length of service. Employees are paid their accumulated vacation upon termination, subject to certain limitations.



**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

University policy permits most employees to accumulate vacation that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized when vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay in effect and related benefit costs at the Statement of Net Position date.

**Unearned Revenue** – Unearned revenue represents student fees, advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements, and construction costs for a building provided by the University's dining partner.

**Pensions and Other Postemployment Benefits (OPEB)** – For purposes of measuring the net pension and OPEB liabilities, deferred outflows and inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Kentucky Teachers' Retirement system (KTRS) and the Kentucky Employees Retirement System (KERS) and additions to /deductions from KTRS' and KERS' fiduciary net position have been determined on the same basis as they are reported by KTRS and KERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows and Inflows of Resources** – Deferred outflows represent the consumption of resources that are applicable to a future reporting period, but do not require any further exchange of goods or services. Deferred outflows of resources in the University's financial statements consist of the unamortized deferred refunding loss balance and pension and OPEB related unamortized balances. Deferred inflows consist of the KTRS and KERS pension and OPEB related unamortized balances as well as amounts related to service concession arrangements.

**Net Position** – Under the provisions of GASB Statement No. 63, resources of the University are classified for accounting and reporting purposes into the following net position categories:

*Net investment in Capital Assets:* Represents the University's investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to the acquisition, construction, or improvement of those assets.

*Restricted – Expendable:* Represents resources the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Restricted – Unexpendable:* Represents resources the University is legally or contractually obligated to retain in perpetuity.

*Unrestricted:* The unrestricted component of net position represents assets, deferred outflows, liabilities and deferred inflows whose use by the University is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board. Substantially all unrestricted resources are designated for academic and research programs and initiatives, capital projects and operating reserves.

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Operating and Nonoperating Revenues and Expenses** – Operating activities as reported on the Statements of Revenues, Expenses and Changes in Net Position are those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Primarily all of the University's expenses are from exchange transactions. Certain revenue streams are recorded as nonoperating revenues, as required by GASB standards, including state appropriations, federal Pell grant revenue, gifts and investment income. In addition, interest expense is shown as a nonoperating expense.

**Release of Restricted Resources** – When an expense or outlay is incurred for which both restricted and unrestricted resources are available, the University's policy is to allow each departmental unit the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

**Scholarship Discounts and Allowances** – Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees and on housing for the years ended June 30, 2019 and 2018 were \$64,220,071 and \$64,921,885 and \$9,010,668 and \$11,205,680, respectively. Payments made directly to students are presented as student financial aid expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

**Adoption of New Accounting Pronouncements** – During fiscal year 2019, the University adopted the following accounting pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Adoption of these statements did not have a significant impact on the University's financial position or results of operations.

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Recent Accounting Pronouncements** - As of June 30, 2019, the GASB has issued the following statements not yet implemented by the University.

- GASB Statement No. 84, *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB Statement No. 87, *Leases*, effective for periods beginning after December 15, 2019.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.
- GASB Statement No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

The University's management has not yet determined the effect these statements will have on the University's financial statements.

**Income Taxes** – As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code, as amended, and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

**NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT RETURN**

The Commonwealth treasurer requires that all state funds be insured by the Federal Deposit Insurance Corporation ("FDIC"), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations. The University's deposits with the Commonwealth treasurer are pooled with funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Commonwealth treasurer may determine, in the state's name.

The University requires that balances on deposits with financial institutions to be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, in the University's name.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. As a means of limiting its exposure to losses from custodial credit risk, the University's deposits and investments are held by the Commonwealth treasurer, collateralized by securities in the University's name, and insured by the FDIC or in the University's name.

**NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)**

Deposits as of June 30, 2019 and 2018 consisted of:

	<u>2019</u>	<u>2018</u>
Depository accounts		
Local bank deposits – collateral held as a pledge in the University's name	\$ 29,322,789	\$ 36,974,687
Cash on hand	19,489	23,200
State investment pool – uninsured and uncollateralized	<u>56,502,686</u>	<u>70,281,514</u>
Total deposits	<u>\$ 85,844,964</u>	<u>\$ 107,279,401</u>

Deposits at June 30, 2019 and 2018 as presented on the Statement of Net Position include:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 45,362,894	\$ 43,191,684
Restricted cash and cash equivalents	<u>40,482,070</u>	<u>64,087,717</u>
Total deposits	<u>\$ 85,844,964</u>	<u>\$ 107,279,401</u>

Investments at June 30, 2019 and 2018 consisted of:

	<u>2019</u>	<u>2018</u>
Restricted assets held by the Foundation	<u>\$ 20,484,587</u>	<u>\$ 20,127,991</u>
Total investments	<u>\$ 20,484,587</u>	<u>\$ 20,127,991</u>

Investments in U.S. government securities and the collateral for repurchase agreements are registered in the name of Eastern Kentucky University or held in the University's name by its agents and trustees. The University may legally invest in direct obligations of, and other obligations guaranteed as to principal, the U.S. Treasury and U.S. agencies, and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in equity securities.

University investments held by the Eastern Kentucky University Foundation, Inc. are comprised of the Regional University Excellence Trust Fund and Programs of Distinction endowments (see Note 9). Assets held by the Foundation are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

**NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)**

The assets in the Foundation investment pool at June 30, 2019 and 2018 are invested as follows:

	<u>2019</u>	<u>2018</u>
Percentage of pool invested in:		
Cash equivalents – trustee	1%	1%
Registered investment companies equity funds	71	73
Registered investment companies fixed income funds	26	23
Alternative investments	<u>2</u>	<u>3</u>
Total	<u>100%</u>	<u>100%</u>

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. Refer to Note 15 B. for a description of those investments.

The fair value of financial instruments as of June 30, 2019 and 2018 is as follows:

Fair Value Measurements at June 30, Using:				
	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2019</u>				
Eastern Kentucky University Foundation, Inc. Investment fund at net asset value per share	\$ 20,484,587	\$ -	\$ -	\$ -
Total investments	<u>\$ 20,484,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2018</u>				
Eastern Kentucky University Foundation, Inc. Investment fund at net asset value per share	\$ 20,127,991	\$ -	\$ -	\$ -
Total investments	<u>\$ 20,127,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal policy to specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings provide information about the investment's credit risk. The University does not have a formal policy that would limit its investment choices. However, investments are required to be in compliance with Commonwealth statute.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The University does not have a formal policy for concentration of credit risk.

**Investment Income** – Investment income for the years ended June 30, 2019 and 2018 was \$3,193,708 and \$1,965,829, respectively, consisting primarily of an unrealized gains and loss of investments.

## NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of estimated uncollectible amounts and consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Student tuition and fees	\$ 9,448,621	\$ 8,189,494
Auxiliary enterprises	1,488,954	1,096,851
Federal, state and private grants and contracts	18,007,928	13,508,182
Other state agencies	28,198	145,741
Other	<u>2,170,790</u>	<u>2,629,791</u>
Total	31,144,491	25,570,059
Less allowance for uncollectible accounts	<u>(3,088,023)</u>	<u>(2,966,658)</u>
Accounts receivable – net	<u>\$ 28,056,468</u>	<u>\$ 22,603,401</u>

## NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, is as follows:

	Balance - June 30, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	Balance – June 30, <u>2019</u>
Capital assets not being depreciated					
Land	\$ 8,186,328	\$ -	\$ -	\$ -	\$ 8,186,328
Historical treasures and works of art	308,492	1,530,000	-	-	1,838,492
Livestock for educational purposes	391,027	-	(202,479)	-	188,548
Construction in progress	<u>105,012,530</u>	<u>33,884,138</u>	<u>(19,098)</u>	<u>(89,503,384)</u>	<u>49,374,186</u>
Total capital assets not being depreciated	113,898,377	35,414,138	(221,577)	(89,503,384)	59,587,554
Other capital assets					
Land improvements	61,150,086	35,430	-	1,080,909	62,266,425
Buildings	511,990,282	20,125	(744,529)	88,025,890	599,291,768
Leasehold improvements	556,987	-	-	-	556,987
Equipment	29,106,512	1,749,877	(230,144)	396,585	31,022,830
Library books	<u>46,958,254</u>	<u>1,433,625</u>	<u>(82,040)</u>	<u>-</u>	<u>48,309,839</u>
Total other capital assets	649,762,121	3,239,057	(1,056,713)	89,503,384	741,447,849
Less accumulated depreciation for					
Land improvements	(34,430,988)	(3,431,183)	-	-	(37,862,171)
Buildings	(169,885,220)	(15,978,826)	338,890	-	(185,525,156)
Leasehold improvements	(510,690)	(12,558)	-	-	(523,248)
Equipment	(20,577,277)	(2,161,683)	228,174	-	(22,510,786)
Library books	<u>(40,171,172)</u>	<u>(1,334,656)</u>	<u>82,040</u>	<u>-</u>	<u>(41,423,788)</u>
Total accumulated depreciation	<u>(265,575,347)</u>	<u>(22,918,906)</u>	<u>649,104</u>	<u>-</u>	<u>(287,845,149)</u>
Other capital assets – net	<u>384,186,774</u>	<u>(19,679,849)</u>	<u>(407,609)</u>	<u>89,503,384</u>	<u>453,602,700</u>
Total capital assets – net	<u>\$498,085,151</u>	<u>\$ 15,734,289</u>	<u>\$ (629,186)</u>	<u>\$ -</u>	<u>\$513,190,254</u>

**NOTE 4 – CAPITAL ASSETS (Continued)**

Capital assets activity for the year ended June 30, 2018, is as follows:

	Balance - June 30, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	Balance – June 30, <u>2018</u>
Capital assets not being depreciated					
Land	\$ 8,186,328	\$ -	\$ -	\$ -	\$ 8,186,328
Historical treasures and works of art	183,117	16,019	-	109,356	308,492
Livestock for educational purposes	531,300	-	(140,273)	-	391,027
Construction in progress	<u>150,669,312</u>	<u>34,727,831</u>	<u>-</u>	<u>(80,384,613)</u>	<u>105,012,530</u>
Total capital assets not being depreciated	159,570,057	34,743,850	(140,273)	(80,275,257)	113,898,377
Other capital assets					
Land improvements	61,123,486	-	-	26,600	61,150,086
Buildings	441,228,378	32,686,296	(42,173,049)	80,248,657	511,990,282
Leasehold improvements	556,987	-	-	-	556,987
Equipment	27,929,117	3,470,846	(2,293,451)	-	29,106,512
Library books	<u>45,672,231</u>	<u>1,466,897</u>	<u>(180,874)</u>	<u>-</u>	<u>46,958,254</u>
Total other capital assets	576,510,199	37,624,039	(44,647,374)	80,275,257	649,762,121
Less accumulated depreciation for					
Land improvements	(30,900,641)	(3,530,347)	-	-	(34,430,988)
Buildings	(173,481,899)	(13,187,754)	16,784,433	-	(169,885,220)
Leasehold improvements	(484,109)	(26,581)	-	-	(510,690)
Equipment	(20,853,836)	(1,928,368)	2,204,927	-	(20,577,277)
Library books	<u>(39,033,853)</u>	<u>(1,318,193)</u>	<u>180,874</u>	<u>-</u>	<u>(40,171,172)</u>
Total accumulated depreciation	<u>(264,754,338)</u>	<u>(19,991,243)</u>	<u>19,170,234</u>	<u>-</u>	<u>(265,575,347)</u>
Other capital assets – net	<u>311,755,861</u>	<u>17,632,796</u>	<u>(25,477,140)</u>	<u>80,275,257</u>	<u>384,186,774</u>
Total capital assets – net	<u>\$471,325,918</u>	<u>\$ 52,376,646</u>	<u>\$ (25,617,413)</u>	<u>\$ -</u>	<u>\$498,085,151</u>

**NOTE 5 – UNEARNED REVENUE**

Unearned revenue as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Unearned summer school revenue and activity fees	\$ 4,997,904	\$ 3,335,869
Unearned grants and contracts revenue, current	7,265,637	7,930,614
Unearned grants and contracts revenue, noncurrent	<u>26,541,935</u>	<u>28,954,838</u>
Total	<u>\$ 38,805,476</u>	<u>\$ 40,221,321</u>



## NOTE 6 – BONDS PAYABLE AND CAPITAL LEASE OBLIGATIONS

Long-term liabilities as of June 30, 2019, and long-term activity for the year ended June 30, 2019 are summarized as follows:

	Balance - July 1, 2018	Additions	Reductions	Refunding	Balance - June 30, 2019	Balance Due Within One Year
Revenue bonds payable	\$102,055,000	\$ -	\$(4,505,000)	\$ -	\$ 97,550,000	\$ 4,375,000
General receipts refunding bonds	17,770,000	-	(3,765,000)	-	14,005,000	4,030,000
Capitalized lease obligations	25,500,000	-	-	-	25,500,000	-
Unamortized bond premium	<u>5,572,046</u>	<u>-</u>	<u>(741,987)</u>	<u>-</u>	<u>4,830,059</u>	<u>650,494</u>
	<u>\$150,897,046</u>	<u>\$ -</u>	<u>\$(9,011,987)</u>	<u>\$ -</u>	<u>\$141,885,059</u>	<u>\$ 9,055,494</u>

Long-term liabilities as of June 30, 2018, and long-term activity for the year ended June 30, 2018 are summarized as follows:

	Balance - July 1, 2017	Additions	Reductions	Refunding	Balance - June 30, 2018	Balance Due Within One Year
Revenue bonds payable	\$ 84,360,000	\$21,860,000	\$(4,165,000)	\$ -	\$102,055,000	\$ 4,505,000
General receipts refunding bonds	20,950,000	-	(3,180,000)	-	17,770,000	3,765,000
Capitalized lease obligations	31,755,000	-	(6,255,000)	-	25,500,000	-
Unamortized bond premium	<u>4,390,392</u>	<u>1,926,283</u>	<u>(744,629)</u>	<u>-</u>	<u>5,572,046</u>	<u>741,987</u>
	<u>\$141,455,392</u>	<u>\$23,786,283</u>	<u>\$(14,344,629)</u>	<u>\$ -</u>	<u>\$150,897,046</u>	<u>\$ 9,011,987</u>

**General Receipts Revenue Bonds** – On August 2, 2007, the University sold \$12,920,000 of Eastern Kentucky University General Receipts and Refunding Bonds, Series 2007A, with a net interest rate of 4.41%. The proceeds of this bond issue provided funding for the renovation of the Sidney Clay Residence Hall and the refunding of the Eastern Kentucky University Housing System Revenue Bonds. The bonds mature in varying amounts through May 1, 2027. All of the revenues of the University, except federal and state grants and contracts, RUETF endowment matching grants, POD endowment, capital appropriations, and federal capital support are pledged for debt service on these bonds. During fiscal years 2019 and 2018, \$105,000 and \$525,000 of principal and \$4,463 and \$26,512 of interest were paid on the bonds. Total outstanding principal at June 30, 2019 and 2018 was \$0 and \$105,000, respectively. These bonds were partially refunded during fiscal year 2017. See Series 2016A paragraph in this footnote.

On April 1, 2009, the University sold \$12,095,000 of Eastern Kentucky University General Receipt Bonds, Series 2009A, at a net interest cost of 3.98%. The proceeds of this bond issue provided funding for the renovation of the Walters Residence Hall and the construction of intramural fields. The bonds mature in varying amounts through May 1, 2028. During fiscal years 2019 and 2018, \$730,000 and \$705,000 of principal and \$256,979 and \$281,654, respectively, of interest were paid on the bonds. Total outstanding principal at June 30, 2019 and 2018 was \$5,700,000 and \$6,430,000, respectively.

## **NOTE 6 – BONDS PAYABLE AND CAPITAL LEASE OBLIGATIONS (Continued)**

On December 8, 2011, the University sold \$21,480,000 of Eastern Kentucky University General Receipt Bonds, Series 2011A, at a net interest cost of 3.74%. The proceeds of this bond issue provided funding for a new residence hall. The bonds mature in varying amounts through October 1, 2031. During fiscal years 2019 and 2018, \$930,000 and \$910,000 of principal and \$568,750 and \$591,750, respectively, of interest were paid on the bonds. Total outstanding principal at June 30, 2019 and 2018 was \$15,365,000 and \$16,295,000, respectively.

On July 3, 2012, the University sold \$27,700,000 of Eastern Kentucky University General Receipts Refunding Bonds, 2012 Series A bonds, at an effective interest rate of 3.49% to advance refund Consolidated Education Revenue Bonds Series V (June 1, 2004, which refinanced outstanding Housing Revenue Series bonds and provided additional funding for the replacement of the campus underground electrical system) of \$8,790,000 and a master lease (September 25, 2008 for an energy savings performance contract) of \$21,863,227. The 2012 Series A bond agreement includes certain covenants and guidelines related to the University's indebtedness.

The net proceeds of \$31,350,000 (including the Original Issuer's Premium) of the 2012 Series A Bonds were used (after payment of underwriting fees, insurance, and other issuance costs) to purchase U.S. government securities. Those securities were deposited to an irrevocable trust with an escrow agent to provide for all future debt service payments on those Series V bonds and the energy savings lease. As a result, the Series V bonds and energy savings lease are considered to be defeased and the liabilities for these obligations have been removed from the statement of Net Position. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,407,906. This difference, reported under GASB 65 (see Note 1) as a deferred outflow, is being charged to operations through the year 2024 using the effective-interest method. The University completed the advance refunding to reduce its total debt service payments over the next 12 years. The resulting savings on a present value basis is approximately \$2.35 million.

During fiscal years 2019 and 2018, \$2,880,000 and \$2,745,000 of principal and \$626,000 and \$763,250 of interest were paid on the bonds. The outstanding principal at June 30, 2019 and 2018 is \$9,640,000 and \$12,520,000, respectively.

On April 7, 2015, the University sold \$14,280,000 of Eastern Kentucky University General Receipt Bonds, Series 2015A, at a net interest cost of 3.26%. The proceeds of this bond issue provided funding for various athletic projects. The bonds mature in varying amounts through April 1, 2035. During fiscal years 2019 and 2018, \$545,000 and \$525,000 of principal and \$477,194 and \$498,194 of interest were paid on the bonds. Total outstanding principal at June 30, 2019 and 2018 was \$12,180,000 and \$12,725,000, respectively.

On March 2, 2016, the University sold \$5,825,000 of Eastern Kentucky University General Receipt Bonds, Series 2016A, at a net interest cost of 2.15% to refund a portion of the 2007 Series A Bonds (August 2, 2007, which refinanced outstanding Housing Revenue Series bonds).

The refunding resulted in a gross savings between the reacquisition price and the net carrying amount of the old debt. The University completed the refunding to reduce its total debt service payments over the next 11 years. The resulting savings on a present value basis is approximately \$438,507. As of June 30, 2019, the refinanced bonds had been defeased. The University has removed the defeased amount from its accounts. This refunding was a noncash transaction and therefore is excluded from the statement of cash flows.

## NOTE 6 – BONDS PAYABLE AND CAPITAL LEASE OBLIGATIONS (Continued)

During fiscal years 2019 and 2018, \$885,000 and \$435,000 of principal and \$113,638 and \$122,338, respectively, of interest were paid on the bonds. Total outstanding principal at June 30, 2019 and 2018 was \$4,365,000 and \$5,250,000, respectively.

On April 5, 2017, the University sold \$46,140,000 of Eastern Kentucky University General Receipt Bonds, Series 2017A, at an adjusted true interest cost of 3.43%. The bonds mature in varying amounts through April 1, 2037. During fiscal years 2019 and 2018, \$1,520,000 and \$1,500,000 of principal and \$1,841,906 and \$1,863,659, respectively, of interest were paid on the bonds. Total outstanding principal at June 30, 2019 and 2018 was \$43,120,000 and \$44,640,000, respectively.

On January 23, 2018, the University sold \$21,860,000 of Eastern Kentucky University General Receipt Bonds, Series 2018A, at an adjusted true interest cost of 3.03%. The bonds mature in varying amounts through October 1, 2037. During fiscal years 2019 and 2018, \$675,000 and \$0 of principal and \$898,788 and \$155,154 of interest were paid on the bonds. Total outstanding principal at June 30, 2019 and 2018 was \$21,185,000 and \$21,860,000, respectively.

The proceeds of the Eastern Kentucky University General Receipt Bonds, Series 2017A and Series 2018A, provide funding for the project listed in the Budget Act *Construct Student Life Facilities*. The project includes (i) the construction of a new student recreation facility with a fitness center and other amenities, (ii) the construction of a pedway over the Robert Martin Bypass connecting north and south campus, and (iii) renovations of the Powell Student Union building.

**Capital Lease Obligations** – The University has capitalized certain buildings and equipment under various capital lease agreements. In June 2000, the University entered into a financing/lease agreement with the Commonwealth of Kentucky State Property and Buildings Commission to finance the Law Enforcement Basic Training Complex (“Project #66”) in the amount of \$20,350,000. During the 2002 fiscal year, the University entered into a second financing/lease agreement to finance the Law Enforcement Physical Skills Training Facility (“Project #75”) in the amount of \$7,075,000. In October 2003, the University entered into a \$12,990,000 lease agreement with the Commonwealth of Kentucky State Property and Buildings Commission (“Project #80”), the proceeds of which were used primarily to retire \$12,655,000 in lease payments due on the Project #66 lease agreement. During fiscal year 2018, all the capital lease agreements with the Commonwealth of Kentucky State Property and Buildings Commission were retired, and the State assumed ownership of the associated buildings and related debt.

During fiscal year 2016, the University modified the previous Grand Campus lease as part of a value-added benefit for the public private partnership residence hall project. The lease is extended to a total of 31.5 years with lease payments totaling \$115,580,549 over that period, with the University taking ownership at the end of the term. Grand Campus is an approximately 16-acre property adjacent to campus that holds 2 separate student housing dormitories containing a total of 512 bedrooms. The dormitories also have separate bathrooms, common areas, swimming pool, clubhouse, and parking lot among other amenities.

During fiscal years 2019 and 2018, \$0 and \$1,845,000 of principal and \$2,788,631 and \$3,025,058, respectively, of interest were paid on the capital leases.

**NOTE 6 – BONDS PAYABLE AND CAPITAL LEASE OBLIGATIONS (Continued)**

The principal maturities and interest repayment requirements on bonds and capital leases are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,055,494	\$ 7,281,227	\$ 16,336,721
2021	9,059,440	6,978,565	16,038,005
2022	7,723,436	6,665,741	14,389,177
2023	6,503,540	6,409,902	12,913,442
2024	6,724,704	6,206,272	12,930,976
2025-2029	31,458,456	27,944,744	59,403,200
2030-2034	30,297,350	22,842,287	53,139,637
2035-2039	21,015,344	16,464,451	37,479,795
2040-2044	9,743,251	12,252,319	21,995,570
2045-2048	<u>10,304,044</u>	<u>5,209,415</u>	<u>15,513,459</u>
	<u>\$ 141,885,059</u>	<u>\$ 118,254,923</u>	<u>\$ 260,139,982</u>

Assets under capital leases at original cost totaled \$25,500,000 with accumulated depreciation of \$3,134,375 and \$2,496,875 at June 30, 2019 and 2018, respectively. This includes only Grand Campus Properties.

**NOTE 7 – SERVICE CONCESSION ARRANGEMENT**

On February 8, 2016, the University entered into an agreement with a third party that qualifies for treatment as a service concession arrangement as defined in GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Under the terms of the agreement, the University leases land to the third party and the third party constructed student housing, whereby the University is the owner of the constructed building with no obligation for construction costs. Once construction of the building was complete and ready for use, the University leased it back to the third party and entered into a manage and maintain agreement for cost and revenue sharing. Due to the age and condition of the current housing stock, the University entered the agreement with the expectation of attracting more students and to retain current students. The buildings were completed in July 2017 and recorded as a capital asset with a book value of \$71,107,507, and a useful life of 40 years. As of June 30, 2019 and 2018, the buildings had a net book value of \$67,700,272 and \$69,477,959 and the service concession had a carrying balance of \$66,367,006 and \$68,737,256, respectively.

## NOTE 8 – DESIGNATIONS OF UNRESTRICTED NET POSITION

Unrestricted net position is designated for specific purposes by action of the Board or University management or may otherwise be limited by contractual agreements. Commitments for the use of unrestricted net position at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Inventories	\$ 272,635	\$ 277,519
Outstanding encumbrances	1,249,663	2,844,019
Departmental commitments	9,520,386	9,832,474
Designated projects and contingency reserves	17,091,863	12,303,660
Health care self-insurance reserve	3,000,000	3,000,000
Auxiliary working capital	5,783,919	4,792,254
University capital projects	1,000,000	11,198,807
KTRS Pension	(214,884,106)	(255,821,928)
KERS Pension	(206,037,668)	(197,481,219)
KTRS OPEB	(27,355,982)	(27,286,719)
KERS OPEB	<u>(37,430,087)</u>	<u>(36,998,869)</u>
Total	<u>\$ (447,789,377)</u>	<u>\$ (473,340,002)</u>

## NOTE 9 – ASSETS HELD BY OTHERS

The Regional University Excellence Trust Fund ("RUETF") was created by the Kentucky General Assembly with the passage of the Postsecondary Education Improvement Act of 1997 ("House Bill 1"). The RUETF Endowment Match Program, also known as "Bucks for Brains", provides state funds on a dollar-for-dollar match basis. Funds are endowed for the purposes of supporting endowed chairs and professorships. House Bill 1 also established two Eastern Kentucky University endowments for the support of nationally recognized Programs of Distinction ("PODs") for the College of Justice and Safety and for potential future additional Programs of Distinction. The College of Justice and Safety POD was liquidated in 2010 to fund an addition to the Stratton Building.

The total fair market value of the Eastern Kentucky University RUETF and POD endowment as of June 30, 2019 and 2018 was \$20,484,587 and \$20,127,991, respectively.

The portion of the RUETF endowment representing the value of the funding received from the Kentucky General Assembly, plus unexpended earnings thereon, was \$18,522,233 and \$18,200,703 as of June 30, 2019 and 2018, respectively, and is included in restricted assets held by the Foundation (see Note 2).

The fair market value of the Eastern Kentucky University POD endowments as of June 30, 2019 and 2018 was \$1,962,354 and \$1,927,288, respectively, and is included in restricted assets held by the Foundation (see Note 2).

#### NOTE 10 – RELATED-PARTY TRANSACTIONS

The University and the Foundation are related parties. The University authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the University. In addition, the Foundation incurs expenses for salaries of certain University staff; however, the salaries are paid by the University.

	<u>2019</u>	<u>2018</u>
Funds disbursed by the University on behalf of the Foundation:		
For employee salaries and benefits	\$ 209,778	\$ 122,591
For scholarships	1,322,952	1,345,200
Funds held by the Foundation on behalf of or for the benefit of the University as of June 30	20,484,587	20,127,991
Funds due to the University by the Foundation	314,827	222,375

#### NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

##### Kentucky Teachers' Retirement System

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

KTRS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the pension plan's fiduciary net position. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601, by calling (502) 573-3266, or visiting the website at <https://trs.ky.gov/>.

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

## NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

### Pension Plan Information

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

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

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

**Contributions** - Benefit and contribution rates are established by state statute. Per Kentucky Revised Statutes 161.540, 161.550 and 161.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KTRS Board. For the fiscal year ended June 30, 2018 and 2017, University employees were required to contribute 7.625% of their annual covered salary for retirement benefits. The University was contractually required to contribute 15.87% (14.06% allocated to pension, 1.78% allocated to medical insurance and .03% allocated to life insurance) of covered payroll for the fiscal years ended June 30, 2019 and 2018. The actuarially determined amount, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The University has met 100% of the contribution funding requirement for the fiscal years ended June 30, 2019 and 2018. Total current year contributions recognized by the Plan were \$8,394,108 (\$7,148,090 related to pension and \$1,245,861 related to OPEB) for the year ended June 30, 2019. The OPEB contributions amount does not include the implicit subsidy. In addition, the Commonwealth of Kentucky contributes ad hoc annual cost of living adjustments provided by the General Assembly for KTRS retirees. This contribution totaled \$6,567,954 for the year ended June 30, 2019.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions** - At June 30, 2019 and 2018, the University reported a liability for its proportionate share of the net pension liability that reflected a reduction for pension support provided to the University by the Commonwealth of Kentucky. The amount recognized by the University as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the University were as follows:

	<u>2019</u>	<u>2018</u>
University's proportionate share of the net pension liability	\$ 97,174,796	\$ 193,364,393
Commonwealth of Kentucky's proportionate share of the net pension liability associated with the University	<u>72,297,288</u>	<u>154,107,781</u>
	<u>\$ 169,472,084</u>	<u>\$ 347,472,174</u>

The net pension liability was measured as of June 30, 2018 and 2017. The University's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period. At June 30, 2019 and 2018, University's proportion was 0.71% and 0.68%, respectively, and the Commonwealth of Kentucky's proportion associated with the University was .53% and 0.55%, respectively.



**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

For the year ended June 30, 2019 and 2018, the University was allocated pension expense of \$(41,831,851) and \$(530,192) and revenue of \$8,410,279 and \$9,832,747, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2019</u>		
Net difference between projected and actual earnings on investments	\$ -	\$ 2,401,876
Change in assumptions	16,369,882	77,539,941
Differences between expected and actual experience	787,688	9,792,591
Changes in proportionate share of contributions	<u>8,797,787</u>	<u>61,078,507</u>
	25,955,357	150,812,915
Contributions subsequent to the measurement date	<u>7,148,247</u>	<u>-</u>
	<u>\$ 33,103,604</u>	<u>\$ 150,812,915</u>
<u>2018</u>		
Net difference between projected and actual earnings on investments	\$ -	\$ 1,496,101
Change in assumptions	23,940,619	13,423,668
Differences between expected and actual experience	1,114,890	4,089,520
Changes in proportionate share of contributions	<u>10,466,077</u>	<u>87,634,380</u>
	35,521,586	106,643,669
Contributions subsequent to the measurement date	<u>8,612,279</u>	<u>-</u>
	<u>\$ 44,133,865</u>	<u>\$ 106,643,669</u>

At June 30, 2019, the University reported \$7,148,247 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the following fiscal year. Deferred outflows and deferred inflows of resources at June 30, 2019, related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (40,976,655)
2021	(44,752,171)
2022	(29,973,611)
2023	<u>(9,155,121)</u>
	<u>\$ (124,857,558)</u>

# **NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

**Actuarial assumptions** - The total pension liability was determined by actuarial valuations as of June 30, 2017 and 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017 and 2016
Inflation	3.00%
Salary increases	3.50% - 7.30%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Municipal bond index rate	3.89% and 3.56%
Single equivalent interest rate	7.50% and 4.49%

The rates of mortality for the period after service retirement are according to the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward 2 years for males and 1 year for females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015 adopted by the KTRS Board on November 19, 2016.

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

<u>Asset Class</u>	<u>June 30, 2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
U.S. Equity	40%	4.2%
Non U.S. Equity	22%	5.2%
Fixed Income	15%	1.2%
Additional Categories*	8%	3.3%
Real Estate	6%	3.8%
Private Equity	7%	6.3%
Cash	<u>2%</u>	0.9%
Total	<u>100.0%</u>	

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

Asset Class	June 30, 2017	
	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	42.0%	4.4%
Non U.S. Equity	20.0	5.3
Fixed Income	16.0	1.5
Additional Categories*	9.0	3.6
Real Estate	5.0	4.4
Private Equity	6.0	6.7
Cash	2.0	0.8
Total	100.0%	

\*Includes hedge funds, high yield and non U.S. developed bonds

**Changes in Assumptions and Benefit Terms Since Prior Measurement Date** – The total pension liability as of June 30, 2018 and 2017 reflects the assumed municipal bond index rate increase from 3.56% to 3.89%, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.49% to 7.50%. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2018. The total pension liability as of June 30, 2017 reflects the assumed municipal bond index rate increase from 3.01% to 3.56%, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.20% to 4.49%. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2017. Based on those assumptions, at the June 30, 2017 measurement date, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2037. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability (TPL).

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

**Discount rate** - The discount rate used to measure the total pension liability was 7.50% and 4.49% at June 30, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at the actuarially determined contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The total pension liability as of June 30, 2018 reflects that the assumed municipal bond index rate increased from 3.56% to 3.89%, resulting in a change in the SEIR from 4.49% to 7.50%. The impact of this change in the discount rate is a change in assumptions that is added to the expected total pension liability to determine the final total pension liability as of June 30, 2018.

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS** (Continued)

***Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate*** - The following tables present the net pension liability of the University as of June 30, 2019 and 2018, calculated using the discount rate, as well as what the University's net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the Collective Net Pension Liability ( <i>in thousands</i> )	\$ 124,568	\$ 97,175	\$ 74,138

	June 30, 2018		
	1% Decrease (3.49)	Current Discount Rate (4.49%)	1% Increase (5.49%)
Proportionate share of the Collective Net Pension Liability ( <i>in thousands</i> )	\$ 239,691	\$ 193,364	\$ 155,342

**Medical Insurance Plan**

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

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

***Contributions*** - In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three-quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. For the years ended June 30, 2019 and 2018, the University contributed \$1,230,145 and \$1,512,099 to the KTRS medical insurance plan.

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows***

***of Resources Related to OPEBs*** - At June 30, 2019 and 2018, the University reported a liability of \$25,293,000 and \$28,232,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the University. The collective net OPEB liability was measured as of June 30, 2018 and 2017. The University's proportion of the net OPEB liability was based on actual contributions to the OPEB plan during the measurement period. At June 30, 2018 and 2017, the University's proportion was .73% and .79% and the Commonwealth of Kentucky's proportion associated with the University was .36% for both years.

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

	<u>2019</u>	<u>2018</u>
University's proportionate share of the net OPEB liability	\$ 25,293,000	\$ 28,232,000
State's proportionate share of the net OPEB liability associated with the University	<u>12,379,000</u>	<u>12,803,000</u>
Total	<u>\$ 37,672,000</u>	<u>\$ 41,035,000</u>

For the year ended June 30, 2019 and 2018, the University was allocated OPEB expense of \$1,892,000 and \$2,670,000 and revenue of \$869,000 and \$833,000 for support provided by the State. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2019</u>		
Difference between expected and actual experience	\$ -	\$ 1,296,000
Changes of assumptions	348,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	103,000
Changes in proportion and differences between University contributions and proportionate share of contributions	<u>-</u>	<u>1,904,000</u>
	348,000	3,303,000
University contributions subsequent to the measurement date	<u>1,230,145</u>	<u>-</u>
Total	<u>\$ 1,578,145</u>	<u>\$ 3,303,000</u>

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2018</u>		
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	291,000
Changes in proportion and differences between University contributions and proportionate share of contributions	-	-
	<u>-</u>	<u>-</u>
University contributions subsequent to the measurement date	<u>1,512,099</u>	<u>-</u>
Total	<u>\$ 1,512,099</u>	<u>\$ 291,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,230,145 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

Year ended June 30:	
2020	\$ (563,000)
2021	(563,000)
2022	(563,000)
2023	(517,000)
2024	(526,000)
2025	<u>(223,000)</u>
	<u>\$ (2,955,000)</u>

**Actuarial Assumptions** - The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

# **NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

Valuation date	June 30, 2017 and 2016
Measurement date	June 30, 2018 and 2017
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases	3.50% - 7.20%, including inflation
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate	Pre-65: 7.75% decreasing to an ultimate trend rate of 5.00% by FY2024. Post-65: 5.75% decreasing to an ultimate trend rate of 5.00% by FY2021.
Medicare Part B premiums	0.00% and 1.02% for FY 2018 and 2017 increasing to an ultimate rate of 5.00% by FY 2030 and 2029.
Municipal bond index rate	3.89% and 3.56%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2017 valuation of the MIF were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The health care cost trend rate assumption was updated for the June 30, 2017 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

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

Asset Class	June 30, 2018		June 30, 2017	
	Target Allocation	30 Year Expected Geometric Rate of Return	Target Allocation	30 Year Expected Geometric Rate of Return
Global Equity	58.00%	4.60%	60.00%	5.10%
Fixed Income	9.00%	1.20%	9.00%	1.20%
Real Estate	5.50%	3.80%	4.50%	4.00%
Private Equity	6.50%	6.30%	5.50%	6.60%
High Yield	0.00%	0.00%	10.00%	4.30%
Other Additional Categories*	20.00%	3.30%	10.00%	3.30%
Cash (LIBOR)	1.00%	0.90%	1.00%	0.50%
Total	100%		100%	

\* Modeled as 50% High Yield and 50% Bank Loans

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

**Discount Rate** - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will contribute the Actuarially Determined Contribution (ADC) in accordance with the MIF's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate** - The following table presents the University's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's net OPEB liability (MI) (in thousands)	\$ 19,913	\$ 25,293	\$ 14,539
	June 30, 2018		
	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's net OPEB liability (MI) (in thousands)	\$ 32,876	\$ 28,232	\$ 24,365

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

	June 30, 2019		
	1% Decrease	Current Trend Rate	1% Increase
University's net OPEB liability (in thousands)	\$ 14,081	\$ 25,293	\$ 20,560



**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

	June 30, 2018		
	1% <u>Decrease</u>	Current Trend <u>Rate</u>	1% <u>Increase</u>
University's net OPEB liability (in thousands)	\$ 23,643	\$ 28,232	\$ 33,896

**OPEB Plan Fiduciary Net Position** – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

**Changes of benefit terms** – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010. This change occurred in the prior year, while there were no other changes in the current year.

**Changes to assumptions or other inputs** – Updated health care trend rates were implemented.

**Life Insurance Plan**

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

**Benefits Provided** – KTRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. KTRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

**Contributions** - In order to fund the post-retirement life insurance benefit, 0.03 percent of the gross annual payroll of members is contributed by the state. In addition, KCTCS contributes 0.04 percent of each participants covered compensation. For the years ended June 30, 2019 and 2018, the University contributed \$15,873 and \$19,181 to the KTRS life insurance plan.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs** - At June 30, 2019 and 2018, the University reported a liability of \$457,000 and \$373,000 for its proportionate share of the collective net OPEB liability, respectively. The collective net OPEB liability was measured as of June 30, 2018. The University's proportion of the net OPEB liability was based on actual contributions to the OPEB plan during the measurement period. At June 30, 2018 and 2017, the University's proportion was 1.62% and 1.70%.

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

For the years ended June 30, 2019 and 2018, the University was allocated OPEB expense of \$75,000 and \$19,181. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2019</u>		
Difference between expected and actual experience	\$ 125,000	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	10,000
Changes in proportion and differences between University contributions and proportionate share of contributions	-	12,000
	<u>125,000</u>	<u>22,000</u>
University contributions subsequent to the measurement date	<u>15,873</u>	-
Total	<u>\$ 140,873</u>	<u>\$ 22,000</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2018</u>		
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	78,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	-
	<u>78,000</u>	<u>-</u>
University contributions subsequent to the measurement date	<u>19,181</u>	-
Total	<u>\$ 97,181</u>	<u>\$ -</u>

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS** (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$15,873 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

Year ended June 30:	
2020	\$ 32,000
2021	32,000
2022	32,000
2023	13,000
2024	<u>(6,000)</u>
	<u>\$ 103,000</u>

**Actuarial Assumptions** – The total OPEB liability in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017 and 2016
Measurement Date	June 30, 2018 and 2017
Investment rate of return	8.00% and 7.50% for 2018 and 2017, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.89% and 3.56% for 2018 and 2017
Discount Rate	8.00% and 7.50% for 2018 and 2017
Single Equivalent Interest Rate	8.00% and 7.50% for 2018 and 2017, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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

# **NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

Changes in assumptions or benefit terms as of June 30, 2019 included a change to the investment rate of returns, municipal bond index rate, discount rate, and single equivalent interest rate noted in the table above.

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

Asset Class*	June 30, 2018		June 30, 2017	
	Target Allocation	30 Year Expected Geometric Rate of Return	Target Allocation	30 Year Expected Geometric Rate of Return
U.S. Large Cap Equity	40.00%	4.20%	38.40%	4.30%
U.S. Small Cap Equity	0.00%	0.00%	2.60%	4.80%
Developed Int'l Equity	23.00%	5.20%	15.80%	5.20%
Emerging Markets Equity	0.00%	0.00%	4.20%	5.40%
Fixed Income - Inv Grade	18.00%	1.20%	16.00%	1.20%
Real Estate	6.00%	3.80%	6.00%	4.00%
Private Equity	5.00%	6.30%	7.00%	6.60%
High Yield	0.00%	0.00%	2.00%	4.30%
Other Additional Categories**	6.00%	3.30%	7.00%	3.30%
Cash (LIBOR)	2.00%	0.90%	1.00%	0.50%
Total	100%		100%	

\* As the life insurance plan investment policy is subject to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return. \*\* Modeled as 50% High Yield and 50% Bank Loans.

**Discount rate** - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will contribute the Actuarially Determined Contribution (ADC) in accordance with the LIF's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate** - The following tables present the University's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
University's net OPEB (LI) liability (in thousands)	\$ 696	\$ 457	\$ 261

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS** (Continued)

	June 30, 2018		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
University's net OPEB (LI) liability (in thousands)	\$ 619	\$ 373	\$ 171

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

**Kentucky Employees Retirement System**

*Plan Description* - The University contributes to the Kentucky Employees' Retirement System (KERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees ("KRS Board") of KRS administers the KERS, County Employees Retirement System and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

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

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

# **NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

**Pension Benefits Provided:** The information below summarizes the major retirement benefit provisions of KERS-Non-Hazardous and Hazardous plans. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

## **Non-Hazardous**

	Tier 1 Participation Prior to <u>9/1/2008</u>	Tier 2 Participation <u>9/1/2008 through 12/31/13</u>	Tier 3 Participation <u>1/1/2014</u>
<b>Benefit Formula</b>	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
<b>Final Compensation</b>	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
<b>Benefit Factor</b>	1.97% or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
<b>Cost of Living Adjustment (COLA)</b>	No COLA unless authorized by the Legislature. If authorized, the COLA is limited to 1.5%. This impacts all retirees regardless of Tier.		
<b>Unreduced Retirement Benefit</b>	Any age with 27 years of service. Age 65 with 48 months of service. Money purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No month purchased calculations.	
<b>Reduced Retirement Benefit</b>	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit.

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

**Hazardous**

	Tier 1 Participation Prior to <u>9/1/2008</u>	Tier 2 Participation <u>9/1/2008 through 12/31/13</u>	Tier 3 Participation <u>1/1/2014</u>
<b>Benefit Formula</b>	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
<b>Final Compensation</b>	Highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	3 highest salaries; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
<b>Benefit Factor</b>	2.49%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 26 years = 2.25%. Greater than 25 years = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
<b>Cost of Living Adjustment (COLA)</b>	No COLA unless authorized by the Legislature. If authorized, the COLA is limited to 1.5%. This impacts all retirees regardless of Tier.		
<b>Unreduced Retirement Benefit</b>	Any age with 20 years of service. Age 55 with 60 months of service.	Any age with 25 years of service. Age 60 with 60 months of service.	Any age with 25 years of service. Age 60 with 60 months of service.
<b>Reduced Retirement Benefit</b>	Age 50 with 15 years of service.	Age 50 with 15 years of service.	No reduced retirement benefit.

**OPEB Benefits Provided:** The information below summarizes the major retirement benefit provisions of KERS-Non-Hazardous and Hazardous plans. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

***Insurance Tier 1: Participation began before 7/1/2003***

**Benefit Eligibility:** Recipient of a retirement allowance

**Benefit:** The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

***Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008***

## **NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

**Benefit Eligibility:** Recipient of a retirement allowance with at least 120 months of service at retirement

**Benefit:** The system provides a monthly contribution subsidy of \$10 (Non-hazardous) and \$15 (Hazardous) for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

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

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

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

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

For the fiscal years ended June 30, 2019 and 2018, participating employers in the Nonhazardous plan contributed 49.47% (41.06% allocated to pension and 8.41% allocated to OPEB) and 49.47% (41.06% allocated to pension and 8.41% allocated to OPEB) as set by KRS, respectively, of each Nonhazardous employee's creditable compensation. For the fiscal years ended June 30, 2019 and 2018, participating employers in the Hazardous plan contributed 36.85% (34.39% allocated to pension and 2.46% allocated to OPEB) and 48.59% (40.24% allocated to pension and 8.35% allocated to OPEB) as set by KRS, respectively, of each Hazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investments earnings. The University met 100% of the contribution funding requirement for the fiscal years ended June 30, 2019 and 2018. Total current year contributions recognized by the Plan were \$8,186,259 (\$6,840,451 related to pension and \$1,345,808 related to OPEB) and \$11,232,867 (\$9,342,135 related to pension and \$1,890,732 related to OPEB) for the years ended June 30, 2019 and 2018. The OPEB contribution amounts do not include the implicit subsidy reported in the amount of \$313,722 and \$346,486 for years ended June 30, 2019 and 2018.

### ***Members whose participation began before 9/1/2008:***

Nonhazardous contributions equal 5% and Hazardous contributions equal 8% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Member entitled to a full refund of contributions with interest.

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

Nonhazardous contributions equal to 6% and Hazardous contributions equal 9% of all creditable compensation, with 5% (Non-hazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.



## NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

### *Members whose participation on or after 1/1/2014*

Nonhazardous contributions equal to 6% and Hazardous contributions equal 9% of all creditable compensation, with 5% (Non-hazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

### *Pension Information*

**Total Pension Liability:** The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2018 and 2017. The financial reporting actuarial valuation as of June 30, 2018 and 2017 used the following actuarial methods and assumptions applied to all prior periods included in the measurement:

Valuation date	June 30, 2018 (rolled forward) and 2017
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry age normal
Amortization period	Level percentage payroll, closed
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market
Inflation	2.30 percent
Salary increase	3.05 percent, average, including inflation
Investment rate of return	5.25 percent (Non-hazardous) and 6.25 percent (Hazardous), net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total pension liability was 5.25% (Non-hazardous) and 6.25% (Hazardous), which remained the same from prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS** (Continued)

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

***Non-hazardous***

<u>Asset Class</u>	<u>June 30, 2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	8.50%	4.50%
US Mid Cap	5.00	4.50
US Small Cap	4.00	5.50
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	10.00	3.00
Global Credit	10.00	3.75
High Yield	3.00	5.50
Emerging Market Debt	4.00	6.00
Real Estate	5.00	7.00
Absolute Return	10.00	5.00
Real Return	10.00	5.00
Private Equity	10.00	6.50
Cash	<u>3.00</u>	<u>1.50</u>
Total	<u>100.0%</u>	<u>5.13%</u>

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

***Hazardous***

	June 30, 2018	
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	5.00%	4.50%
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Global Credit	2.00	3.75
High Yield	7.00	5.50
Emerging Market Debt	5.00	6.00
Illiquid Private	10.00	8.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Private Equity	10.00	6.50
Cash	<u>32.00</u>	<u>1.50</u>
Total	<u>100.0%</u>	<u>6.09%</u>

***Non-hazardous***

	June 30, 2017	
<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Expected Real Rate of Return</u>
US Equity	17.50%	5.75%
International Equity	17.5	7.38
Global Bonds	10.0	2.63
Global Credit	17.0	3.63
High Yield	0.0	5.75
Emerging Market Debt	0.0	5.50
Private Credit	0.0	8.75
Real Estate	5.0	6.63
Absolute Return	10.0	5.63
Real Return	10.0	5.13
Private Equity	10.0	8.25
Cash	<u>3.0</u>	<u>1.88</u>
Total	<u>100.0%</u>	<u>5.46%</u>

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

***Hazardous***

<u>Asset Class</u>	<u>June 30, 2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.5%	5.97%
International Equity	17.5	7.85
Global Bonds	4.0	2.63
Global Credit	2.0	3.63
High Yield	7.0	5.75
Emerging Market Debt	5.0	5.50
Private Credit	10.0	8.75
Real Estate	5.0	7.63
Absolute Return	10.0	5.63
Real Return	10.0	6.13
Private Equity	10.0	8.25
Cash	<u>2.0</u>	<u>1.88</u>
Total	<u>100.0%</u>	<u>6.56%</u>

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 5.25% (Non-hazardous) and 6.25% (Hazardous) based on a blending of the factors described above.

- (g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the University's allocated portion of the Non-hazardous net pension liability ("NPL") of the System, calculated using the discount rate, as well as what the University's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	<u>June 30, 2019</u>		
	<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
The University's net pension liability - Non-hazardous (in thousands)	\$ 224,845	\$ 197,365	\$ 174,479
	<u>June 30, 2018</u>		
	<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
The University's net pension liability - Non-hazardous (in thousands)	\$ 267,506	\$ 234,290	\$ 206,673

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

The following presents the University's allocated portion of the Hazardous net pension liability ("NPL") of the System, calculated using the discount rate, as well as what the University's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease ( <u>5.25%</u> )	Current Discount Rate ( <u>6.25%</u> )	1% Increase ( <u>7.25%</u> )
The University's net pension liability – Hazardous (in thousands)	\$ 4,055	\$ 3,169	\$ 2,434

	June 30, 2018		
	1% Decrease ( <u>5.25%</u> )	Discount Rate ( <u>6.25%</u> )	1% Increase ( <u>7.25%</u> )
The University's net pension liability – Hazardous (in thousands)	\$ 4,052	\$ 3,185	\$ 2,466

**Employer's Portion of the Collective Net Pension Liability:** The University's proportionate share of the Non-hazardous net pension liability, as indicated in the prior table, is \$197,365,884, or approximately 1.45% as of June 30, 2019 and \$234,290,133, or 1.75% as of June 30, 2018. The University's proportionate share of the Hazardous net pension liability, as indicated in the prior table, is \$3,169,411, or approximately .63% as of June 30, 2019 and \$3,185,338, or .64% as of June 30, 2018. The net pension liabilities were distributed based on 2018 actual employer contributions to the plan.

**Measurement Date:** June 30, 2018 is the actuarial valuation date and measurement date upon which the total pension liability is based.

**Changes in Assumptions and Benefit Terms:** Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 was determined using these updated benefit provisions.

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

**Pension Expense:** The University was allocated pension expense of \$14,424,374 and \$38,929,681 related to the KERS Non-Hazardous and \$ 1,218,382 and \$1,241,623 related to the KERS Hazardous for the years ended June 30, 2019 and 2018, respectively.

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

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

**Non-hazardous**

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2019</u>		
Difference between expected and actual experience	\$ 1,405,820	\$ 552,036
Change of assumptions	8,813,943	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	1,231,788	24,488,203
Differences between expected and actual investment earning on plan investments	<u>188,422</u>	<u>-</u>
	11,639,973	25,040,239
Contributions subsequent to the measurement date	<u>6,425,801</u>	<u>-</u>
Total	<u>\$ 18,065,774</u>	<u>\$ 25,040,239</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2018</u>		
Difference between expected and actual experience	\$ 41,673	\$ 1,508,719
Change of assumptions	29,725,363	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	4,982,491	5,523,351
Differences between expected and actual investment earning on plan investments	<u>918,805</u>	<u>-</u>
	35,668,332	7,032,070
Contributions subsequent to the measurement date	<u>9,038,230</u>	<u>-</u>
Total	<u>\$ 44,706,562</u>	<u>\$ 7,032,070</u>

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$6,425,801 will be recognized as a reduction of net pension liability in the year ending June 30, 2020. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2020	\$ (4,458,224)
2021	(8,430,384)
2022	(389,578)
2023	<u>(122,080)</u>
	<u>\$ (13,400,266)</u>

**Hazardous**

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2019</u>		
Difference between expected and actual experience	\$ 163,037	\$ -
Change of assumptions	288,031	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	672,107	25,889
Differences between expected and actual investment earning on plan investments	<u>-</u>	<u>39,844</u>
	1,123,175	65,733
Contributions subsequent to the measurement date	<u>414,650</u>	<u>-</u>
Total	<u>\$ 1,537,825</u>	<u>\$ 65,733</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2018</u>		
Difference between expected and actual experience	\$ 120,449	\$ -
Change of assumptions	585,322	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	1,326,985	-
Differences between expected and actual investment earning on plan investments	<u>35,333</u>	<u>-</u>
	2,068,089	-
Contributions subsequent to the measurement date	<u>303,905</u>	<u>-</u>
Total	<u>\$ 2,371,994</u>	<u>\$ -</u>

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$414,650 will be recognized as a reduction of net pension liability in the year ending June 30, 2019. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2020	\$ 987,183
2021	142,355
2022	(54,395)
2023	<u>(17,701)</u>
	<u>\$ 1,057,442</u>

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

***OPEB Information***

**Total OPEB Liability:** The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2018 and 2017. The financial reporting actuarial valuation as of June 30, 2018 and 2017 used the following actuarial methods and assumptions applied to all prior periods included in the measurement:

Valuation date	June 30, 2018 (rolled forward) and 2017
Measurement date	June 30, 2018 and 2017
Price inflation	2.30%
Payroll growth rate	0.00%
Salary increases	3.05%
Investment rate of return	6.25%
Healthcare trend rates	
Pre-65	Initial trend starting at 7.25% and 7.00%, beginning January 1, 2019 and 2020, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 and 12 years.
Post-65	Initial trend starting at 5.10% and 5.00%, beginning January 1, 2019 and 2020, gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 and 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.



## NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total Non-hazardous OPEB liability was 5.86%, which was reduced from the 6.90% discount rate used in the prior year. The discount rate used to measure the total Hazardous OPEB liability was 5.88%, which was increased from the 5.87% discount rate used in the prior year.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.
- (c) **Long-Term Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.
- (d) **Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 3.62% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2018.
- (e) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

- (f) **Assumed Asset Allocations:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2019</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	5.00%	4.50%
US Mid Cap	6.0	4.50
US Small Cap	6.5	5.50
International Developed	12.5	6.50
Emerging Markets	5.0	7.25
Global Bonds	4.0	3.00
Global Credit	2.0	3.75
High Yield	7.0	5.50
Emerging Market Debt	5.0	6.00
Illiquid Private	10.0	8.50
Real Estate	5.0	9.00
Absolute Return	10.0	5.00
Real Return	10.0	7.00
Private Equity	10.0	6.50
Cash	<u>2.0</u>	<u>1.50</u>
Total	<u>100.0%</u>	<u>6.09%</u>

<u>Asset Class</u>	<u>June 30, 2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	5.97%
International Equity	17.50	7.85
Global Bonds	4.00	2.63
Global Credit	2.00	3.63
High Yield	7.00	5.75
Emerging Market Debt	5.00	5.50
Private Credit	10.00	8.75
Real Estate	5.00	7.63
Absolute Return	10.00	5.63
Real Return	10.00	6.13
Private Equity	10.00	8.25
Cash	<u>2.00</u>	<u>1.88</u>
Total	<u>100.00%</u>	<u>6.56%</u>

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

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS** (Continued)

**Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

**Non-hazardous**

The following presents the University's allocated portion of the Non-hazardous net OPEB liability of the System, calculated using the discount rate, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Non-hazardous:

	June 30, 2019		
	1% Decrease (4.86%)	Current Discount Rate (5.86%)	1% Increase (6.86%)
The University's Net OPEB liability – Non-hazardous ( <i>in thousands</i> )	\$ 40,324	\$ 34,368	\$ 29,412
	June 30, 2018		
	1% Decrease (4.83%)	Current Discount Rate (5.83%)	1% Increase (6.83%)
The University's Net OPEB liability – Non-hazardous ( <i>in thousands</i> )	\$ 51,884	\$ 44,378	\$ 38,141

The following presents the University's allocated portion of the Non-hazardous net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Non-hazardous:

	June 30, 2019		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Non-hazardous ( <i>in thousands</i> )	\$ 29,220	\$ 34,368	\$ 40,560
	June 30, 2018		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Non-hazardous ( <i>in thousands</i> )	\$ 37,707	\$ 44,378	\$ 52,755

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS** (Continued)

**Hazardous**

The following presents The University's allocated portion of the Hazardous net OPEB liability of the System, calculated using the discount rate, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Hazardous:

	June 30, 2019		
	1% Decrease (4.88%)	Current Discount Rate (5.88%)	1% Increase (6.88%)
The University's Net OPEB liability – Hazardous ( <i>in thousands</i> )	\$ 209	\$ (208)	\$ (543)

	June 30, 2018		
	1% Decrease (4.83%)	Current Discount Rate (5.83%)	1% Increase (6.83%)
The University's Net OPEB liability – Hazardous ( <i>in thousands</i> )	\$ 471	\$ 39	\$ (315)

The following presents the University's allocated portion of the Hazardous net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Hazardous:

	June 30, 2019		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Hazardous ( <i>in thousands</i> )	\$ (535)	\$ 208	\$ 196

	June 30, 2018		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Hazardous ( <i>in thousands</i> )	\$ (319)	\$ 39	\$ 482

**Employer's Portion of the Collective OPEB Liability:** The University's proportionate share of the Non-hazardous net OPEB liability, as indicated in the prior table, is \$34,368,478, or approximately 1.45% as of June 30, 2019 and \$44,378,249, or approximately 1.75% as of June 30, 2018. The University's proportionate share of the Hazardous net OPEB liability, as indicated in the prior table, is \$(208,167), or approximately .63% as of June 30, 2019 and \$38,645, or approximately .64% as of June 30, 2018. The net OPEB liabilities were distributed based on 2018 actual employer contributions to the plan.

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

**Measurement Date:** June 30, 2018 is the actuarial valuation date and measurement date upon which the total pension liability is based.

**Changes in Assumptions and Benefit Terms:** Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

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

**OPEB Expense:** The University was allocated OPEB expense of \$1,915,256 related to the KERS Non-Hazardous and \$71,506 related to the KERS Hazardous for the year ended June 30, 2019, and \$4,402,364 related to the KERS Non-Hazardous and \$68,888 related to the KERS Hazardous for the year ended June 30, 2018.

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

**Non-hazardous**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2019</u>		
Difference between expected and actual experience	\$ -	\$ 2,244,105
Change of assumptions	3,612,847	129,889
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	5,701,361
Differences between expected and actual investment earning on plan investments	<u>-</u>	<u>503,390</u>
	3,612,847	8,578,745
Contributions subsequent to the measurement date	<u>1,627,580</u>	<u>-</u>
Total	<u>\$ 5,240,427</u>	<u>\$8,578,745</u>

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2018</u>		
Difference between expected and actual experience	\$ -	\$ 54,917
Change of assumptions	5,810,453	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	325,676
Differences between expected and actual investment earning on plan investments	-	-
	<u>-</u>	<u>574,390</u>
	5,810,453	954,983
Contributions subsequent to the measurement date	<u>2,196,803</u>	<u>-</u>
Total	<u>\$ 8,007,256</u>	<u>\$ 954,983</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$1,627,580, which includes the implicit subsidy reported of \$311,433, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2020	\$ (1,026,734)
2021	(1,026,734)
2022	(1,026,734)
2023	<u>(1,885,696)</u>
	<u>\$ (4,965,898)</u>

**Hazardous**

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2019</u>		
Difference between expected and actual experience	\$ -	\$ 169,545
Change of assumptions	382,680	3,072
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	7,572
Differences between expected and actual investment earning on plan investments	-	-
	<u>-</u>	<u>165,899</u>
	382,680	346,088
Contributions subsequent to the measurement date	<u>31,950</u>	<u>-</u>
Total	<u>\$ 414,630</u>	<u>\$ 346,088</u>

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2018</u>		
Difference between expected and actual experience	\$ -	\$ 5,546
Change of assumptions	481,792	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	5,747
Differences between expected and actual investment earning on plan investments	-	138,397
	481,792	149,690
Contributions subsequent to the measurement date	33,660	-
Total	<u>\$ 515,452</u>	<u>\$ 149,690</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$31,950, which include the implicit subsidy reported of \$2,289, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2020	\$ 5,097
2021	5,097
2022	5,097
2023	38,985
2024	(6,789)
Thereafter	<u>(10,895)</u>
	<u>\$ 36,592</u>

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

**Summary Pension Plan Information:**

Summary Pension Plan Information as of June 30, 2019 and 2018:

	<u>KERS</u>	<u>KTRS</u>	<u>Total</u>
<u>2019</u>			
Net pension liability	\$ 200,535,295	\$ 97,174,796	\$ 297,710,091
Deferred outflows of resources	19,603,599	33,103,604	52,707,203
Deferred inflows of resources	25,105,972	150,812,915	175,918,887
Pension expense adjustments	8,608,700	(40,990,073)	(32,381,373)
<u>2018</u>			
Net pension liability	\$ 237,475,471	\$ 193,364,393	\$ 430,839,864
Deferred outflows of resources	47,078,556	44,133,865	91,212,421
Deferred inflows of resources	7,032,070	106,643,669	113,675,739
Pension expense adjustments	30,561,860	(19,179,780)	11,382,080

**NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)****Summary OPEB Plan Information:**

Summary OPEB Plan Information as of June 30, 2019 and 2018:

	<u>KERS</u>	<u>KTRS</u>	<u>Total</u>
<u>2019</u>			
Net OPEB liability	\$ 34,160,311	\$ 25,750,000	\$ 59,910,311
Deferred outflows of resources	5,655,057	1,719,018	7,374,075
Deferred inflows of resources	8,924,833	3,325,000	12,249,833
OPEB expense adjustments	431,223	69,258	500,481
<u>2018</u>			
Net OPEB liability	\$ 44,416,894	\$ 28,605,000	\$ 73,021,894
Deferred outflows of resources	8,522,708	1,609,281	10,131,989
Deferred inflows of resources	1,104,673	291,000	1,395,673
OPEB expense adjustments	2,284,178	642,739	2,926,917

**NOTE 12 – RISK MANAGEMENT**

The University is exposed to various risks of loss from torts, theft of, damage to or destruction of assets, business interruption, workers' compensation, employee injuries and illnesses, natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from these risks, other than employee health. Settled claims have not exceeded this commercial coverage in any of the three preceding years. As a sovereign entity of the Commonwealth, the Kentucky Board of Claims handles tort claims on behalf of the University.

The University maintains a self-insurance program for employee's health insurance. Under this plan, the University pays premiums based on estimated claims. The University pays approximately 75% of the expenses of the plan for permanent full-time employees and their families. Expenses incurred to cover claims paid by the University under the plan for years ended June 30, 2019 and 2018 totaled \$15,085,137 and \$17,354,929, respectively. Administrative fees incurred for the years ended June 30, 2019 and 2018 were \$1,120,249 and \$769,882, respectively.

Changes in the liability for self-insurance at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Liability – beginning of year	\$ 1,500,000	\$ 2,308,423
Accruals for current year claims and changes in estimate	13,821,889	14,692,795
Claims paid	(15,085,137)	(17,354,929)
Other costs	<u>916,730</u>	<u>1,853,711</u>
Liability – end of year	<u>\$ 1,153,482</u>	<u>\$ 1,500,000</u>



## NOTE 13 – COMMITMENTS AND CONTINGENCIES

**Construction Commitments** – The estimated cost to complete construction projects under contract at June 30, 2019 and 2018, is approximately \$28.0 million and \$61.8 million, respectively. The projects are to be financed principally by appropriations from the Commonwealth, proceeds from bonds, internal funds and gifts.

**Claims and Litigation** – The University is subject to various litigation and other claims in the ordinary course of business. University officials are of the opinion, based upon the advice of legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the University's financial position or results of operations.

**Government Grants** – The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. University management believes disallowances, if any, will not have a material adverse effect on the University's financial statements. Upon notification of final approval by the granting department or agency, the grants are considered closed.

## NOTE 14 – OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating expenses by natural classification for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 121,144,006	\$ 130,429,112
Employee benefits	40,500,947	50,211,481
Supplies and other services	62,062,809	66,910,812
Travel	4,298,838	4,636,935
Depreciation	22,918,906	19,991,243
Student scholarships and financial aid	15,332,783	12,090,134
Utilities	8,078,255	8,694,156
Pension expense adjustments	(31,745,111)	11,382,080
OPEB expense adjustments	1,427,470	2,926,926
Other operating expenses	<u>343,799</u>	<u>1,378,048</u>
Total	<u>\$ 244,362,702</u>	<u>\$ 308,650,927</u>

## NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.

### A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations** - Eastern Kentucky University Foundation, Inc. (Foundation) is a corporation formed for educational, charitable, and public purposes in accordance with the provisions of KRS 273.0010. The Foundation is a component unit of Eastern Kentucky University (University). Specifically, the Foundation was founded to cooperate with the University and with the University's Board of Regents (Board) in the promotion of the educational, civic, and charitable purposes of the University and the Board in any lawful manner deemed appropriate by the Foundation's Board of Directors. This purpose includes the encouragement of scholarships and research, the promotion of the prestige, expansion, and development of the University's physical plant and faculty, and the assistance of its students and alumni.

**Basis of Presentation** - The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Under financial reporting standards for not-for-profit organizations, net assets, revenues, expenses, and gains (losses) are classified based on the existence or absence of donor-imposed restrictions.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The Foundation adopted ASU 2016-14 as of and for the year ended June 30, 2019 and has thus adjusted the presentation of the accompanying financial statements accordingly, including electing to present the statements of cash flows on the direct method. ASU 2016-14 has been applied retrospectively to all periods presented. As a result, certain amounts presented in the 2018 financial statements have been reclassified to conform to the 2019 presentation. There have been no changes to the 2018 increase in net assets or total net assets as of June 30, 2018 as a result of these reclassifications.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - With the exception of short-term debt instruments which have been designated for investment purposes, the Foundation considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. Throughout the year, the Foundation's cash and cash equivalents balances typically exceed the amount insured by the Federal Deposit Insurance Corporation.

**Investments** - Investments in equity securities having a readily determinable market value and all debt securities are carried at fair value. Income from investments consists of dividends and interest income net of related investment expenses. Other income from investments is reflected on the accompanying statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

## NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.

### A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Alternative investments, consisting of limited partnerships, are carried at estimated fair value provided by the management of the alternative investment funds as of year-end. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. The estimated fair value of the Foundation's alternative investments total approximately \$1,174,000 and \$1,797,000 as of June 30, 2019 and 2018, respectively.

The Foundation invests endowment matching funds for the Regional University Endowment Trust Fund (see Note 15H) on behalf of the University. In addition, the Foundation also invests Programs of Distinction (see Note 15H) related endowment funds on behalf of the University. Dividends and interest income and realized and unrealized gains and losses on investments are allocated between the Foundation and the University based on the percentage of investments owned.

The Foundation previously adopted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). Under UPMIFA, net appreciation (depreciation) on endowment fund investments, whose income is otherwise unrestricted as to use, is reported as net assets with purposes restrictions until appropriated for expenditure by the Foundation, unless the donor has permanently restricted such net appreciation (depreciation). In cases where the donor has placed time or purpose restrictions on the use of the income from endowed gifts, related net appreciation (depreciation) is subject to those restrictions and is reported as a part of net assets with donor restrictions until the restriction has been met.

**Property and Equipment** - Property and equipment is stated at cost and is depreciated on the straight-line method over the estimated useful lives of the assets as follows: 40-50 years for buildings and building improvements and 15-20 years for land improvements. The Foundation's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings and infrastructure and/or land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expenses are incurred.

The Foundation reviews for the impairment of long-lived assets subject to depreciation whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. No such impairment losses have been recognized with respect to the years ended June 30, 2019 and 2018.

**Deferred Gift Liabilities** - The carrying amount for deferred gift liabilities is the actuarially determined present value of the income distributions or other payments to the donors or other designated beneficiaries during the terms of the respective split-interest agreements.

## NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.

### A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

**Classification of Net Assets** - The Foundation records and reports its assets, liabilities, net assets, revenues and other support, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions according to the two classes of net assets as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation, including endowment net assets which have been designated by the Foundation's Board of Directors. Such net assets may be used at the discretion of management and/or the Board of Directors. While the Foundation does not intend to expend Board designated endowment net assets for purposes other than those for which the funds have been designated, if necessary, such funds could be expended for current operations at the discretion of the Board of Directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors. Certain donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Contributions** - Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with donor stipulations that limit their use are reported as revenue and net assets with donor restrictions. Contributions which impose restrictions that are met in the same fiscal year the contributions are received are included in revenue without donor restrictions. When a donor stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the accompanying statements of activities as net assets released from restrictions.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of estimated future cash flows. The resulting discount is computed using a risk-free interest rate applicable to the years in which the unconditional promises are received (discount rates ranging from 1.43% to 3.44%). Amortization using the level-yield method is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**Functional Expenses** - The costs of providing program and other activities have been summarized on a functional basis in the accompanying statements of activities (see also Note 15K). Program service expenses (support for the University) and management and general expenses are based on direct costs. Fundraising for the Foundation is provided by the University.

**Income Taxes** - The Internal Revenue Service (IRS) has determined the Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code (Code). The Foundation is however subject to federal income tax on any unrelated business taxable income. Additionally, the Foundation has been determined by the IRS not to be a private foundation within the context of Section 509(a) of the Code.

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)**

**A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

U.S. GAAP prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits or liabilities will be recognized only if the tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit or liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit or liability will be recorded. Management is not aware of any tax benefits or liabilities which would warrant recognition as of June 30, 2019 and 2018.

The Foundation would recognize interest and penalties related to uncertain tax positions in interest and income tax expense, respectively. The Foundation has no amounts accrued for interest or penalties as of June 30, 2019 and 2018.

**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Foundation's exposure to foreign currency risk derives from pooled non-U.S. equities investments with a fair value totaling approximately \$15,900,000 and \$18,900,000 as of June 30, 2019 and 2018, respectively. The Foundation's endowment investment policy allows managers to invest a portion of funds in non-U.S. securities in accordance with the guidelines established in the investment policy.

**Recently Issued Accounting Standards Updates** - In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 should assist entities in 1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. The provisions of ASU 2018-08 are effective for the fiscal year ending June 30, 2020. The Foundation evaluated the impact of the adoption of ASU 2018-08 on the financial statements and did not record any material impact from the adoption of ASU 2018-08 as of July 1, 2019.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (ASU 2016-13). ASU 2016-13 requires a financial asset (including "trade" receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. The provisions of ASU 2016-13 are effective for the fiscal year ending June 30, 2023.

The Foundation is currently evaluating ASU 2016-13 and its related impact on the Foundation's financial statements.

**Subsequent Events** - Management has performed an analysis of the activities and transactions subsequent to year-end to determine the need for any adjustments to and/or discussions within the accompanying financial statements as of and for the year ended June 30, 2019. Management has performed its analysis through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)****B. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Foundation is substantially supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Accordingly, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Foundation also could draw upon its Board designated endowment net assets.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents	\$ 2,453,156	\$ 2,840,864
Investments	77,692,302	73,209,275
Pledges receivable - net	<u>1,507,732</u>	<u>2,600,692</u>
	81,653,190	78,650,831
Less amounts not available to be used within one year or amounts not available without Board approval		
Assets held for others	(20,484,587)	(20,127,990)
Board designated endowment net assets	(4,931,566)	(7,541,872)
Donor restricted net assets for use in future periods	(23,991,385)	(23,381,653)
Donor restricted net assets in perpetuity	(31,565,778)	(30,647,166)
Endowment spend/appropriations	<u>2,920,990</u>	<u>2,817,978</u>
	<u>\$ 3,600,864</u>	<u>\$ (229,872)</u>

**C. FAIR VALUE OF FINANCIAL INSTRUMENTS**

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.** (Continued)

**C. FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

- Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of financial instruments as of June 30, 2019 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 875,388	\$ 875,388	\$ -	\$ -
Banker's acceptances	8,172,573	-	8,172,573	-
Equities	49,392,153	49,392,153	-	-
Fixed income	18,078,312	18,078,312	-	-
Alternatives:				
Limited partnerships	1,173,876	-	-	1,173,876
	<u>\$ 77,692,302</u>	<u>\$ 68,345,853</u>	<u>\$ 8,172,573</u>	<u>\$ 1,173,876</u>

The fair value of financial instruments as of June 30, 2018 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 966,154	\$ 966,154	\$ -	\$ -
Banker's acceptances	3,519,545	-	3,519,545	-
Equities	50,779,749	50,666,629	-	113,120
Fixed income	16,146,617	16,146,617	-	-
Alternatives:				
Limited partnerships	1,797,210	-	-	1,797,210
	<u>\$ 73,209,275</u>	<u>\$ 67,779,400</u>	<u>\$ 3,519,545</u>	<u>\$ 1,910,330</u>

The fair values of money market funds, equity investments, and fixed income investments are generally determined using quoted market prices and are classified as Level 1 financial instruments, with the exception of a specific equity investment in a closely-held bank holding company at June 30, 2018 which has been classified as a Level 3 financial instrument. The predominance of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions, and third-party pricing services.

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)****C. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The Foundation is also invested in banker's acceptances which have been valued using a yield curve matrix derived from quoted prices for similar assets in active markets. The fair value of this investment has been classified as a Level 2 financial instrument. The maturity dates of the banker's acceptances generally range from approximately 60 to 180 days. Each of the respective banker's acceptances may however be redeemed by the Foundation at a discount upon demand.

For alternative investments, which consist of investments in limited partnerships, for which there is no active market, the fair values are initially based on valuations determined by the respective investment managers using net asset values (NAVs) as of their most recent statements, adjusted for cash receipts, cash disbursements, and other anticipated income or loss through year-end. The NAVs of the funds are determined on the accrual basis of accounting in conformity with U.S. GAAP. In certain instances, secondary investments require reporting other than U.S. GAAP such as International Financial Reporting Standards or Tax Basis accounting, in which case the investment managers adjust values to more accurately comply with U.S. GAAP. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values. Holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals, and/or the income approach. Pursuant to U.S. GAAP, management has considered redemption restrictions to assess classification of fair value inputs. For alternative investments with redemption periods of 90 days or less, the assets are considered a Level 2 fair value measurement. Investments that are redeemable in greater than 90 days are considered a Level 3 fair value measurement due to the inability to redeem the asset at NAV in the near term.

Management has performed an independent review of valuations reported by investment managers and determined that NAV is a reasonable and prudent estimate of fair value. Alternative investments are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair value for such investments existed.

The following table provides additional information as of June 30, 2019 relative to alternative investments:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited partnerships	\$ 1,173,876	\$ 724,321	Fund Dissolved	N/A

The respective limited partnerships have incorporation dates ranging from 2005 to 2008. Each of the limited partnerships has a term of fifteen years, provided, however, that the fund manager, in its sole discretion, may elect to extend such term for up to three one-year periods if it believes such extensions are necessary or desirable in order to effect an orderly liquidation of the limited partnership investments. The fund manager may, in its sole discretion, elect to terminate the limited partnership prior to the end of the term or any extension period.



**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.** (Continued)**C. FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

The years ended June 30, 2019 and 2018 activity with respect to the investments reflected as Level 3 is as follows:

	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 1,910,330	\$ 2,300,640
Net realized and unrealized gains (losses) on investments included in the change in net assets	(169,677)	34,321
Net sales of investments	<u>(566,777)</u>	<u>(424,631)</u>
End of year	<u>\$ 1,173,876</u>	<u>\$ 1,910,330</u>

See also Note 15F with respect to deferred gift liabilities (Level 3 fair value measurement).

**D. ENDOWMENT**

The Foundation's endowment consists of approximately 440 individual funds established for a variety of purposes. The endowment includes both donor restricted endowment funds and funds designated by the Foundation's Board Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Foundation's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2010, UPMIFA was adopted by the Commonwealth of Kentucky. The Foundation interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as net assets with donor restrictions in perpetuity is classified as net assets with purposes restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.** (Continued)**D. ENDOWMENT** (Continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The purposes of the endowment fund
- The duration and preservation of the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

**Funds with Deficiencies** - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the "historic dollar value" level the Foundation is required to preserve as a fund of perpetual duration. There are no such funds with deficiencies at June 30, 2019 and 2018.

At June 30, 2019, endowment investments consist of the following:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Board designated	\$ 4,931,566	\$ -	\$ -	\$ 4,931,566
Donor restricted	-	16,629,855	31,003,017	47,632,872
	<u>\$ 4,931,566</u>	<u>\$ 16,629,855</u>	<u>\$ 31,003,017</u>	<u>\$ 52,564,438</u>

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)****D. ENDOWMENT (Continued)**

Changes in endowment investments for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Beginning of year	\$ 7,541,872	\$ 16,382,693	\$ 29,521,775	\$ 53,446,340
Contributions	73,448	85,217	1,481,242	1,639,907
Investment return				
Net investment income	180,691	1,400,529	-	1,581,220
Net realized and unrealized appreciation	437,742	1,647,253	-	2,084,995
Board designation changes	(3,187,191)	-	-	(3,187,191)
Appropriation of endowment assets for expenditure	(114,996)	(2,885,837)	-	(3,000,833)
End of year	<u>\$ 4,931,566</u>	<u>\$ 16,629,855</u>	<u>\$ 31,003,017</u>	<u>\$ 52,564,438</u>

At June 30, 2018, endowment investments consist of the following:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Board designated	\$ 7,541,872	\$ -	\$ -	\$ 7,541,872
Donor restricted	-	16,382,693	29,521,775	45,904,468
	<u>\$ 7,541,872</u>	<u>\$ 16,382,693</u>	<u>\$ 29,521,775</u>	<u>\$ 53,446,340</u>

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)****D. ENDOWMENT (Continued)**

Changes in endowment investments for the year ended June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Beginning of year	\$ 6,740,926	\$ 15,202,853	\$ 28,289,180	\$ 50,232,959
Contributions	69,237	56,533	1,232,595	1,358,365
Investment return				
Net investment income	193,354	1,364,566	-	1,557,920
Net realized and unrealized appreciation	589,142	2,106,908	-	2,696,050
Appropriation of endowment assets for expenditure	<u>(50,787)</u>	<u>(2,348,167)</u>	<u>-</u>	<u>(2,398,954)</u>
End of year	<u>\$ 7,541,872</u>	<u>\$ 16,382,693</u>	<u>\$ 29,521,775</u>	<u>\$ 53,446,340</u>

**Return Objectives and Risk Parameters** - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while over time seeking to maintain the purchasing power of the endowment assets. Under the Foundation's policies, endowment assets are invested in a manner that emphasizes total return. Specifically, the primary objective is to emphasize long-term growth of principal while avoiding excessive risk, to achieve a balanced return of current income and modest growth of principal, and to achieve a rate of return equal to or higher than the Endowment and Foundation Index or other benchmarks as determined by the Foundation's Board of Directors.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends and interest). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The endowment assets of the Foundation are invested in a broad range of equities and debt securities, thereby generally limiting the market risk exposure in any single investment manager or individual investment.

**Spending Policy and How the Investment Objectives Relate to the Spending Policy** - The Foundation has a policy of appropriating for distribution each year up to 5.0% of a three-year rolling average of the fund's value. Likewise, it is the policy of the Foundation that, annually, up to 1.5% of a three-year rolling average of the fund's value be designated for unrestricted use by the Foundation in furtherance of its singular mission to provide support for the advancement of the University. The policies are monitored by the Executive Committee of the Foundation's Board of Directors and may be amended in accordance with market conditions. Earnings above the annually designated portions are reinvested in the corpus to insure long-term growth and stability.

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)**

**E. PLEDGES RECEIVABLE**

At June 30, 2019, net pledges receivable consist of the following:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Current pledges receivable:				
Estimated to be collected in less than one year	\$ -	\$ 209,096	\$ 278,620	\$ 487,716
Less allowance	-	(6,000)	(4,000)	(10,000)
	<u>\$ -</u>	<u>\$ 203,096</u>	<u>\$ 274,620</u>	<u>\$ 477,716</u>
Long-term pledges receivable:				
Estimated to be collected in one to five years	\$ -	\$ 526,237	\$ 304,414	\$ 830,651
Estimated to be collected thereafter	-	288,638	727	289,365
Less allowance	-	(14,000)	(8,000)	(22,000)
Less discounts to net present value	-	(59,000)	(9,000)	(68,000)
	<u>\$ -</u>	<u>\$ 741,875</u>	<u>\$ 288,141</u>	<u>\$ 1,030,016</u>
	<u>\$ -</u>	<u>\$ 944,971</u>	<u>\$ 562,761</u>	<u>\$ 1,507,732</u>

At June 30, 2018, net pledges receivable consist of the following:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Current pledges receivable:				
Estimated to be collected in less than one year	\$ 20,000	\$ 440,436	\$ 343,727	\$ 804,163
Less allowance	-	(10,000)	(7,000)	(17,000)
	<u>\$ 20,000</u>	<u>\$ 430,436</u>	<u>\$ 336,727</u>	<u>\$ 787,163</u>
Long-term pledges receivable:				
Estimated to be collected in one to five years	\$ 80,000	\$ 776,164	\$ 840,664	\$ 1,696,828
Estimated to be collected thereafter	-	259,701	-	259,701
Less allowance	-	(21,000)	(17,000)	(38,000)
Less discounts to net present value	(3,000)	(67,000)	(35,000)	(105,000)
	<u>\$ 77,000</u>	<u>\$ 947,865</u>	<u>\$ 788,664</u>	<u>\$ 1,813,529</u>
	<u>\$ 97,000</u>	<u>\$ 1,378,301</u>	<u>\$ 1,125,391</u>	<u>\$ 2,600,692</u>

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.** (Continued)**F. PROPERTY AND EQUIPMENT**

At June 30, 2019 and 2018, net property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 250,000	\$ 250,000
Buildings and building improvements	<u>600,000</u>	<u>600,000</u>
	850,000	850,000
Less accumulated depreciation	<u>(146,851)</u>	<u>(132,727)</u>
	<u><u>\$ 703,149</u></u>	<u><u>\$ 717,273</u></u>

Depreciation expense for each of the years ended June 30, 2019 and 2018 totals \$14,124.

**G. DEFERRED GIFT LIABILITIES**

Over time, the Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value.

The accompanying statements of financial position reflect a liability at June 30, 2019 and 2018 totaling \$350,743 and \$368,709, respectively, which represents the estimated present value of the future annuity obligations calculated using discount rates ranging from 5.5% to 8.4%. The actuarial related assumptions used in calculating the respective present values include the beneficiary's age and life expectancy, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate at the date of the contribution determined in accordance with the Internal Revenue Code. The carrying amount of the deferred gift liabilities estimates fair value and is calculated using Level 3 inputs (see also Note 15C).

The years ended June 30, 2019 and 2018 activity with respect to deferred gift liabilities is as follows:

	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 368,709	\$ 390,446
New deferred gifts	-	-
Payment obligations	(55,179)	(59,297)
Net actuarial loss	<u>37,213</u>	<u>37,560</u>
End of year	<u><u>\$ 350,743</u></u>	<u><u>\$ 368,709</u></u>

At June 30, 2019 and 2018, investments relative to such deferred gift liabilities total \$791,026 and \$804,752, respectively.

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)****H. ASSETS HELD FOR OTHERS**

Assets held for others represent resources in the possession of, but not under the control of, the Foundation. At June 30, 2019 and 2018, assets held for others consist of the following:

	<u>2019</u>	<u>2018</u>
Regional University Endowment Trust Fund	\$ 18,522,233	\$ 18,200,702
Programs of Distinction	<u>1,962,354</u>	<u>1,927,288</u>
	<u>\$ 20,484,587</u>	<u>\$ 20,127,990</u>

**I. NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2019 and 2018, net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purposes		
Scholarships program	\$ 3,356,229	\$ 3,237,848
Academic programs	3,632,634	3,195,082
Athletic programs	404,641	422,850
Capital projects	1,015,145	1,027,005
Other	<u>15,582,736</u>	<u>15,498,868</u>
	23,991,385	23,381,653
Endowment to be maintained in perpetuity		
Scholarships program	22,810,052	21,986,880
Academic programs	8,221,592	8,141,894
Athletic programs	450,110	450,110
Capital projects	<u>84,024</u>	<u>68,282</u>
Other	<u>31,565,778</u>	<u>30,647,166</u>
	<u>\$ 55,557,163</u>	<u>\$ 54,028,819</u>

**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)****J. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions consist of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Purposes restrictions satisfied/time restrictions expired:		
Scholarships program	\$ 1,285,475	\$ 1,310,637
Academic programs	2,130,112	1,560,971
Capital projects	124,957	143,205
Other support for the University	564,367	599,624
	<u>\$ 4,104,911</u>	<u>\$ 3,614,437</u>

**K. FUNCTIONAL EXPENSE CLASSIFICATION**

The Foundation's expenses by functional classification for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Program services - support for the University		
Scholarships program	\$ 1,322,952	\$ 1,345,200
Academic programs	1,662,562	1,843,969
Athletic programs	264,008	491,643
Capital projects	220,280	175,630
Other	237,305	178,404
Depreciation	14,124	14,124
	<u>\$ 3,721,231</u>	<u>\$ 4,048,970</u>
Management and general		
Professional and consulting fees	\$ 118,152	\$ 112,941
Other	44,629	45,916
	<u>\$ 162,781</u>	<u>\$ 158,857</u>
	<u>\$ 3,884,012</u>	<u>\$ 4,207,827</u>



**NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)**

**L. CONCENTRATIONS**

At June 30, 2019 and 2018, approximately 55% and 40% of total outstanding gross pledges receivable are due from one donor, respectively.

For 2019, approximately 10% of total contributions revenue was received from one donor. No such concentration exists for 2018.

**M. RELATED PARTY TRANSACTIONS**

**Eastern Kentucky University** - The University provides various administrative services to the Foundation. In addition, during the year ended June 30, 2019, the University expended \$1,322,952 and \$209,778 on behalf of the Foundation with respect to scholarships and employee salaries/related benefits, respectively. Such amounts are ultimately reimbursed by the Foundation. During the year ended June 30, 2018, the University expended \$1,345,200 and \$122,591 on behalf of the Foundation with respect to scholarships and employee salaries/related benefits, respectively. At June 30, 2019 and 2018, the amount due to the University on the accompanying statements of financial position totals \$360,760 and \$222,375, respectively.

**Other** - At June 30, 2019 and 2018, outstanding gross pledges receivable due from related parties (members of the University's Board of Regents, the Foundation's Board of Directors, or employees of the University) total \$262,060 and \$1,045,409, respectively. Such gross pledges receivable amounts are included in the amounts reflected in Note 15E.

At June 30, 2019 and 2018, the cash surrender value of life insurance includes \$4,464 and \$3,060, respectively, with respect to a policy under which the insured is a member of the Foundation's Board of Directors.

## **REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>KERS – Non-Hazardous</b>					
University's proportion of the net pension liability	1.45%	1.75%	1.82%	1.71%	1.61%
University's proportionate share of the net pension liability	\$ 197,366	\$ 234,290	\$ 207,489	\$ 171,780	\$ 144,048
University's covered payroll	\$ 24,966	\$ 26,630	\$ 29,378	\$ 27,312	\$ 27,301
University's proportionate share of the net pension liability as a percentage of its covered payroll	790.54%	879.80%	706.27%	628.95%	527.63%
Plan fiduciary net position as a percentage of the total pension liability	12.84%	13.30%	14.80%	22.32%	22.32%
<b>KERS – Hazardous</b>					
University's proportion of the net pension liability	.63%	.64%	.07%	-%	-%
University's proportionate share of the net pension liability	\$ 3,169	\$ 3,185	\$ 275	\$ -	\$ -
University's covered payroll	\$ 1,079	\$ 518	\$ -	\$ -	\$ -
University's proportionate share of the net pension liability as a percentage of its covered payroll	293.70%	614.86%	-%	-%	-%
Plan fiduciary net position as a percentage of the total pension liability	56.10%	54.80%	57.41%	-%	-%
<b>KTRS</b>					
University's proportion of the net pension liability	.71%	0.68%	1.13%	1.12%	1.10%
University's proportionate share of the net pension liability	\$ 97,175	\$ 193,364	\$ 349,600	\$ 274,717	\$ 237,056
State's proportionate share of the net pension liability associated with the University	<u>72,297</u>	<u>154,108</u>	<u>32,949</u>	<u>27,936</u>	<u>26,899</u>
Total	<u>\$ 169,472</u>	<u>\$ 347,472</u>	<u>\$ 382,549</u>	<u>\$ 302,653</u>	<u>\$ 263,955</u>
University's covered payroll	\$ 88,822	\$ 89,975	\$ 89,598	\$ 87,589	\$ 83,276
University's proportionate share of the net pension liability as a percentage of its covered payroll	109.40%	214.91%	390.19%	313.64%	284.66%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	39.83%	35.22%	42.49%	45.59%

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

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

	2019	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>KERS – Non-Hazardous</b>					
Contractually required contribution	\$ 6,426	\$ 9,038	\$ 10,658	\$ 9,072	\$ 8,774
Contributions in relation to the contractually required contribution	<u>(6,426)</u>	<u>(9,038)</u>	<u>(10,658)</u>	<u>(9,072)</u>	<u>(8,774)</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
University's covered payroll	\$ 15,504	\$ 24,966	\$ 26,630	\$ 29,378	\$ 27,312
Contributions as a percentage of covered payroll	41.45%	36.20%	40.02%	30.88%	32.13%
<b>KERS – Hazardous</b>					
Contractually required contribution	\$ 415	\$ 311	\$ 159	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(415)</u>	<u>(311)</u>	<u>(159)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
University's covered payroll	\$ 1,201	\$ 1,079	\$ 518	\$ -	\$ -
Contributions as a percentage of covered payroll	34.55%	28.82%	30.69%	-%	-%
<b>KTRS</b>					
Contractually required contribution	\$ 7,148	\$ 8,612	\$ 8,814	\$ 8,843	\$ 7,235
Contributions in relation to the contractually required contribution	<u>(7,148)</u>	<u>(8,612)</u>	<u>(8,814)</u>	<u>(8,843)</u>	<u>(7,235)</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
University's covered payroll	\$ 53,396	\$ 88,822	\$ 89,975	\$ 89,598	\$ 87,589
Contributions as a percentage of covered payroll	13.39%	9.70%	9.80%	9.87%	8.26%

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

Changes of benefit terms and assumptions:

## KERS

*Changes of benefit terms:* The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016: The assumed investment rate of return was decreased from 7.50% to 6.75%.

2017:

*Changes in Assumptions and Benefit Terms:* Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 6.75% to 5.25% (Non-hazardous) and 7.50% to 6.25% (Hazardous).
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Salary growth assumption was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 0.00% (Non-hazardous) and 4.00% to 2.00% (Hazardous).

2018:

*Changes in Assumptions and Benefit Terms:* Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 was determined using these updated benefit provisions.

## KTRS

2015: *Changes of benefit terms:* None

*Changes of Assumptions:* In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

2016: Since the previous valuation, various economic and demographic assumptions have been revised to reflect the results of the experience investigation for the five-year period ending June 30, 2015. The changes adopted by the Board on September 19, 2016, include various demographic and economic assumptions summarized below:

- Price inflation changed assumed rate from 3.50% to 3.00%.
- Wage inflation changed assumed rate from 4.00% to 3.50%.
- Assumed salary scale adjusted to reflect a decrease of 0.25% in merit and promotion for all ages.
- Assumed rates of withdrawal, disability, retirement, and mortality have been adjusted to more closely reflect experience.
- The discount rate was changed from 4.88% to 4.20%.

2017:

*Changes in Assumptions and Benefit Terms Since Prior Measurement Date* - The total pension liability as of June 30, 2017 reflects that the assumed municipal bond index rate increased from 3.01% to 3.56%, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.20% to 4.49%. The change in the discount rate is considered a change in actuarial assumptions under GASB 68.

2018:

*Changes in Assumptions and Benefit Terms Since Prior Measurement Date* - The total pension liability as of June 30, 2018 reflects the assumed municipal bond index rate increase from 3.56 percent to 3.89 percent, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.49 percent to 7.50 percent. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2018. The total pension liability as of June 30, 2017 reflects the assumed municipal bond index rate increase from 3.01 percent to 3.56 percent, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.20 percent to 4.49 percent. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2017.

	<u>2019</u>	<u>2018</u>
<b>KERS – Non-Hazardous</b>		
University's proportion of the net OPEB liability	1.45%	1.75%
University's proportionate share of the net OPEB liability	\$ 34,368	\$ 44,378
University's covered payroll	\$ 24,966	\$ 26,630
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	137.66%	166.65%
Plan fiduciary net position as a percentage of the total OPEB liability	27.32%	24.40%
<b>KERS – Hazardous</b>		
University's proportion of the net OPEB liability	0.63%	0.64%
University's proportionate share of the net OPEB liability (asset)	\$ (208)	\$ 39
University's covered payroll	\$ 1,079	\$ 518
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	(19.28)%	7.53%
Plan fiduciary net position as a percentage of the total OPEB liability	106.83%	98.80%
<b>KTRS – Medical Insurance</b>		
University's proportion of the net OPEB liability	0.73%	0.79%
University's proportionate share of the net OPEB liability	\$ 25,293	\$ 28,232
State's proportionate share of the net OPEB liability associated with the University	<u>12,379</u>	<u>12,803</u>
Total	\$ 37,672	\$ 41,035
University's covered payroll	\$ 88,822	\$ 89,975
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	28.48%	31.38%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.18%
<b>KTRS – Life Insurance</b>		
University's proportion of the net OPEB liability	1.62%	1.70%
University's proportionate share of the net OPEB liability	\$ 457	\$ 373
University's covered payroll	\$ 88,822	\$ 89,975
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.51%	0.41%
Plan fiduciary net position as a percentage of the total OPEB liability	75.00%	79.99%

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

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

	<u>2019</u>	<u>2018</u>
<b>KERS – Non-Hazardous</b>		
Contractually required contribution	\$ 1,316	\$ 1,851
Contributions in relation to the contractually required contribution	<u>(1,316)</u>	<u>(1,851)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 15,504	\$ 24,966
Contributions as a percentage of covered payroll	8.49%	7.41%
<b>KERS – Hazardous</b>		
Contractually required contribution	\$ 30	\$ 33
Contributions in relation to the contractually required contribution	<u>(30)</u>	<u>(33)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 1,201	\$ 1,079
Contributions as a percentage of covered payroll	2.50%	3.06%
<b>KTRS – Medical Insurance</b>		
Contractually required contribution	\$ 1,230	\$ 1,512
Contributions in relation to the contractually required contribution	<u>(1,230)</u>	<u>(1,512)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 53,396	\$ 88,822
Contributions as a percentage of covered payroll	2.30%	17.02%
<b>KTRS – Life Insurance</b>		
Contractually required contribution	\$ 16	\$ 19
Contributions in relation to the contractually required contribution	<u>(16)</u>	<u>(19)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 53,396	\$ 88,822
Contributions as a percentage of covered payroll	0.03%	0.02%

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

\*\* Employer contributions do not include the expected implicit subsidy.



## KERS

*Changes in Assumptions and Benefit Terms:* Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

2017:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The salary increase assumption was reduced from 4.00% to 3.05%.
- The payroll growth assumption was reduced from 4.00% to 2.00%.

2018:

*Changes in Assumptions and Benefit Terms:* Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who dies in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

## KTRS

2017:

*Changes to benefit terms:* Medical Insurance: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

2018:

*Changes of benefit terms* – For the Life Insurance Plan, changes in assumptions or benefit terms as of June 30, 2019 included a change to the investment rate of returns, municipal bond index rate, discount rate, and single equivalent interest rate noted in the table above. For the Medical Insurance Plan, with the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010. This change occurred in the prior year, while there were no other changes in the current year.

## **SUPPLEMENTAL INFORMATION**

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

Board of Regents  
Eastern Kentucky University and  
The Secretary of Finance and Administration  
Cabinet of the Commonwealth of Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Eastern Kentucky University ("the University" or "University") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 11, 2019. Our report includes a reference to other auditors who audited the financial statements of Eastern Kentucky University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of Eastern Kentucky University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

  
Crowe LLP

Louisville, Kentucky  
October 11, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE**

Board of Regents  
Eastern Kentucky University and  
The Secretary of Finance and Administration  
Cabinet of the Commonwealth of Kentucky

***Report on Compliance for Each Major Federal Program***

We have audited Eastern Kentucky University's ("the University" or "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2019. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### ***Report on Internal Control Over Compliance***

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

  
Crowe LLP

Louisville, Kentucky  
October 11, 2019

# **U.S. DEPARTMENT OF EDUCATION**

## Direct Programs –

### Student Financial Aid Cluster

Federal Pell Grant Program	84.063	\$ 24,385,861	\$ -
Federal Supplemental Educational Opportunity Grant	84.007	792,641	-
Federal Work Study Program	84.033	613,801	-
Federal Work Study Service Tutors	84.033	4,707	-
Federal Work Study Job Location/Development	84.033	49,561	-
Federal Perkins Loan Program	84.038	4,747,109	-
Teach Grant	84.379	9,639	-
Federal Stafford Loan – Direct Lending	84.268	69,667,662	-
Federal Direct Student Loan - PLUS	84.268	9,944,068	-
Total Student Financial Aid Cluster		<u>110,215,049</u>	<u>-</u>

### TRIO Cluster

NOVA Student Support Services FY 18	84.042A	34,531	-
NOVA Student Support Services FY 19	84.042A	317,240	-
Educational Talent Search FY 17	84.044A	1,339	-
Educational Talent Search FY 18	84.044A	84,937	-
Educational Talent Search FY 19	84.044A	308,941	-
Upward Bound FY 18	84.047A	2,787	-
Upward Bound FY 19	84.047A	377,991	-
Upward Bound Student Supp FY 19	84.047A	99,420	-
Upward Bound FY 20	84.047A	69,912	-
Upward Bound Student Supp FY 20	84.047A	25,539	-
Ronald McNair Post Baccalaureate Program – Admin 2018	84.217A	51,299	-
Ronald McNair Post Baccalaureate Program – Student Supp 2018	84.217A	27,512	-
Ronald McNair Post Baccalaureate Program – Admin 2019	84.217A	128,926	-
Ronald McNair Post Baccalaureate Program – Student Supp 2019	84.217A	21,442	-
Total TRIO Cluster		<u>1,551,816</u>	<u>-</u>

PREPaRE FY 14	84.325	<u>37,320</u>	<u>620</u>
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EKU Student Child Care Access and Expansion Program	84.335A	<u>50,066</u>	<u>-</u>
		<u>111,854,251</u>	<u>620</u>

### Pass-Through Programs –

#### Berea College

Promise Summer Camp	P0027045	84.215N	2,284	-
Promise Neighborhood	P0027405	84.215N	3,959	-
Promise Neighborhood PR Intern	P0027565	84.215N	4,055	-
PS Navigo Position for GEAR UP	MOA	84.334	43,962	-
BC GEAR UP Supp Funding	MOA	84.042A	140,322	-
Berea College GEAR UP	P0027086	84.334	256,846	-
LINC GEAR UP	P9927765	84.334	46,861	-
LINC Internships e-Mentors	P0027765	84.215N	7,689	-
Promise Summer Camp	P0027609	84.215N	5,912	-
GEAR UP Summer Bridge 2019	P0027887	84.334	9,221	-
			<u>521,111</u>	<u>-</u>

**U.S. DEPARTMENT OF EDUCATION (Continued)**

## Pass-Through Programs (Continued) -

## Kentucky Department of Education

## Southern Migrant Education

## Regional Center

PON2 540 1600002675 1	84.011A	\$	124,595	\$	21,589
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## Southern Migrant Education

## Regional Center

PON2 540 1600003023 1	84.011A		252,231		-
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21<sup>st</sup> CCLF FY19

PON2 540 1900002027 1	84.287		223,774		-
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## Kentucky Center for Instructional

## Disc.

PON2 540 1900000493 1	84.027A		635,506		-
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## Interpreter Training Progress

## FY 19

PON2 540 1900000421 1	84.027		453,600		-
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## ITP FY 18 Extension

PON2 540 1900000037 1	84.027A		6,993		-
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## Making Algebraic Connections FY 18

PON2 540 1700002891 1	84.366B		(1,025)		-
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## Making Algebraic Connections FY 19

PON2 540 1800000747 1	84.366B		77,009		3,686
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## Unmanned Aircraft Systems

PON2 540 1900001311 2	84.048A		24,553		-
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			<u>1,797,236</u>		<u>25,275</u>
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Kentucky Department for Technical  
Education

## PD Teacher Educators FY 19

PON2 540 1900002911 1	84.048A		8,662		-
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## Perkins Basic Grant FY 19

PON2 540 1900002911 1	84.048A		117,759		-
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			<u>126,421</u>		<u>-</u>
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Kentucky Department of Vocational  
Rehabilitation

## Vocational Rehabilitation FY 19

PON2 531 1900000621 1	84.126		<u>454,829</u>		<u>-</u>
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Kentucky Council on Postsecondary  
Education

## Madison County Adult Education

## FY 19

SC 415 1900000619	84.002A		64,390		-
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## Madison County Adult Education

## FY 19

SC 415 1900000619	84.002		17,897		-
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## Clay County Adult Education FY 19

SC 415 1900000619	84.002A		57,566		-
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## Clay County Adult Education FY 18

SC 415 1900000619	84.002		11,448		-
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## Garrard County Adult Education FY 18

PO2 415 1800001180 1	84.002A		(18)		-
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## Rowan County Promo Project

## Assign FY 19

SC 415 1900000158 1	84.367B		26,861		-
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## Promoting Project Assign FY 19

SC 415 1900000158 1	84.367B		17,386		-
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			<u>195,530</u>		<u>-</u>
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Madison County Board of  
Education

## IDEA Model Funds FY 18

H027A 160032	84.027A		32,791		-
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## IDEA Model Funds FY 19

3810002-16	84.027A		90,655		-
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			<u>123,446</u>		<u>-</u>
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University of Louisville Research  
Foundation

## EKU ASSESS FY 18

ULRF-17-0030A-01	84.366		6,344		-
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			<u>3,224,917</u>		<u>25,275</u>
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**Total U.S. Department of Education**

			<u>115,079,168</u>		<u>25,895</u>
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## RESEARCH AND DEVELOPMENT

### Direct Programs –

#### Department of Agriculture

Wetland and Forest Monitoring  
In the Daniel Boone National  
Forest

10.xxx 27,673 -

UDA-EKU Archaeology Field School  
RHELM Program – Student Internships

10.xxx 557 -

10.xxx 29,969 -

58,199 -

#### Department of the Interior

Long-Term Evaluation of the Interacting  
Effect of Fire and White-Nose  
Syndrome on Endangered Bats

15.232 33,402 16,469

#### National Science Foundation

REU: Disturbance Ecology in Control  
Appal.

47.074 81,488 -

Efficient Mathematical Framework

47.049 50,195 -

Building and Sustaining a Research  
Database for a Global Biodiversity

Hotspot

47.074 3,907 1,247

Collaborative Research RUI SG

47.074 7,762 -

Disturbance Ecology

47.076 3,277 -

146,629 1,247

238,230 17,716

### Pass-Through Programs –

#### Department of Interior:

Kentucky Waterways Alliance  
Environmental DNA  
Protection

Letter of Agreement

15.625 9,679 -

Blue Grass Army Depot  
Running Buffalo Clover  
and Deer Herd Survey

W22G1F18P0030

15.xxx 13,018 -

Kentucky Department of Fish  
& Wildlife Resources

Indiana Bat KY WNS Landscape

PON2 660 1900000348 1

15.615 20,000 -

# RESEARCH AND DEVELOPMENT

## Pass-Through Programs (Continued) –

### Arkansas Game and Fish Commission

#### DNA Barcode Reference

#### Library eDNA

#### Arkansas Freshwater Mussels

Letter of Agreement

Subgrant Agreement

15.634

15.634

\$ 5,819

8,798

14,617

\$ 918

-

918

### Department of Health and Human Services

#### University of Louisville

#### Lead Faculty Award for KBRIN

#### Effect of p75NTR on Oxidative

#### Effect of p75NTR on Oxidative

ULRF 13-1493D-04

ULRF 13-1493D-04

ULRF 18-0975A-02

93.959

93.859

93.859

31,384

48,195

4,429

84,008

-

-

-

-

### University of Kentucky Research

#### Foundation

#### MRSA Assessment Kentucky

#### Cattle Workers

32100000764-18-284

93.262

12,411

-

### University of Vermont

#### Integrating Behavioral Health/

#### Primary Care

29861SUB52532

93.xxx

31,131

-

### National Institute of Health

#### University of Louisville

#### Horizontal Laminar Flow Hood

#### With Vibration Isolator

#### Allentown NextGen Cage

#### System

ULRF-13-1493D-04

ULRF 13-1493D-04

93.389

93.389

8,893

18,484

27,377

-

-

-

### Environmental Protection Agency

#### Kentucky Division of Water

#### Continued Validation of

#### Wetland

#### Assessment of Kentucky

#### Wetlands

SC129 19000001387 1

SC 129 190000074 1

66.461

66.461

13,369

72,199

85,568

-

-

-

### National Science Foundation

#### University of Kentucky

#### Research Foundation

#### Telomere Roles in

#### Fungal Evolution

3200001363-18-082

47.074

8,665

-

**RESEARCH AND DEVELOPMENT**

Pass-Through Programs (Continued) –  
Murray State University

Size Structure on Trophic

Cascades

DEB-1354787

47.074

\$ 50,424

\$ -

REU Supplement: Effects

Of Size Str.

2017-023

47.074

3,000

-

53,424

-

359,898

918

**Total Research and Development**

598,128

18,634

**DEPARTMENT OF DEFENSE**

Direct Programs –

Defense Intelligence Agency

Bluegrass State Intelligence FY 18

12.598

177,452

107,281

Bluegrass State Intelligence FY 19

12.598

191,515

29,384

368,967

136,665

**Total Department of Defense**

368,967

136,665

**DEPARTMENT OF AGRICULTURE**

Pass-Through Programs –

USDA Forest Service

Daniel Boone National Forest

Visitor Use Monitor

16-PA-11080200-010

10.xxx

7,742

-

Forest Inventory and Monitoring

DBNF

17-PA-11080200-005

10.xxx

719

-

Partn for Forest Inventory and

Man

17-PA-11080200-005

10.xxx

10,020

-

18,481

-

Kentucky Department of Agriculture

EKU Red Barn Garden

Special Crop

PON2 035 1900003059-1 10.170

756

-

Kentucky Department of Education

Upward Bound Summer Food 2018

12114

10.559

13,282

-

Kentucky Cabinet for Health and

Family Services

University Training Consortium

FY 18

PON2 736 150000 1287 1 10.561

22,325

368

University Training Consortium

FY 19

PON2 736 1800004118 10.561

500,300

33,256

522,625

33,624

Kentucky Council on Postsecondary  
Education

Path 2 Promise Adult Education

FY 19

SC 415 1900000619

10.596

22,583

-

**Total Department of Agriculture**

577,727

33,624

**ENVIRONMENTAL PROTECTION AGENCY**

Pass-Through Programs –

Earth Force, Inc.

Earth Force Green Schools

Connect

Letter of Agreement

66.951

\$ 132

\$ -

Kentucky Association of

Environmental Education

Addressing Climate Statewide

Throughout

Letter of Agreement

66.951

806

-

**Total Environmental Protection Agency**

938

-

**FEDERAL COMMUNICATION COMMISSION**

Direct Programs -

Federal Communication

Commissions

Deafblind Equipment District

Program FY 18

32.xxx

60,809

-

**Total Federal Communication Commission**

60,809

-

**DEPARTMENT OF HEALTH AND****HUMAN SERVICES**

Direct Programs –

Health Resources and Service

Administration

Expanding Access to Health Services

93.224

43,598

-

Expanding Access to Health Services

93.527

164,010

-

Access Increase Mental Health

Services

93.224

86,482

-

Health Center Quality Improvement

17/18

93.527

15,416

-

BCHC FY 19

93.224

664,107

-

BCHC FY 19

93.527

1,707,704

-

BCHC FY 20

93.224

163,213

-

BCHC FY 20

93.527

419,689

-

EKU Safe FY 18

93.243

21,710

-

EKU Safe FY 18 Carryover

93.243

8,858

-

EKU Safe FY 19

93.243

62,125

-

3,356,912

-

**DEPARTMENT OF HEALTH AND  
HUMAN SERVICES (Continued)**

Pass-Through Programs –

Kentucky Cabinet for Health and  
Family Services

Education Pays Center FY 19	SC 736 1900000189	93.558	\$	352,636	\$	-
Medicaid Waiver FY 19	SC 746 1800004086 1	93.778		12,835		-
DBHDID FY 19	PON2 729 1800001953	93.243		75,085		-
DBHDID FY 19	PON2 729 1800001953	93.958		11,787		-
DBHDID FY 19	PON2 729 1600001953	93.959		420,234		-
DBHDID FY 19	PON2 729 1600001953	93.788		33,000		-
University Training Consortium FY 18	PON2 736 1500001287 1	93.087		11,442		7,822
University Training Consortium FY 18	PON2 736 1500001287 1	93.556		13,946		10,876
University Training Consortium FY 18	PON2 736 1500001287 1	93.558		20,209		15,257
University Training Consortium FY 18	PON2 736 1500001287 1	93.575		(1)		-
University Training Consortium FY 18	PON2 736 1500001287 1	93.603		71,926		61,588
University Training Consortium FY 18	PON2 736 1500001287 1	93.658		667,247		212,572
University Training Consortium FY 18	PON2 736 1500001287 1	93.669		7,371		-
University Training Consortium FY 18	PON2 736 1500001287 1	93.674		51,055		48,314
University Training Consortium FY 18	PON2 736 1500001287 1	93.590		5,086		500
University Training Consortium FY 18	PON2 736 1500001287 1	93.667		14		-
University Training Consortium FY 18	PON2 736 1500001287 1	93.778		4,473		-
University Training Consortium FY 19	PON2 736 1800004118	93.087		83,153		15,828
University Training Consortium FY 19	PON2 736 1800004118	93.556		314,312		41,273
University Training Consortium FY 19	PON2 736 1800004118	93.558		303,434		42,281
University Training Consortium FY 19	PON2 736 1800004118	93.575		166,427		-
University Training Consortium FY 19	PON2 736 1800004118	93.590		573,697		-
University Training Consortium FY 19	PON2 736 1800004118	93.603		613,157		321,751
University Training Consortium FY 19	PON2 736 1800004118	93.658		8,713,889		2,152,512
University Training Consortium FY 19	PON2 736 1800004118	93.667		4,511		-
University Training Consortium FY 19	PON2 736 1800004118	93.669		147,084		36,931

**DEPARTMENT OF HEALTH AND  
HUMAN SERVICES (Continued)**

Pass-Through Programs (Continued) –  
Kentucky Cabinet for Health and  
Family Services

University Training Consortium FY 19	PON2 736 1800004118	93.674	\$ 374,433	\$ 201,878
University Training Consortium FY 19	PON2 736 1800004118	93.778	110,698	-
Family Planning FY 19		93.217	32,048	-
Mosquito Surveillance FY 19	PON2 728 1900001806	93.323	3,136	-
			<u>13,198,324</u>	<u>3,169,383</u>
Hope Center, Inc. HOPE Center SAMHSA MAT Expansion	Subaward agreement	93.243	<u>34,705</u>	<u>-</u>
University of Kentucky Bridging the Gap	3200000656-13-130	93.859	19,342	-
Central Appalachian Regional Education	3200001939-19-058	93.262	123,638	-
Central Appalachian Regional Education	3200001939-19-058	93.262	19,715	-
			<u>162,695</u>	<u>-</u>
			<u>13,395,724</u>	<u>3,169,383</u>

**Total Department of Health and Human Services**

16,752,636 3,169,383

**DEPARTMENT OF HOMELAND SECURITY**

Pass-Through Programs –  
Center for Rural Development

Rural Domestic Preparedness Consortium FY 15: Task 2	FY15-00190-03-EKU	97.005	15,331	-
Rural Domestic Preparedness Consortium FY 16: Task 1	EMW-2016-CA-0097-S01	97.005	21,053	-
Rural Domestic Preparedness Consortium FY 16: Task 2	EMW-2016-CA-0097-S01	97.005	102,579	-
Rural Domestic Preparedness Consortium FY 17: Task 1	FY17-00052-S01-EKU	97.005	19,280	-
Rural Domestic Preparedness Consortium FY 17: Task 2	FY17-00052-S01-EKU	97.005	250,581	-
Rural Domestic Preparedness Consortium FY 18: Task 1	FY18-00075-S01-EKU	97.005	1,753	-
Rural Domestic Preparedness Consortium FY 18: Task 2	FY18-00075-S01-EKU	97.005	4,065	-

**Total Department of Homeland Security**

414,642 -

**DEPARTMENT AERONAUTICS AND  
SPACE ADMINISTRATION**

Pass-Through Programs –  
University of Kentucky  
Research Foundation  
Leggo My Science

3200000161-19-193 43.008 \$ 3,625 \$ -

**Total National Aeronautics and Space Administration**

3,625 -

**NATIONAL ENDOWMENT FOR THE HUMANITIES**

Pass-Through Programs –  
University of Kentucky  
The Anatolian Trail Adventure

3200002373-19-206 45.169 5,064 -

**Total National Endowment for the Humanities**

5,064 -

**NATIONAL SCIENCE FOUNDATION**

Pass-Through Programs –  
University of Kentucky Research  
Foundation  
Math & Science Summer Camp

3200000271-18-276 47.079 (49) -

**Total National Science Foundation**

(49) -

**DEPARTMENT OF TRANSPORTATION**

Pass-Through Programs –  
Kentucky Transportation Cabinet  
EKU Drainage Project

1900001227 20.205 15,985 -

**Total Department of Transportation**

15,985 -

**APPALACHIAN REGIONAL COMMISSION**

Pass-Through Programs –  
Eastern Kentucky Pride, Inc.  
HELP – Healthier Environment

EEG-18-043 23.002 2,478 -

**Total Appalachian Regional Commission**

2,478 -

**CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE**

Pass-Through Programs –  
Kentucky Commission of Community  
Volunteerism & Service  
Kentucky READY Corps  
FY 18  
Kentucky READY Corps  
FY 19  
Kentucky READY Corps  
FY 19 Supp

PON2 730 1800000303 1 94.006 18,141 -

PON2 730 1900002434 1 94.006 99,750 -

PON2 730 1900003540 1 94.009 438 -

**Total Corporation for National Community Service**

118,329 -

**Total Federal Expenditures**

\$ 133,998,447 \$ 3,384,201

**Subtotals of Multiple Awards/CFDA Numbers**

Bluegrass State Intelligence	12.598	\$	368,967
Environmental Education Grants	66.951		938
Adult Education Grants to States	84.002		151,283
Migrant Education Program	84.011		376,826
Vocational Education Basic Grants to States	84.048		150,974
Innovative Approaches to Literacy, Full-Service Community Schools; and Promised Neighborhoods	84.215		23,899
Science and Math Camp	84.334		356,890
Mathematics and Science Partnerships	84.366		82,328
Supporting Effective Instruction State Grants	84.367		44,247
University Training Consortium Program	93.087		94,595
Substance Abuse and Mental Health	93.243		202,483
Occupational Safety and Health Program	93.262		143,353
University Training Consortium Program	93.556		328,258
University Training Consortium Program	93.590		578,783
University Training Consortium Program	93.603		685,083
University Training Consortium Program	93.658		9,381,136
University Training Consortium Program	93.667		4,525
University Training Consortium Program	93.669		154,455
University Training Consortium Program	93.674		425,488
AmeriCorps	94.006		117,891
State and Local Homeland Security National Training Program	97.005		414,642
SNAP Cluster			522,625
Special Education Cluster			1,219,545
TANF Cluster			676,279
CCDF Cluster			166,426
Health Center Program Cluster			3,264,219
Highway Planning and Construction Cluster			15,985
Medicaid Cluster			128,006



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Eastern Kentucky University (the "University") under programs of the federal government for the year ended June 30, 2019, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

## NOTE 2 – LOANS

The University disbursed funds under the Federal Direct Loan Programs (including Direct Loans, Direct Unsubsidized Loans, Direct Plus Loans and Direct Consolidation Loans) during the current year.

Eastern Kentucky University had the following loan balances outstanding at June 30, 2019. Loans made during the year are included in federal expenditures presented in the schedule.

<u>Cluster/Program Title</u>	<u>Amount Outstanding</u>
Student Financial Aid – Federal Perkins Loan Program	\$ 3,960,277

## NOTE 3 – INDIRECT COST

Predetermined indirect cost rates have been approved through June 30, 2019. The rate for on-campus activities ranges from 40.0% to 52.5% and the rate for off-campus activities ranges from 22.0% to 26.0% for the approved period. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## PART I: SUMMARY OF AUDITORS' RESULTS

### Financial Statements

Type of auditors' report issued	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>                    </u> Yes	<u>    X    </u>	No
Significant deficiency(ies) identified?	<u>                    </u> Yes	<u>    X    </u>	None Reported
Noncompliance material to financial statements noted?	<u>                    </u> Yes	<u>    X    </u>	No

### Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u>                    </u> Yes	<u>    X    </u>	No
Significant deficiency(ies) identified?	<u>                    </u> Yes	<u>    X    </u>	None Reported
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>                    </u> Yes	<u>    X    </u>	None Reported

Identification of major programs:

#### CFDA Number(s)

#### Name of Federal Program or Cluster Number

	Total Student Financial Aid Cluster (consisting of):
84.063	Federal Pell Grant Program
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work Study Program
84.038	Federal Perkins Loan Program
84.379	TEACH Grant
84.268	Federal Direct Loan Program
	TRIO Cluster (consisting of):
84.042	Student Support Services
84.044	Talent Search
84.047	Upward Bound
84.217	McNair Post-Baccalaureate Achievement

Dollar threshold used to distinguish between Type A and Type B programs

\$ 750,000

Auditee qualified as low-risk auditee?	<u>    X    </u>	Yes	<u>                    </u>	No
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## PART II – FINANCIAL STATEMENT FINDINGS

None

## PART III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

Eastern Kentucky University  
Board of Regents

Finance and Administration Committee  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

- I. **Call to Order** (Committee Chair Lynn Taylor Tye)
- II. **Information Items**
  - A. Financial Update (Barry Poynter) ..... 148
- III. **Action Items**
  - A. **Consent Agenda**
    - i. Approval of the August 29, 2019 Finance and Planning Committee Meeting Minutes  
(Lynn Taylor Tye) ..... 156
  - B. **Land Lease – Kit Carson Commons Project** (David McFaddin)..... 158
- IV. **Adjourn**



**Eastern Kentucky University**

Financial Update

December 12, 2019

# Budget to Actual Summary

\* Preliminary / Draft - Unaudited

November 30, FY 2019-20							
Fund	Revenue			Expense			Change in Net Position
	Revised Revenue Budget	Actual Revenue	Percent Realized	Revised Expense Budget	Actual Expense	Percent Realized	
Education & General	230,060,217	115,746,849	50.31%	238,867,913	94,638,900	39.62%	21,107,948
Auxiliary	28,579,685	13,881,642	48.57%	28,579,685	10,356,617	36.24%	3,525,024
Total	258,639,902	129,628,490	50.12%	267,447,598	104,995,518	39.26%	24,632,972
November 30, FY 2018-19							
Fund	Revenue			Expense			Change in Net Position
	Revised Revenue Budget	Actual Revenue	Percent Realized	Revised Expense Budget	Actual Expense	Percent Realized	
Education & General	235,205,050	117,962,488	50.15%	246,441,559	100,452,337	40.76%	17,510,151
Auxiliary	27,412,042	14,897,125	54.35%	27,412,042	11,040,542	40.28%	3,856,583
Total	262,617,092	132,859,613	50.59%	273,853,601	111,492,878	40.71%	21,366,734

# E & G Revenue by Classification

*\* Preliminary / Draft - Unaudited*

Revenue Source	FY 2019-20			FY 2018-19			Variance
	Revised Revenue Budget	Actual Revenue	Percent Realized	Revised Revenue Budget	Actual Revenue	Percent Realized	
Tuition & Class Fees	151,357,412	74,607,417	49.29%	154,509,285	74,009,734	47.90%	597,684
State Appropriations	63,753,600	35,064,500	55.00%	64,189,000	35,304,000	55.00%	(239,500)
Government Grants & Contract	5,302,724	736,221	13.88%	5,459,750	886,295	16.23%	(150,075)
Private Gifts, Grants & Contract	229,301	256,481	111.85%	198,952	519,382	261.06%	(262,901)
Educational Sales & Services	5,834,293	3,587,464	61.49%	5,622,185	4,190,696	74.54%	(603,232)
Other Sources	3,582,887	1,494,766	41.72%	5,225,879	3,052,381	58.41%	(1,557,616)
							-
Total	230,060,217	115,746,849	50.31%	235,205,050	117,962,488	50.15%	(2,215,639)

# E & G Expense by Classification

*\* Preliminary / Draft - Unaudited*

Expense Classification	FY 2019-20			FY 2018-19			Variance
	Revised Expense Budget	Actual Expense	Percent Realized	Revised Expense Budget	Actual Expense	Percent Realized	
Instruction	91,097,593	33,443,767	36.71%	91,165,323	34,539,900	37.89%	(1,096,133)
Research	449,419	53,287	11.86%	277,358	31,213	11.25%	22,074
Public Service	3,047,596	1,224,255	40.17%	2,905,736	1,486,781	51.17%	(262,526)
Academic Support & Libraries	28,336,372	11,253,512	39.71%	27,724,981	11,357,012	40.96%	(103,500)
Student Services	18,887,555	8,045,265	42.60%	18,344,926	8,319,943	45.35%	(274,678)
Institutional Support	34,229,398	11,972,660	34.98%	41,978,122	14,351,409	34.19%	(2,378,749)
Operation & Maintenance of Plan	24,974,492	8,368,436	33.51%	24,999,818	9,916,008	39.66%	(1,547,573)
Scholarships & Fellowships	37,845,489	20,277,718	53.58%	39,045,295	20,450,070	52.38%	(172,351)
							-
Total	238,867,913	94,638,900	39.62%	246,441,559	100,452,337	40.76%	(5,813,436)

# Budget to Actual Summary - Auxiliary

*\* Preliminary / Draft - Unaudited*

November 30, FY 2019-20	Revenue			Expense			Change in Net Position
	Revised Revenue Budget	Actual Revenue	Percent Realized	Revised Expense Budget	Actual Expense	Percent Realized	
Auxiliary Unit							
Housing	19,669,406	9,108,536	46.31%	19,669,406	6,730,333	34.22%	2,378,203
Recreation Center	1,699,000	747,727	44.01%	1,699,000	475,343	27.98%	272,383
Printing Services	850,000	420,644	49.49%	850,000	348,566	41.01%	72,078
EKU Center for the Arts	2,513,279	1,297,996	51.65%	2,513,279	1,196,977	47.63%	101,019
Parking Operations	1,699,500	1,339,642	78.83%	1,699,500	569,860	33.53%	769,781
White Hall State Historic Site	90,000	71,192	79.10%	90,000	71,032	78.92%	160
University Club at Arlington	1,680,000	671,180	39.95%	1,680,000	720,153	42.87%	(48,973)
Airport FBO	378,500	224,726	59.37%	378,500	244,353	64.56%	(19,627)
Total	28,579,685	13,881,642	48.57%	28,579,685	10,356,617	36.24%	3,525,024



# Budget to Actual Summary - Auxiliary

*\* Preliminary / Draft - Unaudited*

November 30, FY 2018-19	Revenue			Expense			Change in Net Position
	Revised Revenue Budget	Actual Revenue	Percent Realized	Revised Expense Budget	Actual Expense	Percent Realized	
Auxiliary Unit							
Housing	19,765,742	9,363,311	47.37%	19,765,742	7,663,305	38.77%	1,700,006
Recreation Center	1,699,000	775,987	45.67%	1,699,000	599,957	35.31%	176,031
Printing Services	850,000	381,513	44.88%	850,000	382,148	44.96%	(635)
EKU Center for the Arts	1,618,000	2,061,318	127.40%	1,618,000	1,266,948	78.30%	794,370
Parking Operations	1,500,800	1,348,833	89.87%	1,500,800	206,679	13.77%	1,142,154
White Hall State Historic Site			0.00%			0.00%	-
University Club at Arlington	1,600,000	765,631	47.85%	1,600,000	703,439	43.96%	62,192
Airport FBO	378,500	200,531	52.98%	378,500	218,066	57.61%	(17,535)
Total	27,412,042	14,897,125	54.35%	27,412,042	11,040,542	40.28%	3,856,583

# Budget to Actual Summary - Auxiliary

Auxiliary Unit	FY 2019-20	FY 2018-19	YoY Variance
	Change in Net Position	Change in Net Position	
Housing	2,378,203	1,700,006	678,197
Recreation Center	272,383	176,031	96,352
Printing Services	72,078	(635)	72,713
EKU Center for the Arts	101,019	794,370	(693,351)
Parking Operations	769,781	1,142,154	(372,373)
White Hall State Historic Site	160	-	160
University Club at Arlington	(48,973)	62,192	(111,164)
Airport FBO	(19,627)	(17,535)	(2,092)
Total	3,525,024	3,856,583	(331,559)

Questions?



[www.eku.edu](http://www.eku.edu)

**Eastern Kentucky University  
Board of Regents  
Finance and Administration Committee  
Meeting Minutes**

**August 29, 2019**

**O'Donnell Auditorium  
Whitlock Building  
Eastern Kentucky University**

**Call to Order**

Committee Chair Lynn Taylor Tye called the meeting of the Finance and Administration Committee to order at 1:31 p.m. at the O'Donnell Auditorium, Whitlock Building, Eastern Kentucky University. Committee Chair Tye established a quorum was present.

**Committee Members Present**

Lynn Taylor Tye  
Alan Long  
Vasu Vasudevan  
Juan Castro  
Bryan Makinen

**Committee Members Absent**

None

**Information Items**

**A. Financial Update**

Mr. Barry Poynter, Vice President of Finance and Administration, presented the financial update to the Board, a copy of which is incorporated herein and will be included with the official copy of the minutes.

**B. Update on Refunding of 2009 Series A Bonds**

Mr. Barry Poynter, Vice President of Finance and Administration, presented an update on refunding the University's 2009 Series A Bonds to the Board, a copy of which is incorporated herein and will be included with the official copy of the minutes.

**C. Construction Update**

Mr. Brian Wilcox, Associate Vice President of Capital Construction and Facilities Services, gave an update to the Board regarding the Powell Student Center and Student Rec Center construction projects, a copy of which is incorporated herein and will be included with the official copy of the minutes.

### **Action Items**

#### **A. Consent Agenda**

##### **i. Approval of the June 18, 2019 Finance and Planning Committee Minutes**

A motion was made by Regent Long to approve the minutes of the June 18, 2019 meeting of the Finance and Administration Committee of the Board of Regents. The motion was seconded by Regent Vasudevan. The motion passed by voice vote.

##### **ii. Richmond Utilities Easement**

A motion was made by Regent Makinen to approve a utility easement across University property. The motion was seconded by Regent Castro. The motion passed by voice vote.

### **New Business**

There was no new business.

### **Adjourn**

Hearing no objection, Committee Chair Tye declared the meeting of the Finance and Administration Committee adjourned at 1:55 p.m.

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**KIT CARSON COMMONS**  
**GROUND LEASE**

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**Dated as of December \_\_, 2019**

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## **GROUND LEASE**

THIS GROUND LEASE (this "Lease") is made and entered into as of December \_\_\_, 2019 by and between **KIT CARSON COMMONS, LLLP**, a Kentucky limited liability limited partnership ("Tenant"), and **THE COMMONWEALTH OF KENTUCKY** for the use and benefit of **EASTERN KENTUCKY UNIVERSITY**, a Kentucky body politic and corporate ("Landlord").

## **RECITALS**

WHEREAS, Landlord is the owner of the certain tract(s) of land located at 4440 Kit Carson Drive in Richmond, Madison County, Kentucky, which land is legally described in Exhibit A attached hereto and made a part hereof, together with certain other improvements and all appurtenances, easements, rights of way and other rights belonging to or in any way pertaining thereto (the "Land" or the "Property") upon which the Tenant intends to build multi-family residential apartments and a Workforce Pathway Training Facility which will provide skills and development training for unemployed or under-employed job seekers desiring to secure occupations in industry or manufacturing (the "Project"). These training resources, which will be offered in partnership with providers including Eastern Kentucky University's Workforce Development, Skills U, Kentucky Career Center and others will be made available through the Kit Carson Commons Workforce Training Center which will be comprised of three classrooms, a conference room, and several offices; and

WHEREAS, Tenant intends to build the Project in a manner that qualifies for the low income housing tax credit (the "Federal Tax Credits") pursuant to Section 42 of the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision or provisions of prior or succeeding law (the "Code"); and

WHEREAS, Tenant has received or will receive mortgage Loans, together with any modifications or refinancing thereof for the Project from certain Lenders or their successors or assigns; and

WHEREAS, Tenant has been formed to lease and construct the Project pursuant to the terms hereof, and to hold, maintain, operate, and sell or otherwise dispose of its interest in the Property hereunder (the "Leasehold Interest").

NOW, THEREFORE, in consideration of the foregoing, of mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereby agree as follows:

## **ARTICLE I.** **DEFINED TERMS**

In addition to the defined terms set forth in the Recitals to this Lease, the following defined terms used herein shall have the meanings specified below:

"Additional Rent" has the meaning set forth in Section 3.3.

"AHTF Lender" means Kentucky Housing Corporation.

"AHTF Mortgage" means that certain mortgage given to secure the Affordable Housing Trust Fund financing provided by the AHTF Lender in the amount of not more than \$567,240.

"Approved Residents" means residents of the Project who (i) have been selected in accordance with the requirements of Section 42 of the Code, and (ii) meet the criteria on Schedule 1 attached hereto and incorporated by reference (the "Workforce Pathway Residence Criteria"), as such Workforce Pathway Residence Criteria may be amended from time to time by Tenant with the consent of the Landlord, which consent will not be unreasonably withheld, conditioned or delayed.

"Base Rent" has the meaning set forth in Section 3.1.

"Bankrupt" or "Bankruptcy" means, as the context may require, a person or entity subject to a proceeding under Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time, and any successor statute or statutes and all rules and regulations from time to time promulgated thereunder, and any comparable foreign laws relating to bankruptcy, insolvency or creditor's rights.

"Buildings" has the meaning set forth in Section 5.3.

"Closing" means the date on which this Lease is fully executed and delivered by both Landlord and Tenant.

"Collateral" has the meaning set forth in Section 11.1(a).

"Commencement Date" means the date of the Closing.

"Condemnation Award" means the aggregate amount of any condemnation award or awards payable with respect to a Taking, whether by agreement or pursuant to a judgment or otherwise, including consequential damages, with any interest on such amount, net of any unreimbursed costs and expenses of collecting the same.

"Construction Lender" means Federation of Appalachian Housing Enterprises, Inc., a Kentucky non-profit corporation.

"Construction Mortgage" means that certain mortgage given to secure the loan between the Construction Lender and the Tenant in the amount not to exceed \$7,059,231.00.

"Designated Prime Rate" means the prime commercial rate of interest as published from time to time in The Wall Street Journal, or such other source as the parties may agree, adjusted as such rate adjusts.

"Environmental Laws" means any present and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, as well as common law, relating to protection of human health or the environment, relating to Hazardous Substances and/or relating to liability for or costs of other actual or threatened danger to human health or the environment. The term "Environmental Laws" includes, but is not limited to, the following statutes, as amended, any successor thereto, and any regulations promulgated pursuant thereto, and any state or local statutes, ordinances, rules, regulations and the like addressing similar issues: the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community

Right-to-Know Act; the Hazardous Substances Transportation Act; the Resource Conservation and Recovery Act (including, but not limited to, Subtitle I relating to underground storage tanks); the Solid Waste Disposal Act; the Clean Water Act; the Clean Air Act; the Toxic Substances Control Act; the Safe Drinking Water Act; the Occupational Safety and Health Act; the Federal Water Pollution Control Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Endangered Species Act; the National Environmental Policy Act; the River and Harbors Appropriation Act; and those relating to Lead Based Paint. The term "Environmental Laws" also includes, but is not limited to, any present and future federal, state and local laws, statutes, ordinances, rules, regulations and the like, as well as common law, conditioning transfer of property upon a negative declaration or other approval of a governmental authority of the environmental condition of the Property; requiring notification or disclosure of releases of Hazardous Substances or other environmental condition of a property to any governmental authority or other person, whether or not in connection with any transfer of title to or interest in such property; imposing conditions or requirements in connection with permits or other authorization for lawful activity; relating to nuisance, trespass or other causes of action related to the Property; and relating to wrongful death, personal injury or property or other damage in connection with any physical condition or use of the Property.

"Environmental Reports" means those documents and reports, if any, as set forth in Exhibit B.

"Event of Default" has the meaning set forth in Section 9.1.

"Force Majeure" means acts of God, fire, storm, strikes, blackouts, labor disputes, riot or civil insurrection, inability to obtain materials, equipment or labor, or unusual weather conditions.

"Foreclosure" has the meaning set forth in Section 10.4.

"Hazardous Substances" includes, but is not limited to, any and all substances (whether solid, liquid or gas) defined, listed or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes or words of similar meaning or regulatory effect under any present or future Environmental Laws or that may have a negative impact on human health or the environment, including, but not limited to, petroleum and petroleum products, asbestos and asbestos-containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables and explosives, Lead Based Paint and Toxic Mold. Notwithstanding anything to the contrary contained herein, the term "Hazardous Substances" will not include substances which otherwise would be included in such definition but which are of kinds and in amounts ordinarily and customarily used or stored in similar properties, including, without limitation substances used for the purposes of cleaning, maintenance, or operations, substances typically used in construction, and typical products used in properties like the Property, and which are otherwise in compliance with all Environmental Laws. Furthermore, the term "Hazardous Substances" will not include substances which otherwise would be included in such definition but which are of kinds and in amounts ordinarily and customarily stocked and sold by tenants operating businesses of the types operated by the Tenant and which are otherwise in compliance with all Environmental Laws.

"HOME Lender" means Kentucky Housing Corporation.

"HOME Mortgage" means that certain mortgage to be given to secure the HOME Program financing to be provided by the HOME Lender in the amount of not more than \$190,000.00.

"Impositions" has the meaning set forth in Section 4.2.

"Insurance Proceeds" means the proceeds obtained under any insurance policy Tenant maintains with respect to the Property, net of the unreimbursed costs and expenses incurred in the collection of such proceeds.

"Investor Partner" shall mean any investor limited partner that may be admitted as a limited partner of the Tenant in accordance with the Tenant's organizational documents.

"LIHTC Value" has the meaning set forth in Section 7.6.

"Landlord's Percentage" has the meaning set forth in Section 7.6(b).

"Lease Payment" has the meaning set forth in Section 3.2.

"Lease Year" means, in the case of the first lease year, the period from the Commencement Date through December 31st of the year which includes the Commencement Date; thereafter, each successive twelve-calendar month period following the expiration of the first lease year of the Term; except that in the event of the termination of this Lease on any day other than the last day of the last Lease Year, then such Lease Year shall be the period commencing with the day following the end of the preceding Lease Year through and including the date of termination.

"Leasehold Interest" has the meaning set forth in the Recitals.

"Leasehold Interest Value" has the meaning set forth in Section 7.6.

"Leasehold Mortgage" means any mortgage or deed of trust granted by Tenant and secured in whole or in part by the Leasehold Interest including, but not limited to, the Construction Mortgage, the HOME Mortgage, and the AHTF Mortgage.

"Leasehold Mortgagee" means the holder of a Leasehold Mortgage, including but not limited to, each of the Construction Lender, the HOME Lender, and the AHTF Lender.

"Legal Requirements" shall mean all laws, statutes, ordinances, orders, rules, regulations and requirements of all Federal, state and local governmental or quasi-governmental entities, subdivisions, agencies, authorities or instrumentalities and the appropriate officers, departments, and boards thereof applicable to the Property.

"Lenders" means the Construction Lender, HOME Lender, and the AHTF Lender.

"Loans" means the loans made by the Lenders.

"Partial Taking" has the meaning set forth in Section 7.6.

"Permitted Encumbrances" means the encumbrances and exceptions set forth in the Title Policy, and includes, but is not limited to, the Restrictive Covenant.

"Permitted Mortgages" means any Leasehold Mortgage approved in writing by the Landlord and includes, but is not limited to, each of the HOME Mortgage, the AHTF Mortgage and the Construction Mortgage.

"Permitted Mortgagee" means the holder of any of the Permitted Mortgages.

"Plans and Specifications" means the plans and specifications for the construction of the Project on the Property, as such plans and specifications may be changed from time to time with the approval of the Lender, and any applicable governmental entities, if such approval shall be required.

"Project" means the housing units and related improvements constructed (or to be constructed, as the case may be) on the Property.

"Property" has the meaning set forth in the Recitals.

"Repairs" means all necessary or customary maintenance, replacements, renewals, alterations, additions and betterments made in the ordinary course of the operation of the Property, both interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen, of every nature, kind and description.

"Residual Value" has the meaning set forth in Section 7.6(b).

"Restrictive Covenant" means that certain Declaration of Land Use Restrictive Covenants to be entered into between Tenant and the Kentucky Housing Corporation and as it may include the Landlord.

"State" shall mean the Commonwealth of Kentucky.

"Sublease" shall mean a lease between Tenant and a Subtenant.

"Subtenant" means any tenant or subtenant, under a Sublease with Tenant, in lawful occupancy of any unit(s) or spaces located on the Property.

"Taking" means any taking of the title to, access to, or use of all or any part of the Property and/or the Building, or any interest therein or right accruing thereto, as a result of the exercise of the right of condemnation or eminent domain affecting the Property or any part thereof. A conveyance in lieu of or in anticipation of the exercise of any such right of condemnation or eminent domain shall be considered a Taking. Any such Taking shall be deemed to have occurred upon the earlier to occur of (a) the date on which the property, right or interest so taken must be surrendered to the condemning authority, or (b) the date title vested in a condemning authority or other party pursuant to any Taking. A Taking may be total or partial, permanent or temporary.

"Temporary Taking" means a Taking that does not extend beyond the Term, so that Landlord's reversionary interest hereunder is unaffected by such Taking.

"Tenant's Percentage" has the meaning set forth in Section 7.6(b).

"Tenant's Personal Property" shall mean any personal property of Tenant located upon or used by Tenant in connection with the Property, including without limitation:

- (i) all fixtures and other tangible personal property located at or on or intended to be used in connection with the Property; all articles of personal property now or hereafter attached to or intended to be used in or about or in connection with the Property; and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are or shall be attached to the Property;
- (ii) All contracts, contract rights, accounts, warranties, and agreements, including rights to return of deposits, prepaid premiums or other payments; receivables, rents, chattel paper and instruments, property rights, trade names, plans and specifications, permits, approvals and general intangibles and all other choses in action now or hereafter existing with respect to the Leasehold Interest, and all proceeds from the foregoing;
- (iii) all insurance proceeds, including interest, payable in connection with any damage or loss to the Leasehold Interest; all eminent domain awards made with respect to the Leasehold Interest; and
- (iv) all books and records maintained by Tenant and relating to the operation of the Property.

"Tenant's Work" means the construction and development of the Project in accordance with (i) all applicable requirements of the Loans, (ii) all Legal Requirements, and (iii) the Plans and Specifications.

"Term" means the term commencing on the Commencement Date and ending on the last day of 2094, unless sooner terminated as provided for herein.

"Utility Charges" has the meaning set forth in Section 4.3.

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**ARTICLE II.**  
**PROPERTY, TERM AND SUBORDINATION**

2.1. Lease of Property.

Landlord hereby leases and demises to Tenant, and Tenant hereby leases from Landlord, subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease, the Property for the Term.

2.2. Operating Contracts. Landlord represents to Tenant that Landlord is not a party to any leases or contracts or agreements relating to the operation of the Property.

2.3. Delivery; Title.

Landlord shall deliver possession of the Property to Tenant on the Commencement Date, in the same condition as it now is and shall convey the Leasehold Interest free of all title defects and encumbrances except the Permitted Encumbrances.

2.4. Tenant Protections.

Unless otherwise consented to by Tenant, with respect to any fee mortgage granted by Landlord to which Tenant's interest under this Lease shall be subordinate (provided Tenant has consented to such Lender), Landlord shall cause the Lender to agree to recognize and not disturb the interest of Tenant in the event of a default by Landlord under such mortgage; to agree to cause any notice of default under such mortgage for the financing related thereto to be promptly given to Tenant; and to agree that Tenant shall have a right to cure any default by Landlord under such mortgage.

2.5. Limitation Rights to Refinance.

At no time during the Term shall Landlord or Tenant mortgage or otherwise encumber, without the written consent of the other party hereto, the Property or any portion thereof other than with respect to any Permitted Mortgage.

2.6. Notice to Lenders; Right to Cure.

So long as any Lender shall hold a lien on the Property, Tenant and Landlord each agree, simultaneously with the giving of each notice hereunder, to give a duplicate copy thereof to such Lender. Any Lender may, during the periods given to a Permitted Mortgagee under Section 10.1 hereof for remedying a Tenant default, itself remedy any Landlord default or cause the same to be remedied, and Tenant agrees to accept such performance on the part of such Lender as though the same had been done or performed by Landlord.

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### **ARTICLE III. LEASE PAYMENT**

#### **3.1. Base Rent.**

Tenant shall owe base rent (hereinafter referred to as "Base Rent") to Landlord for the Property for all of the Lease Years in the Term in the total amount of \$340,000.00, which amount shall be payable in one lump-sum payment on the first day of the Lease Year; provided however, that payment of the Base Rent lump-sum payment shall be deferred so long as Tenant is in compliance with the terms of this Lease and the Restrictive Covenant, except that the Base Rent lump-sum payment shall in all events be paid for on or before the twenty-first (21<sup>st</sup>) Lease Year.

#### **3.2. Manner of Payment.**

Base Rent and all other amounts becoming due from Tenant to Landlord hereunder (the "Lease Payment") shall be paid in lawful money of the United States to Landlord at the office of Landlord, or as otherwise designated from time to time by written notice from Landlord to Tenant.

#### **3.3. Additional Rent.**

This Lease is what is commonly called a "net lease," it being understood that Landlord shall receive the Lease Payment set forth in Paragraph 3.2 hereof free and clear of any and all expenses for which Tenant is responsible pursuant to Article IV hereof. During the Term, all of such charges, costs and expenses when due shall constitute additional rent hereunder ("Additional Rent"), even though not necessarily payable to Landlord, and upon the failure of Tenant to pay any of such costs, charges or expenses, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to make any Lease Payment. Any Lease Payment, Additional Rent and all other sums payable hereunder by Tenant shall be paid (except as otherwise provided for herein) without notice or demand. Nothing herein contained shall obligate Tenant for the payment of any expenses payable by Landlord pursuant hereto or any income or franchise taxes payable by Landlord of the type described in Section 4.1.

#### **3.4. Off-Set.**

Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall Tenant have any right to terminate this Lease, nor shall Tenant be entitled to any abatement or reduction of any Lease Payment hereunder, nor shall the obligations of Tenant hereunder be affected, by reason of any default on the part of Landlord under this Lease, or under any other agreement to which Landlord and Tenant may be parties. It is the intention of the parties hereto that the obligations of Tenant hereunder shall be separate and independent covenants and agreements, that the Lease Payment, and all other sums payable by Tenant hereunder shall continue to be payable in all events and that the obligations of Tenant hereunder shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease. Nothing herein shall preclude Tenant from pursuing or realizing upon its other remedies at law or in equity by reason of any default hereunder by Landlord.



3.5. Default Rate of Interest.

Lease Payments not paid within ten (10) days from the date when due shall bear interest from the date due until paid at the annual rate of one percent (1%) in excess of the Designated Prime Rate.

**ARTICLE IV.**  
**TAXES AND OPERATING EXPENSES**

4.1. Operating Expenses Generally.

Tenant covenants and agrees to pay all Impositions, Utility Charges, Repairs, liens, insurance required to be obtained by Tenant, and all other Operating Expenses, if any, which are due and payable during the Term hereof; provided, however, that nothing in this Lease shall obligate Tenant to pay any income tax, capital levy, estate, succession, inheritance, transfer or similar taxes of Landlord or any franchise tax imposed upon Landlord or any income, profits or revenue tax, assessment or charge imposed upon the Lease Payment or any other payment or other benefit received by Landlord under this Lease by any governmental authority. Landlord and Tenant agree that to the extent that reserves for replacements or escrows for insurance and taxes are required by a Permitted Mortgagee to be held by Landlord or such Permitted Mortgagee, Landlord agrees to make such amounts available to Tenant for such expenses, provided that nothing herein shall affect the Tenant's obligation to pay such expenses hereunder. It is specifically acknowledged and agreed that Tenant or its sublessees and not Landlord shall be responsible for paying all amounts payable to the manager under any Property management agreement.

Tenant will furnish to Landlord, upon request, a proof of payment of all items referred to in this Section 4.1, including, without limitation, proof of payment of any Impositions and proof of payment of insurance premiums promptly after demand therefor.

4.2. Impositions.

Tenant shall pay, directly to the authority charged with the collection thereof, all real estate taxes, betterment assessments, and all other impositions, ordinary and extraordinary, general and special, of every kind and nature whatsoever, as well as any payments in lieu of taxes, which may be levied, assessed, charged or imposed during the Term of this Lease upon the Property, or any part thereof, or upon any improvements at any time situated thereon (such taxes and installments of assessments being hereinafter together referred to as "Impositions") for each tax or installment period wholly included in the Term, all such payments to be made not later than the last date on which the same may be paid without interest or penalty.

Tenant, at its sole cost and expense, in its own name or in the name of Landlord, may contest the validity or amount of any Impositions relating to all or any portion of the Property, in which event Tenant may (i) make such payment under protest or (ii) if postponement of such payment will not jeopardize Landlord's title to the Property or subject Landlord or Tenant to the risk of any criminal liability or civil penalty, Tenant may postpone the same.

As may be necessary or desirable, each of Tenant or Landlord, as applicable, upon the request of the other, shall use its best reasonable efforts to assist in any such proceeding to contest the validity or amount of any Impositions. Either party paying Impositions shall be entitled to recover, receive and retain for its own benefit all abatements and refunds of such Impositions unless previously reimbursed by the other party with respect thereto.

Nothing contained in this Section 4.2, however, shall be construed to allow any such contested Impositions to remain unpaid for a length of time which shall permit the Property, or any part thereof, to be sold by any governmental authorities for the non-payment of such Impositions. Tenant shall promptly furnish Landlord with copies of all notices, appeals, pleadings, motions and orders in any proceedings commenced with respect to such contested Impositions.

Tenant agrees to save Landlord harmless from all costs and expenses incurred on account of Tenant's participation in such proceedings or as a result of Tenant's failure to pay any Impositions or other related charges with respect to the Property. Landlord shall promptly furnish to Tenant a copy of any notice of any Impositions received by Landlord. If Tenant fails to make any payment referred to in this Section 4.2 when due pursuant to the terms hereof, Landlord shall have the right after fifteen (15) days notice to Tenant to make any such payment on behalf of Tenant and charge Tenant therefor.

4.3. Utilities.

Tenant shall pay or cause to be paid all charges for water, gas, sewer, electricity, light, heat or power, telephone or other service used, rendered or supplied to Tenant in connection with the Property ("Utility Charges") and shall not contract for the same in Landlord's name; provided, however, that Tenant shall have no responsibility hereunder for the payment of utilities supplied by the respective providers directly to individual Subtenants for such Subtenant's use in connection with the occupancy of its individual units or its subleased portion of the Property.

4.4. Other.

Tenant covenants to pay and discharge, when the same shall become due, all other amounts, liabilities and obligations which Tenant assumes or agrees to pay or discharge pursuant to this Lease, together with every fine, penalty, interest and cost which may be added for non-payment or late payment thereof and which payment Tenant has failed to make when due.

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**ARTICLE V.**  
**INDEMNITY, LIENS AND INSURANCE**

5.1. Indemnification.

To the extent permitted by law, Tenant agrees to pay and to defend, indemnify and hold harmless Landlord from and against any and all liabilities, losses, damages, causes of action, suits, claims, demands, judgments, costs and expenses of any kind or any nature whatsoever (including, without limitation, remediation costs, environmental assessment costs, governmental compliance costs, and reasonable expert's and attorneys' fees and expenses), known or unknown, foreseen or unforeseen, which may at any time be imposed upon, incurred by, or asserted or awarded against Landlord, its Regents, employees, agents, members, or managing members, or against the Property or any portion thereof, arising from: any injury to or death of or claim of injury to or death of any person, or any damage to or loss of or claim of damage to or loss of property on the Property, in each case arising out of the use, possession, ownership, condition or occupation of the Property, the Building or any part thereof (but not of any other property) from and after the date hereof, provided, however, that notwithstanding the foregoing, Tenant shall not have any liability to Landlord for any loss or damage arising out of acts of Landlord or persons under the control or direction of Landlord. Landlord shall give Tenant prompt and timely notice of any claim made or suit instituted against it or any other party of which it has knowledge, relating to any matter which in any way may result in indemnification pursuant to this Section 5.1. The obligations of Tenant under this Section 5.1 shall survive the Term. The foregoing indemnification shall not be construed as creating any rights in or conferring any rights to any third parties.

5.2. Repairs to the Property.

At its sole cost and expense throughout the Term, Tenant shall (a) take good care of the Property; (b) keep the same in good order and condition; and (c) make and perform all Repairs. All Repairs made by Tenant shall be similar in quality to the original improvements and shall be made by Tenant in accordance with all Legal Requirements. The necessity for or adequacy of Repairs shall be measured by the standards which are appropriate for improvements of similar construction and class, provided that Tenant shall in any event make all Repairs reasonably necessary to avoid any structural damage or other damage or injury to the Building.

The foregoing notwithstanding, any Repairs which are capital expenditures under the Code and which are made during the last three (3) years of the Term shall not be required to be made, unless Landlord and Tenant agree to an allocation of the costs thereof. If the parties cannot so agree, Landlord shall have the right to cause such Repairs to be made and the cost thereof shall be amortized over the useful life thereof, as determined and in accordance with the Code, and Tenant shall pay as Additional Rent its share of the costs thereof relating to the remainder of the Term. Tenant shall be entitled to the tax benefits (including depreciation) attributable to Repairs or capital expenditures made by it hereunder.

Except as otherwise provided herein, Landlord shall not be required to furnish any services or facilities or to make any Repairs in, about or to the Property or any improvements hereafter erected thereon. Tenant hereby assumes the full and sole responsibility for the condition, operation, repair, and management of the Property hereafter erected thereon.

Tenant shall not do or suffer any waste or damage, disfigurement or injury to the Property, or to the fixtures or equipment therein, ordinary wear and tear excepted, or permit or suffer any overloading of the floors or other use of the improvements that would place an undue stress on the same or any portion thereof beyond that for which the same was designed.

### 5.3. Alterations; Vesting.

Except for Repairs and the Tenant's Work, Tenant shall not demolish or substantially alter the Buildings without the Landlord's prior written consent. Before commencement of any work for which Landlord's consent is required, Tenant shall furnish to Landlord plans and specifications for approval.

Any and all buildings, fixtures and improvements placed in, on, or upon the Property (the "Buildings") shall vest in Tenant until the expiration or earlier termination of the Term of this Lease, at which time the Buildings shall vest in the Landlord subject to the rights of Tenant in Tenant's Personal Property.

Except as otherwise provided in Section 6.7, Tenant shall make, or cause to be made, prompt payment of all monies due and legally owing to all persons, firms and corporations doing any work, furnishing any materials or supplies or renting any equipment to Tenant or any of its contractors or subcontractors in connection with the reconstruction, furnishing, repair, or operation of the Property, and in all events will bond or cause to be bonded, or pay or cause to be paid in full forthwith, any mechanic's, materialmen's or other lien or encumbrance that arises, whether due to the actions of Tenant or any person under the control of Tenant, against the Property.

Tenant shall have the right to contest any such lien or encumbrance by appropriate proceedings which shall prevent the collection of or other realization upon such lien or encumbrance so contested, and the sale, forfeiture or loss of the Property to satisfy the same, provided that such contest shall not subject Landlord to the risk of any criminal liability or civil penalty, and provided further that Tenant shall give such reasonable security as may be requested by Landlord to insure payment of such lien or encumbrance and to prevent any sale or forfeiture of the Property by reason of such nonpayment, and, to the extent permitted by law, Tenant hereby indemnifies Landlord for any such liability or penalty. Upon the termination after final appeal of any proceeding relating to any amount contested pursuant to this Section 5.3, Tenant shall immediately pay any amount determined in such proceeding to be due, and in the event Tenant fails to make such payment, Landlord shall have the right after giving fifteen (15) days notice to Tenant to make any such payment on behalf of Tenant and charge Tenant therefor.

### 5.4. Insurance.

Landlord and Tenant shall maintain insurance coverages with respect to their insurable interests. Tenant shall maintain commercial general liability, premises and operations liability and fire legal liability, builder's risk and hazard insurance in the amount of the full replacement cost of the Project and general liability insurance with a combined single limit of at least \$1,000,000 per occurrence and \$3,000,000 in the aggregate. Tenant shall name Landlord as an additional insured on all insurance policies required pursuant to this Lease.

Each of Landlord and Tenant waive any right of recovery against the other party and release all claims arising in any manner in its (the "Injured Party's") favor and against the other

party for any loss of business income and extra expense and loss or damage to the Injured Party's property (real or personal) located within or constituting a part of or all of the Building to the extent the loss or damage is covered by the Injured Party's insurance or the insurance the Injured Party is required to carry under this Lease, whichever is greater. Such waiver and release also applies to each party's directors, officers, employees, shareholders, and agents but does not apply to claims caused by a party's willful misconduct or gross negligence. Tenant and Landlord severally agree immediately to give each insurance company which has issued its policies of insurance written notice of the terms of said mutual waivers, and to have said insurance policies properly endorsed, if necessary, to prevent the invalidation of said insurance coverages by reason of said waivers.

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## **ARTICLE VI.**

### **USE AND ASSIGNMENT**

#### **6.1.    Use.**

Tenant shall use and occupy the Property only for purposes of operation of multi-family residential apartments for Approved Residents, together with a Workforce Pathway Training Facility, which may include office space for incidental uses thereto, and for no other use or purpose. The Workforce Pathway Training Facility will give first preference for admission to Approved Residents, and other residents in the area of the Workforce Pathway Training Facility that meet the qualifications for a “community service facility” as such term is defined in Section 42(d)(4)(C)(iii) of the Code. Tenant shall not use any Hazardous Substances, except to the extent reasonable or appropriate in connection with the lawful use of the Property in the ordinary course of Tenant's business, and Tenant shall comply with all Environmental Laws in connection with such use. Tenant shall advise program participants and residents of Landlord's weapon's policy, and Tenant agrees to timely report any known violations of Landlord's weapon's policy to Landlord.

#### **6.2.    Transfer or Assignment.**

Tenant shall have the right, subject to the Legal Requirements, to sublease the Property or spaces therein, including any subleases to Approved Residents under residential subleases and the Workforce Pathway Training Facility sublease, without Landlord's approval (but subject to the requirements of any Lender). Tenant may not sell or assign its interest in, to and under this Lease without the written consent of Landlord; provided, however, that the exercise of, and related transfers, pursuant to the right of first refusal and purchase option granted to Kentucky River Foothills Development Council, Inc. shall not require the consent of Landlord.

#### **6.3.    Compliance with Law.**

Tenant shall, at its expense, perform all its activities on the Property in compliance, and shall use its best efforts to cause all Subtenants of any portion thereof to comply, with the Legal Requirements, as the same may be administered by authorized governmental officials, and, to the extent that it should fail to do so beyond any applicable grace or cure period, Landlord shall have the right to cause such requirements to remain in compliance and the amount expended or advanced on behalf of Tenant by Landlord on account thereof shall constitute Additional Rent.

#### **6.4.    Mechanics' Liens.**

Tenant shall use its commercially reasonable efforts throughout the Term to prevent any mechanic's liens or other liens for its work, labor, services or materials from being filed or recorded against the Property or any portion thereof; in the event that any such lien shall be filed, the Tenant shall procure the release or discharge thereof within ninety (90) days either by payment or in such other manner as may be prescribed by law, and hereby holds the Landlord harmless from and indemnified against any loss or damage related thereto, to the extent permitted by law.

6.5. Surrender of Property.

At the termination of this Lease or any portion thereof, Tenant shall peaceably leave, quit and surrender the Property or the portion thereof so terminated, subject to the rights of Subtenants in possession, provided that such Subtenants are not in default thereunder and attorn to Landlord as their Landlord. Upon such termination the Property or portion thereof so terminated shall become the sole property of Landlord at no cost to Landlord and shall be free of all liens and encumbrances and in "as-is, where-is" condition, and, in the event of a casualty, shall be subject to the provisions of Article VII hereof.

6.6. Easements; Annexation.

Landlord agrees that it shall not unreasonably withhold or delay its consent, and shall join with Tenant from time to time during the Term in the following: (a) the granting of easements affecting the Property which are for the purpose of providing utility services for the Building; and (b) the dedication or conveyance, as required, of portions of the Land for road, highway and other public purposes to provide access to the Building or to permit widening of existing roads or highways. If any monetary consideration is received by Tenant as a result of the granting of any such easement or the dedication or conveyance of any portion of the Property as provided, such consideration shall be apportioned as provided for in Section 7.6(b)(ii). As a condition precedent to the exercise by Tenant of any of the powers granted to Tenant in this Section, Tenant shall give notice to Landlord of the action to be taken, shall certify to Landlord, that in Tenant's opinion such action will not adversely affect either the value or the use of the Property for the Building, and shall deliver all instruments required of Tenant by any Permitted Mortgagee.

In addition to the provisions contained in the preceding paragraph in this Section, Landlord agrees to cooperate with Tenant in connection with the extension of electrical, water and sewer lines to the Building and other improvements located on the Property, including executing any required utility easements in connection therewith. The Tenant and its agents, employees, and invitees shall have the non-exclusive use of the existing roadways on the Landlord's lands adjoining the Property for ingress and egress to the Property for the construction, operation and maintenance of the Project, including without limitation, Park Drive, Roy and Sue Kidd Way, John Hanlon Drive, Paul Van Hoose Drive, and Brockton Court.

6.7. Tenant's Work.

The Tenant represents, warrants and covenants that, at Tenant's sole cost and expense:

(a) It will complete Tenant's Work and comply with all requirements necessary to obtain all necessary certificates of occupancy for the Building, or cause the same to be completed, in a good and workmanlike manner, free and clear of all mechanics', materialman's or similar liens, and shall equip the Building or cause the same to be equipped with all necessary and appropriate fixtures, equipment and articles of personal property, all in accordance with such Plans and Specifications not later than [December 31, 2020], unless such date is extended with the consent of the Landlord, not to be unreasonably withheld, conditioned or delayed; provided, however, that the foregoing shall not apply to so-called "tenant finishes" or "tenant build out" for tenants or Subtenants of Tenant or other expenses to complete the spaces within the Building intended for sublease to tenants under commercial Subleases.



(b) Landlord shall have the right to inspect such work and Tenant shall facilitate the efficiency and effectiveness of the inspection process by coordinating inspections among the interested parties (as well as assuring the correction of any deficiencies that may arise). Notwithstanding the forgoing, Landlord shall have no obligation to make or have its representative make any such inspection of Tenant's Work. Such inspections are for Landlord's information only and Tenant shall not be relieved of its obligation to complete Tenant's Work in accordance with this Agreement. In no event shall Landlord's inspection of the work be deemed acceptance of all or any of the work, equipment, or materials, or a waiver of any right of Landlord under this Lease and/or subsequent documents for the applicable phase. Landlord shall receive notice of and have the right to attend construction meetings.

(c) Tenant's environmental responsibilities with respect to Tenant's Work are as follows:

(i) Tenant, its agents, employees, and contractors shall not, and shall use diligent efforts not to permit any other person, including, but not limited to, third parties with whom Tenant contracts, to bring onto the Property any Hazardous Substance or incorporate any Hazardous Substance into the improvements constructed on the Property. For purposes of this Section 6.7, the term Hazardous Substance shall not include construction materials in reasonable quantities for lawful and customary use in the construction of Tenant's Work, so long as such material is used, held, stored, and disposed of in accordance with applicable Environmental Laws. Tenant shall be liable for, and indemnify and hold Landlord harmless for, the consequences of and is responsible for removal of any Hazardous Substance on the Property in violation of this provision;

(ii) Tenant represents that it will comply, and shall use diligent efforts to cause its contractors and subcontractors to comply, with all Environmental Laws with respect to Tenant's Work; and

(iii) except as disclosed in writing to Tenant prior to Closing or as disclosed in any Environmental Reports, Landlord has not received notification from any federal, state or other governmental authority of (x) any potential, known, or threat of release of any Hazardous Substance from the Property or (y) the incurrence of any expense or loss by any such governmental authority or by any other Person in connection with the assessment, containment or removal of any release or threat of release of any Hazardous Substances from the Property, and to the knowledge of Landlord, no Hazardous Substance was ever or is now stored on, transported, or disposed of on the Property except to the extent any such storage, transport or disposition was at all times in compliance with all laws, ordinances, and regulations pertaining thereto. Any actions recommended to be taken which were contained in any environmental assessment reports prepared in conjunction with the development of the Property shall be appropriately completed in a manner that fully complies with such recommendations and all laws, regulations, ordinances, orders or decrees pertaining thereto.

(d) Prior to the inception and through the completion of Tenant's Work, the following types of insurance shall be maintained or caused to be maintained by Tenant and Landlord with respect to their insurable interests in form and amounts satisfactory to Tenant, Landlord and any Lender:

(i) As to the general contractor employed in connection with the Tenant's Work, commercial general liability and property damage insurance; automobile/hired and non-owned liability; and workers compensation and employer's liability insurance;

(ii) As to the architect employed in connection with the Tenant's Work (the "Architect"), errors and omissions professional liability insurance; commercial general liability; automobile/hired and non-owned liability; and workers' compensation and employer's liability insurance; and

(iii) all-risk builder's risk insurance.

Insurance coverage must be provided to Landlord and be evidenced by certificates of insurance and properly endorsed policies certified as true and correct by the insurance agent. All evidence of insurance must satisfy the following requirements: (a) Landlord, Tenant and/or the Investor Partner should be named as an additional insured where indicated and applicable; (b) policies must be written with an A.M. Best rated company of "A-" or better and a financial size category rating by A.M. Best of VIII or higher; (c) all binders and policies should contain a cancellation clause stating that the policy will not be canceled or non-renewed without at least thirty (30) days prior written notice to Landlord and the Investor Partner except for non-payment of premium where ten (10) days notice will be given; (d) certificates must document the amount of all deductibles; and (e) all binders and policies must be accompanied by evidence of premium payment; and

(e) As soon as practicable, Tenant shall deliver to Landlord with respect to the Project: (i) a certificate of substantial completion as certified by the Architect; (ii) all necessary certificates of occupancy from the applicable governmental jurisdiction(s) or authority(ies) for one hundred percent (100%) of the Project improvements; and (iii) any other documentation necessary to establish placement in service for purposes of Section 47(b) of the Code.

#### 6.8. Tax Attributes.

Landlord expressly waives and relinquishes in favor of Tenant any rights to claim the benefit of or to use any federal or state investment tax credits or depreciation benefits that are currently or may become, available during the Term as a result of the improvements constituting part of the Property, or any equipment, furniture or fixtures installed by Tenant on the Property whether or not such items become a part of the realty, and Landlord agrees to execute and deliver to Tenant any election form required to evidence Tenant's right to claim federal or state investment tax credits or depreciation benefits on improvements made or property installed by Tenant; provided, however, that in connection with any claim or use of such other credits or benefits, Landlord shall not take any position inconsistent with the federal low-income housing tax credit to be earned by Tenant. Landlord and Tenant agree that Tenant shall be entitled to any investment tax credits or depreciation attributable to improvements made by or property installed by Tenant and paid for by Tenant following the Commencement Date, it being the intent of the Landlord and Tenant that the Tenant be the "owner" of the Property for federal income tax purposes and that if any provision of this Lease should cause a result that is inconsistent with this intent, such provision shall be invalid and the parties will amend this Lease to correct such inconsistency.

## **ARTICLE VII. CASUALTY AND TAKING**

### **7.1. Casualty.**

If any improvements from time to time constructed on the Land are damaged or destroyed by fire or other casualty, Landlord and Tenant shall proceed promptly to establish and collect all valid claims which may have arisen against insurers or others based upon any such damage or destruction. Landlord and Tenant, using the Insurance Proceeds, shall within 180 days after the Insurance Proceeds become available, repair, restore, replace or rebuild the Buildings to substantially the same condition as existed immediately prior to the damage or destruction and substantially in accordance with the originally approved Plans and Specifications for the Buildings (the "Restoration Work"). Notwithstanding the foregoing, in the event of substantial damage or destruction by casualty (i) which damage Tenant and Landlord in good faith determine is such that the reconstruction of an economically viable replacement of the Project is not practicable, either because (a) the Insurance Proceeds made available to Tenant (combined with any other monies made available by Tenant for reconstruction, if applicable) are not sufficient to repair such loss or damage (provided that in all events Tenant shall have been in compliance with the insurance requirements set forth in Section 6.7(e) of this Lease), or (b) such reconstruction cannot be carried out under applicable laws, including then current building or zoning laws, or (ii) which damage occurs during the last three (3) years of the Term, then Landlord, subject to the rights of any Permitted Mortgagee, shall have the right to terminate this Lease upon thirty (30) days' written notice to Tenant; provided, however, that Landlord cannot terminate this Lease during the recapture period set forth in Section 42 of the Code without the prior written consent of the Investor Partner.

### **7.2. Insurance Proceeds: Deficits or Excess.**

If Landlord and Tenant elect or are required to reconstruct the Project as provided for in Section 7.1 above, and if the Insurance Proceeds received by Landlord and Tenant are insufficient to pay the entire cost of the Restoration Work, then the amount of any such deficiency shall be borne by the Tenant. If the Insurance Proceeds received by Landlord and Tenant shall exceed the entire cost of the Restoration Work, then such excess proceeds shall be allocated first to the Tenant in the amount of the entire cost of the Restoration Work, and any excess shall be apportioned as provided for in this Section 7.2. If Landlord elects to terminate the Lease in accordance with Section 7.1, the Insurance Proceeds shall be allocated as provided for in this Section 7.2. Subject to the requirements of any Permitted Mortgagee, any apportionment provided for in this Section 7.2 shall be made as follows: to Tenant in accordance with the value of the Buildings determined as of the date of the casualty, but without regard to the termination of the Lease, to be determined by appraisal by a mutually selected, independent, licensed, and certified real estate appraiser, and any excess shall be apportioned between Landlord and Tenant in accordance with the relative value of the Land and the Buildings, respectively.

If Landlord and Tenant are unable to agree upon the appraiser within 10 business days of either party's receipt of Insurance Proceeds, each party shall select an appraiser meeting the above qualifications. If the difference between the values determined by the two appraisers is 10% or less of the lowest value, then the appraisal value shall be the average of the two ap-

praised values. If the difference between the values determined by the two appraisers is more than 10% of the lowest value, then the two appraisers shall select a third appraiser to conduct a valuation and the appraisal value shall be the average of the third appraisal and the closest of the two original appraisals to the value determined by the third appraiser. If the two appraisers are unable to agree upon a third appraiser, then the chair of the real estate section of the local bar association shall select such appraiser.

7.3. Taking.

If a Taking occurs at any time during the Term, then the provisions of this Article VII shall apply to the condemnation proceedings and the distribution of any Condemnation Award pertaining to such Taking.

7.4. Apportionment of Condemnation Award.

Whether or not separate awards are made to Landlord and Tenant, any Condemnation Award attributable to the respective interest of Landlord and Tenant in the Property shall be apportioned between Landlord and Tenant as provided in Subsections 7.6(b) and 7.6(c), as applicable.

7.5. Requests for Separate Awards by Court.

The court in such condemnation proceedings shall, if not prohibited by law, be requested by Landlord and Tenant to make separate Condemnation Awards to Landlord and Tenant apportioned in accordance with Subsections 7.6(b) and 7.6(c) hereof. The provisions of Subsections 7.6(b) and 7.6(c) concerning termination of the Term and receipt and payment of the award shall also apply to circumstances governed by this Section 7.5 and the court shall be requested to take such matters into account in rendering separate awards.

7.6. Single Award by Court.

(a) General. If the court in such condemnation proceedings is prohibited by law from making separate Condemnation Awards to Landlord and Tenant, or declines to do so, then the provisions of this Section 7.6 shall apply to the distribution of the single Condemnation Award made by such court.

(b) Total Taking. If a Taking of all of the Property (other than a Temporary Taking) occurs, then the Lease Payment shall be prorated between Landlord and Tenant as of the date of Taking, and this Lease shall be terminated as of the date of Taking. The following provisions shall apply to the apportionment of any Condemnation Award for such Taking:

(i) All sums, including damages and interest, constituting the Condemnation Award shall be deposited promptly with a mutually agreeable escrow agent, and shall be apportioned pursuant to the terms of this Subsection 7.6(b); and

(ii) Subject to the rights of any Permitted Mortgagee, the Condemnation Award, after the payment of all reasonable fees and expenses related thereto, shall be apportioned and disbursed in the following amounts and priority:

(A) To Landlord, a sum equal to the product of the Condemnation Award multiplied by Landlord's Percentage (as hereafter defined); and

(B) To Tenant, a sum equal to the product of the Condemnation Award multiplied by Tenant's Percentage (as hereafter defined).

"Landlord's Percentage" shall equal (i) the fair market value, at the time of the Taking, of the fee simple title to the Property computed as though it remained subject to this Lease for the remainder of the scheduled Term (the "Residual Value") *divided by* (ii) *the sum of* the Residual Value, the Leasehold Interest Value and the LIHTC Value. The "Leasehold Interest Value" shall be the fair market value of the Leasehold Interest as of the date of the Taking (not including the Residual Value). The "LIHTC Value" shall equal the value of the Low-Income Housing Tax Credit associated with the Property lost or recaptured by reason of the Taking. "Tenant's Percentage" shall equal (i) *the sum of* the Leasehold Interest Value and the LIHTC Value *divided by* (ii) *the sum of* the Residual Value, the Leasehold Interest Value and the LIHTC Value.

(c) Partial Taking: Procedures and Criteria for Course of Action. In the event of a permanent Taking of less than all of the Property (a "Partial Taking"),

(i) if Landlord and Tenant reasonably determine that the continued use and occupancy of the remainder of the Property by Tenant is or can reasonably be made to be economically viable, structurally sound, consistent with any Permitted Mortgage, then this Lease shall remain in effect as to the remainder of the Property, and, if otherwise feasible based upon the amount of the Condemnation Award and any other funds of Landlord as are available for the purpose of paying for such restoration (the "Restoration Criteria"), then the Property shall be restored pursuant to Section 7.9 hereof,

(ii) if the continued use and occupancy of the remainder of the Property by Tenant is not or cannot reasonably be made to be economically viable, structurally sound, consistent with any Permitted Mortgage, and otherwise feasible, then this Lease may be terminated and the Condemnation Award shall be applied in accordance with Subsection 7.6(b).

(d) Temporary Taking. If a Temporary Taking occurs, then the Term shall not be reduced or affected in any way and Tenant shall continue to pay in full the Lease Payment, without reduction or abatement, in the manner and at the times specified in this Lease. Except only to the extent that Tenant is prevented from so doing pursuant to the terms of the order of the condemning authority, Tenant shall continue to perform and observe all of the other covenants, agreements, terms and provisions of this Lease as though such Taking had not occurred. Upon any such Temporary Taking, Tenant shall be entitled to receive the entire amount of any Condemnation Award made for such Temporary Taking whether such award is paid by way of damages, Lease Payment or otherwise; provided, however, if the period of temporary use or occupancy shall extend beyond the date of the expiration or termination of the Term, then such Condemnation Award shall be prorated by Landlord and Tenant as of such date of expiration.

7.7. Condemnation Proceedings.

Tenant, Landlord and each Permitted Mortgagee or Leasehold Mortgagee shall each have the right, at its own expense, to appear in any condemnation proceeding and to participate in any and all negotiations, hearings, trials and appeals in such proceeding.

7.8. Notice of Condemnation.

If Landlord or Tenant receives notification of any proposed or pending condemnation proceeding affecting the Property, then the party receiving such notification shall promptly give notice to the other party.

7.9. Restoration.

If a decision is made pursuant to Subsection 7.6(c) following a Partial Taking to restore the remainder of the Property, and/or Buildings, as applicable, Tenant and Landlord shall reasonably agree upon and approve plans and specifications for doing so. Upon approval of said plans and specifications, Tenant shall promptly proceed to commence and complete the restoration pursuant to the approved plans and specifications. Landlord shall make available to Tenant the entire Condemnation Award for such restoration; provided, however, any portion of the Condemnation Award remaining after the completion of the restoration shall be applied in accordance with Subsection 7.6(b). If Landlord has decided pursuant to Subsection 7.6(c) to restore the remainder of the Property and/or Buildings, as applicable, said restoration shall be at Landlord's expense, and if the cost of the restoration shall exceed the amount of the Condemnation Award, the deficiency shall be paid by Landlord, except if said deficiency exists by virtue of the failure or refusal of any Permitted Mortgagee to release all or any portion of the Condemnation Award to Landlord to pay for said restoration.

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**ARTICLE VIII.**  
**CONDITION OF PROPERTY**

8.1. Condition; Title.

Except for the obligations of Tenant regarding Tenant's Work or as specifically provided for elsewhere herein, the Property is demised and let in an "as is" condition as of the Closing. The Property is demised and let to Tenant subject to:

- (a) any applicable zoning regulations, restrictions, rules, laws and ordinances now in effect or hereafter adopted by any governmental authority;
- (b) use of the Property which is consistent with the terms of this Lease; and
- (c) all Permitted Encumbrances.

8.2. No Encumbrances.

Landlord covenants that it has good and marketable fee simple title to the Property, subject to the provisions of Section 8.1, and that Landlord has full right and lawful authority to enter into this Lease in accordance with the terms hereof and to grant the estate demised hereby, and that no other party has any right, lease or option to or in connection with the Property. Landlord covenants that it will not encumber the title of the Property or cause or permit said title to be encumbered in any manner whatsoever after the date of the Lease without the written consent of Tenant, and Tenant may reduce or discharge any such encumbrance or lien by payment or otherwise at any time after giving fifteen (15) days' written notice thereof to Landlord and recover or recoup all costs and expenses thereof from Landlord. Landlord further covenants that the Landlord has received no written notice and has no knowledge of the intention of any party holding an easement affecting the Property or any part thereof to expand the exercise of any such easement beyond the scope of the present exercise thereof (as by replacing, or expanding existing facilities, conduits (including underground or overhead wires, cables or pipes) or systems for sewers, water, electric, gas, cable and other utilities). None of the Permitted Encumbrances has or will have a material adverse effect upon the construction or operation of the Project.

8.3. Quiet Enjoyment.

Landlord covenants and warrants that Tenant, upon payment of all sums herein provided and upon performance and observance of all of its covenants herein contained, shall peaceably and quietly have, hold, occupy, use and enjoy and shall have the full, exclusive and unrestricted use and enjoyment of, all of the Property during the Term, subject only to the provisions of this Lease and all applicable Legal Requirements, including, without limitation, the use restrictions set forth in Section 6.1. With respect to the Permitted Encumbrances, Landlord agrees to warrant and forever defend the title to the Property against the claims of any and all persons whomsoever lawfully claiming by, through or under Landlord, but not otherwise, subject only to the provisions of this Lease and all applicable Legal Requirements. Notwithstanding the foregoing, Landlord in person or through its agents, upon reasonable prior notice to Tenant, shall have the right to enter upon the Property for purposes of reasonable inspections performed during reasonable business hours in order to assure compliance by Tenant with its obligations under this Lease. To

the extent permitted by law, Landlord hereby agrees to indemnify Tenant from any and all loss, damage, or claim incurred by it as a result of any negligence, misfeasance, malfeasance on the part of Landlord, its employees or agents in connection with such activities on the Property. No provision of this Lease is intended to act as a waiver of any sovereign immunity protection that may be available to Landlord. Landlord shall provide such insurance as may be necessary with respect to any activity to be undertaken on the site by Landlord under said right of entry.

#### 8.4. Environmental Indemnity.

To the extent permitted by law, Tenant covenants and agrees to indemnify, protect, defend (by counsel reasonably satisfactory to Landlord), and save Landlord, its employees, agents, Regents, and any successor thereof, harmless against and from any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, without limitation, remediation costs, environmental assessment costs, governmental compliance costs, and reasonable attorneys' and experts' fees and disbursements), known or unknown, foreseen or unforeseen, which may at any time be imposed upon, incurred by or asserted or awarded against Landlord, its employees, agents, Regents, or the Property or any portion thereof and arising directly or indirectly, in whole or in part, from or out of any: (a) Hazardous Substances on, in, under or affecting all or any portion of the Property, (i) from and after the Commencement Date of this Lease, or (ii) which migrate off of the Property hereafter, except that any increase in scope or exacerbation of any such release or threat of release covered in clauses (i) and (ii) above is excluded from the forgoing indemnity if said increase in scope or exacerbation arises out of Landlord's negligence or willful misconduct; or (b) violation by Tenant, its employees, agents or members, or invitees of any of them, of any Environmental Law affecting the Property or the Building or any part thereof or the ownership, occupancy or use thereof, from and after the date hereof; provided, however, that notwithstanding the foregoing, Tenant shall not have any liability to Landlord for any loss or damage arising out of acts of Landlord or persons under the control or direction of Landlord or out of any release or threat of release of Hazardous Substance for which Landlord is responsible under this Section 8.4.

To the extent permitted by law, Landlord covenants and agrees to indemnify, protect, defend (by counsel reasonably satisfactory to Tenant), and save Tenant, its employees, agents, managing member and members, and any successor thereof, harmless against and from any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, without limitation, remediation costs, environmental assessment costs, governmental compliance costs, and reasonable attorneys' and experts' fees and disbursements), known or unknown, foreseen or unforeseen, which may at any time be imposed upon, incurred by or asserted or awarded against Tenant, its employees, agents, managing member and members, or the Property or any portion thereof and arising directly or indirectly, in whole or in part, from or out of: (a) any Hazardous Substances on, in, under or affecting all or any portion of the Property, (i) which exist as of the Commencement Date; (ii) which are migrating onto (and continue to migrate onto) the Property on or after the Commencement Date; or (iii) which migrate onto the Property hereafter from any other property owned by Landlord; except that any increase in scope or exacerbation of any such release or threat of release above is excluded from the forgoing indemnity if said increase in scope or exac-



erbaration arises out of Tenant's negligence or willful misconduct; or (b) violation by Landlord, its employees, agents or members, or invitees, or any of them, of any Environmental Law affecting the Property or the Building or any part thereof or the ownership, occupancy or use thereof, prior to the date hereof.

#### 8.5. Representations, Warranties and Covenants of Landlord.

Landlord hereby represents, warrants and covenants to Tenant as follows:

(a) Landlord has delivered to Tenant copies of all material documents in its possession with respect to the acquisition, construction, financing, ownership, leasing, maintenance and operation of the Property and the factual statements contained in such documents, taken as a whole, are not materially misleading in light of the circumstances under which they are made. Such documents have been furnished to Tenant for Tenant to rely upon in connection with the transactions contemplated by this Lease;

(b) The execution and delivery of this Lease and the performance of all acts heretofore or hereafter made or taken or to be made or taken, pertaining to Landlord or the Property by Landlord have been or will be duly authorized by all necessary company or other action, and the consummation of any such transactions with or on behalf of Landlord will not constitute a breach or violation of, or a default under, the charter or bylaws or other governing documents of Landlord or any agreement by which Landlord or Landlord's managing member is bound, nor constitute a violation of any law, administrative regulation or court decree;

(c) The Property is not subject to any pending or, to the best of Landlord's knowledge, threatened Taking;

(d) The Property is not (and will not be) (i) subject to any right of first refusal or option to acquire in favor of any person, (ii) subject to any reversion of title, or (iii) subject to any restrictions on use other than the matters referenced in this Lease;

(e) All material licenses, permits and authorizations necessary for the conduct of Landlord's business as it is being conducted at the Property as of the date of this Lease have been issued and are in full force and effect, and Landlord has not received any notice of any pending proceedings to change, re-zone or down-zone the existing zoning classifications as to any portion of the Property and Landlord has no knowledge of the threat of any such action;

(f) No "common area" assessments or assessments for public improvements have been made against the Property which remain unpaid and all bills and claims for labor performed and services and materials furnished for the Property are or will be timely paid in full and the Property is or will be timely free from mechanic's or materialman's liens;

(g) The execution and delivery of this Lease, the incurrence of the obligations set forth in this Agreement, and the consummation of the transactions contemplated by this Agreement do not violate or conflict with any provision of any federal, state, municipal or local laws, ordinances, rules, regulations, requirements, or any order, judgment, decree, determination, or award of any court binding on either Landlord or its assets including the Property; nor do they conflict with, result in a breach of, constitute a default under, result in the acceleration of, or create in any party the right to accelerate, terminate, modify, or cancel, or require any notice (which

notice has not been furnished) under any agreement, contract, lease, license, instrument, or other arrangement to which either Landlord is a party or by which Landlord is bound or to which any of its assets is subject;

(h) There is no delinquent tax or any actual or threatened assessment of deficiency or additional tax or other governmental charge or a basis for such a claim with respect to the Property. There are no tax liens on the Property other than liens for real property taxes that are not yet due and payable; and

(i) To the knowledge of Landlord, (i) all appropriate public utilities, including sanitary and storm sewers, water, gas and electricity, are currently or will be available to the Property and will be operating properly for all relevant portions of the Property at the time of first occupancy, and (ii) the Property has direct access to a public street or highway.

8.6. Brokers' Commissions.

In connection with the transactions contemplated hereby, neither Landlord nor Tenant has retained or incurred any obligation to any broker. Each of Landlord and Tenant shall be solely responsible for and, to the extent permitted by law, shall indemnify and hold each other harmless from any amounts payable to any broker with respect to such transactions arising from a contractual relationship or alleged contractual relationship between such broker and the indemnifying party or otherwise arising from any dealing with the indemnifying party, to the extent permitted by law.

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## **ARTICLE IX. DEFAULTS**

### **9.1. Default.**

The occurrence of any of the following events shall constitute an event of default (each an "Event of Default") hereunder, subject to the provisions of the Leasehold Mortgages that secure the Loans:

- (a) if Tenant fails to pay when due any Base Rent or Additional Rent, or any other amount due hereunder, and any such default shall continue for twenty (20) days after the receipt of written notice thereof from the Landlord; or
- (b) if Tenant fails in any material respect to observe or perform any covenant, condition, agreement or obligation hereunder not addressed by any other event described in this Section 9.1, and, to the extent such failure is susceptible to cure, Tenant shall fail to cure, correct or remedy such failure within thirty (30) days after the receipt of notice thereof; provided, however, if such failure cannot reasonably be cured within such thirty (30)-day period, no Event of Default shall exist hereunder so long as Tenant commences to cure the failure and diligently completes the curing thereof within a reasonable period of time; or
- (d) if Tenant abandons the Property or any substantial portion thereof and such abandonment is not cured within twenty (20) days following notice from Landlord; or
- (e) if Tenant becomes Bankrupt.

Notwithstanding anything herein to the contrary, there shall be no Event of Default by Tenant where such Event of Default is solely the result of a default by a Subtenant and Tenant is diligently pursuing the cure thereof.

### **9.2. Rights and Remedies.**

(a) Upon the occurrence of any Event of Default that remains and is continuing after the expiration of any and all applicable grace periods, Landlord, subject in all respects to the provisions of this Lease with respect to Landlord's rights to cure defaults by Tenant and with respect to the rights of any holder of a Permitted Mortgage or the Investor Partner, shall have the rights and remedies hereinafter set forth, which shall be distinct, separate and cumulative and shall not operate to exclude or deprive Landlord of any other right or remedy allowed it by law:

- (i) Landlord may terminate this Lease by giving to Tenant notice of Landlord's election to do so, in which event the Term of this Lease shall end, and all right, title and interest of Tenant hereunder shall expire on the date stated in such notice;
- (ii) Landlord may terminate the right of Tenant to possession of the Property without terminating this Lease by giving notice to Tenant that Tenant's right of possession shall end on the date stated in such notice, whereupon the right of Tenant to

possession of the Property or any part thereof shall cease on the date stated in such notice;

(iii) Landlord may enforce the provisions of this Lease and may enforce and protect the rights of Landlord hereunder by a suit or suits in equity or at law for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, including recovery of all moneys due or to become due from Tenant under any of the provisions of this Lease;

(iv) Landlord may apply any security deposit or any portion thereof to cure any default; and

(v) Landlord may proceed against any collateral under any security interest and take any and all actions permitted to a secured party under the laws of the State, including the Uniform Commercial Code as in effect in the State.

(b) No default in the performance of the terms, covenants or conditions of this Lease on the part of Tenant or Landlord (other than in the payment of any Base Rent or Additional Rent) shall be deemed to continue if and so long as Landlord or Tenant, as the case may be, shall be delayed in or prevented from remedying the same due to Force Majeure; but if and when the occurrence or condition which delayed or prevented the remedying of such default shall cease or be removed, it shall be the obligation of Landlord or Tenant, as the case may be, without further delay, to commence the correction of such default or to continue and complete the correction thereof.

(c) Notwithstanding anything to the contrary in this Lease, Landlord shall be obligated to use commercially reasonable efforts to mitigate its damages during the remainder of the Term of the Lease.

### 9.3. Termination of Lease for Tenant's Default.

Upon a termination of this Lease pursuant to Section 9.2(a), the Leasehold Interest shall automatically revert to Landlord, Tenant shall promptly quit and surrender the Property to Landlord, without cost to Landlord, and Landlord may, without demand and further notice, reenter and take possession of the Property, or any part thereof, and repossess the same as Landlord's former estate by summary proceedings, ejectment or otherwise without being deemed guilty of any manner of trespass and without prejudice to any remedies which Landlord might otherwise have for arrearages of any Lease Payment or for a prior breach of the provisions of this Lease. The obligations of Tenant under this Lease which arose prior to termination shall survive such termination.

### 9.4. Rights Upon Termination.

In addition to any other rights Landlord may have hereunder or under applicable law, upon termination of this Lease pursuant to Section 9.3, Landlord may:

(a) at the time of such termination, collect any unpaid Lease Payment due hereunder, without any deduction, offset or recoupment whatsoever; and

(b) enforce its rights under any bond outstanding at the time of such termination; and

(c) require Tenant to deliver to Landlord, or otherwise effectively transfer to Landlord any and all security deposits, governmental approvals and permits, and any and all rights of possession, ownership or control Tenant may have in or to, any and all financing arrangements, plans, specifications, and other technical documents or materials related to the Property.

#### 9.5. Performance by Landlord.

During the occurrence of an Event of Default, if Tenant shall fail to make any payment or perform any act required under this Lease within the time periods set forth in Section 9.1, Landlord may (but need not) after giving not less than fifteen (15) additional days' notice (except in case of emergencies and except where a shorter time period is specified elsewhere in this Lease) to Tenant and without waiving any default or releasing Tenant from any obligations, cure such default for the account of Tenant. Tenant shall promptly pay Landlord the amount of such charges, costs and expenses as Landlord shall have incurred in curing such default, together with interest at the rate of the lesser of twelve percent (12%) per annum or the maximum interest rate permitted by law.

#### 9.6. Remedies Cumulative.

Unless otherwise specifically provided in this Lease, no remedy herein shall be exclusive of any other remedy or remedies, and each such remedy shall be cumulative and in addition to every other remedy; and every power and remedy given by this Lease may be exercised from time to time and as often as may deemed expedient by either party. No delay or omission by Landlord to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

#### 9.7. Default by Landlord.

Landlord shall be in default any of Landlord's representations or warranties is untrue or becomes untrue in any material respect, and if the failure to perform or the failure of such representation or warranty is not cured within thirty (30) days after notice of the default has been given to Landlord. If the default cannot reasonably be cured within thirty (30) days, Landlord shall not be in default of this Lease if Landlord commences to cure the default within such thirty (30) day period and diligently and in good faith continues to cure the default until completion within a reasonable period of time, but in no event shall such period exceed ninety (90) days. In the event of Landlord's default hereunder that remains uncured within the time periods set forth herein, Tenant shall have the right, but not the obligation, without waiving any default or releasing Landlord from any obligations, to cure such default for the account of Landlord. Landlord shall promptly pay Tenant the amount of such charges, costs and expenses as Tenant shall have incurred in curing such default, together with interest at the rate of the lesser of twelve percent (12%) per annum or the maximum interest rate permitted by law, or at Tenant's discretion, Tenant may offset Base Rent or Additional Rent hereunder by the amount of such charges, costs and expenses, plus interest at the above described rate.

9.8. Default Notices.

Notices given by Landlord or by Tenant under this Article IX shall specify the alleged default and the applicable Lease provisions, and shall demand that Tenant or Landlord, as applicable, perform the appropriate provisions of this Lease within the applicable period of time for cure. No such notice shall be deemed a forfeiture or termination of this Lease unless expressly set forth in such notice and in accordance with this Lease.

9.9. Limitation of Liability.

Notwithstanding anything in this Lease to the contrary, (i) no Member of Landlord nor any Affiliate thereof shall have any personal liability hereunder, and (ii) no limited partner of Tenant nor any Affiliate thereof shall have any personal liability hereunder, including for any Lease Payment hereunder.

9.10. Notice to Investor Partner.

Tenant has provided Landlord the name and notice address of Tenant's Investor Partner in Section 11.9 hereof (as Tenant or Tenant's Investor Partner may update from time to time in compliance thereto). So long as any Investor Partner is a partner of Tenant, Landlord agrees, simultaneously with the giving of each notice hereunder, to give a duplicate copy thereof to the Investor Partner, and no such notice shall be effective until after the Investor Partner receives such duplicate copy of the notice. The Investor Partner may, during the periods given to a Permitted Mortgagee under Section 10.4 hereof for remedying a default, itself remedy the default or cause the same to be remedied, and Landlord agrees to accept such performance on the part of the Investor Partner as though the same had been done or performed by Tenant; provided, however, that such period to remedy granted to the Investor Partner under this Section 9.10 shall be further extended by the time necessary to remove the general partner of the Tenant if the Investor Partner reasonably determines that such removal is necessary to remedy a default.

9.11. Investor Partner's Right to Replace Tenant's General Partner.

Landlord agrees that it will take no action to effect a termination of this Lease without first giving to the Investor Partner reasonable time, not to exceed ninety (90) days from the date of the Investor Partner's receipt of notice pursuant to Section 9.10 hereof, to replace Tenant's General Partner, and cause the successor General Partner to cure any Event of Default; provided, however, that (i) as a condition of such forbearance, Landlord must receive notice of the substitution of a new General Partner of Tenant within ninety (90) days following notice to the Investor Partner, and (ii) Tenant, following such substitution of General Partner, shall thereupon proceed with due diligence to cure such default. The rights of the Investor Partner under this Section 9.11 are in addition to such rights as are given to the Investor Partner under Section 9.10.

[Continued on Following Page]

**ARTICLE X.**  
**LEASEHOLD MORTGAGEE'S RIGHTS**

10.1. Leasehold Mortgages.

Except as otherwise provided for herein, Tenant may not assign or encumber its leasehold interest hereunder without the written consent of Landlord, which consent may be withheld by Landlord in its reasonable discretion.

10.2. No Subordination of Fee.

At no time shall Landlord's fee title in the Property, or Landlord's interest in the Lease be subordinated in any manner to the interest of any holder of a Leasehold Mortgage or any person claiming by or through Tenant without the written consent of the Landlord.

10.3. Leasehold Mortgage Not An Assignment.

The making of a Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Lease or of the Leasehold Interest, nor shall any Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of this Lease or of the Leasehold Interest so as to require such Leasehold Mortgagee, as such, to assume the performance of any of the terms, covenants or conditions on the part of Tenant to be performed hereunder, but the purchaser at any Foreclosure of any Leasehold Mortgage, or the assignee or transferee under any assignment or transfer in lieu of the Foreclosure, shall be deemed to be an assignee or transferee within the meaning of this Section, and shall be deemed to have agreed to perform all of the terms, covenants and conditions on the part of Tenant to be performed hereunder from and after the date of such purchase and assignment or transferee, but only for so long as such purchaser or assignee or transferee is the owner of the Leasehold Interest.

10.4. Rights of Permitted Mortgagee.

(a) In connection with any Permitted Mortgage, Landlord agrees with and for the benefit of each Permitted Mortgagee as follows:

(i) When delivering any notice, demand, election or other communication (any of the same being referred below in this Article as a "notice") to Tenant with respect to this Lease or any exercise of any right to terminate this Lease, the Landlord will also deliver a copy of any such notice by certified mail to any Permitted Mortgagee of which it has notice;

(ii) Should Tenant default in respect of any of the provisions of this Lease, any Permitted Mortgagee shall have the right, but not the obligation, to cure such default, and Landlord shall accept performance by or on behalf of such Permitted Mortgagee as though, and with the same effect as if, it had been done or performed by Tenant. Each Permitted Mortgagee will have a period of time after the service of such notice upon it within which to cure the default specified in such notice, or cause it to be cured, which is the same period for cure, if any, as is given to Tenant under this Lease in respect of the specified default after the giving of such notice to Tenant. In the event of a default

under this Lease which cannot reasonably be cured within said periods, the periods of time for cure shall be extended for so long as such Permitted Mortgagee has initiated and is diligently proceeding to cure such default, or, in the case of a default under this Lease, if such default, by its nature, is not susceptible of being cured by such Permitted Mortgagee until it has taken lawful possession of the Leasehold Interest, then such Permitted Mortgagee shall have the right to obtain possession of the Leasehold Interests by itself by foreclosure or other enforcement proceedings, or by obtaining an assignment of this Lease or the Leasehold Interest in lieu of foreclosure or through settlement of or arising out of any pending or threatened foreclosure proceeding (collectively, "Foreclosure"), without Landlord's written consent, subject to the applicable terms and provisions of this Lease, including Landlord's right to cure any subsequent defaults, and such Permitted Mortgagee may assign this Lease without Landlord's written consent to any assignee at any time thereafter, provided it obtains the consent of any Lender, if required, and provided such assignee expressly assumes the obligations of Tenant hereunder;

(iii) In case of a default by Tenant in the performance or observance of any term, covenant, condition or agreement on Tenant's part to be performed under this Lease, if Landlord shall elect, in lieu of any other remedy available to Landlord under this Lease, to bring a proceeding to dispossess Tenant and/or other occupants of the Property or to re-enter the Property or to terminate this Lease, by reason of such default, pursuant to any statute now or hereafter enacted, then Landlord shall, before commencing such proceeding, give to each Permitted Mortgagee thirty (30) days notice of such default and shall allow each Leasehold Mortgagee such thirty (30) day period within which to cure such default. If the default cannot reasonably be cured within thirty (30) days, the Permitted Mortgagee shall have more time for such cure provided that the Permitted Mortgagee commences to cure the default within such thirty (30) day period and diligently and in good faith continues to cure the default until completion within a reasonable period of time. The rights of each Permitted Mortgagee hereunder are in addition to such rights as are given to each Permitted Mortgagee under any other section or subsection of this Lease; and

(iv) Landlord shall not, in the event of the Bankruptcy of Tenant or Landlord, (x) surrender its estate, or any portion thereof, nor terminate, cancel or acquiesce in the rejection of this Lease; or (y) modify, change, supplement, alter or amend this Lease in any respect, either orally or in writing.

#### 10.5. Requirements for Notice.

Any notice or other communication which Landlord shall desire or is required to give to or serve upon each Permitted Mortgagee shall be in writing and shall be served by certified mail, addressed to each Permitted Mortgagee at its address as set forth in its Permitted Mortgage, or at such other address as shall be designated from time to time by each Permitted Mortgagee by notice in writing given to Landlord by certified mail. Any notice or other communication which each Permitted Mortgagee shall desire or is required to give to or serve upon Landlord shall be deemed to have been given or served if sent by certified mail addressed to Landlord at Landlord's address as set forth in Section 12.9 below, or at such other address as shall be designated from time to time by Landlord by notice in writing given to each Permitted Mortgagee by certified mail. Any such notice or communication shall be effective on the date such notice or communication is delivered to the party to whom it is given.



10.6. No Modification without Leasehold Mortgagee's consent.

Except as otherwise provided herein, Landlord will not modify or amend or, except upon an Event of Default (after affording each Permitted Mortgagee the notice of and opportunity to cure such Event of Default as provided in Section 10.4), cancel, surrender or terminate this Lease without the written consent of each Permitted Mortgagee. Any such modification, amendment, cancellation, surrender, or termination without the written consent of each Permitted Mortgagee (if such consent shall be required) shall be void and of no force or effect. In the event on any occasions hereafter Tenant seeks to mortgage its Leasehold Interest (which mortgage shall be made expressly subject and subordinate to the terms of this Lease), Landlord agrees to amend this Lease from time to time to the extent reasonably requested by an institutional lender proposing to make Tenant a loan to be secured by a subordinate lien upon Tenant's Leasehold Interest, provided that such proposed amendments do not materially and adversely affect the rights of Landlord or its interest in the Property. All reasonable expenses incurred by Landlord in connection with any such amendment, including, without limitation, reasonable attorneys' fees, shall be paid by Tenant.

10.7. Estoppel Certificates.

Tenant agrees that, from time to time upon not less than ten (10) days' prior request by Landlord or any mortgagee of Landlord's interest in the Property, Tenant (or any permitted assignee, subtenant, licensee, concessionaire or other occupant of the Property claiming by, through or under Tenant) will deliver to Landlord, or to Landlord's mortgagee, a statement in writing signed by Tenant certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and identifying the modifications); (b) the date upon which Tenant began paying any Lease Payments due and the dates to which any Lease Payments have been paid; (c) that Landlord is not in default under any provision of this Lease, or, if in default, the nature thereof in detail; (d) that (if applicable) the Property has been completed in accordance with the terms hereof and Tenant is in occupancy and paying any Lease Payments due on a current basis with no Base Rent offsets or claims; (e) that there has been no prepayment of Base Rent other than that provided for in this Lease; (f) that there are no actions, whether voluntary or otherwise, pending against Tenant under the bankruptcy laws of the United States or any state thereof; and (g) such other matters as may be reasonably required by Landlord or Landlord's mortgagee. Landlord shall provide a statement of like tenor if and as requested by Tenant, the Investor Partner, the Lender or any Permitted Mortgagee.

10.8 Contravention of Terms.

In the event of any inconsistency between the provisions of this Article X and the Permitted Mortgages securing the Loans, the terms of such Permitted Mortgage shall apply.

[Continued on Following Page]

## **ARTICLE XI. MISCELLANEOUS**

### **11.1. Construction.**

Landlord and Tenant agree that all the provisions hereof are to be construed as covenants and agreements as though the words importing such covenants and agreements were used in each separate section thereof.

### **11.2. Performance Under Protest.**

In the event of a dispute or difference between Landlord and Tenant as to any obligation which either may assert the other is obligated to perform or do, then the party against whom such obligation is asserted shall have the right and privilege to carry out and perform the obligation so asserted against it without being considered a volunteer or deemed to have admitted the correctness of the claim, and shall have the right to bring an appropriate action at law, equity or otherwise against the other for the recovery of any sums expended in the performance thereof.

### **11.3. No Waiver.**

Failure of either party to complain of any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver by said party of any of its rights hereunder. No waiver by either party at any time, express or implied, of any breach of any other provision of this Lease shall be deemed a waiver of a breach of any other provision of this Lease or a consent to any subsequent breach of the same or any other provision. If any action by either party shall require the consent or approval of the other party, the other party's consent to or approval of such action on any one occasion shall not be deemed a consent to or approval of said action on any subsequent occasion or a consent to or approval of any other action on the cause of any subsequent occasion. In addition, Landlord acknowledges that Tenant must obtain the consent of the Investor Partner prior to responding to any request for Tenant's consent, consent or approval hereunder. Except as expressly limited by the terms of this Lease, any and all rights and remedies which either party may have under this Lease or by operation of law, either at law or in equity, upon any breach, shall be distinct, separate and cumulative and shall not be deemed inconsistent with each other; and no one of them whether exercised by said party or not, shall be deemed to be in exclusion of any other; and two or more or all of such rights and remedies may be exercised at the same time.

### **11.4. Headings.**

The headings used for the various articles and sections of this Lease are used only as a matter of convenience for reference, and are not to be construed as part of this Lease or to be used in determining the intent of the parties of this Lease.

### **11.5. Partial Invalidity.**

If any terms, covenant, provision or condition of this Lease or the application thereof to any person or circumstances shall be declared invalid or unenforceable by the final ruling of a court of competent jurisdiction having final review, the remaining terms, covenants, provisions

and conditions of this Lease and their application to persons or circumstances shall not be affected thereby and shall continue to be enforced and recognized as valid agreements of the parties, and in the place of such invalid or unenforceable provision there shall be substituted a like, but valid and enforceable, provision mutually agreeable to Landlord and Tenant which comports to the findings of the aforesaid court and most nearly accomplishes the original intention of the parties.

11.6. Bind and Inure.

Unless repugnant to the context, the words "Landlord" and "Tenant" shall be construed to mean the original parties, their respective permitted successors and assigns and those claiming through or under them respectively. Subject to the provisions of Section 6.2, the agreements and conditions in this Lease contained on the part of Tenant to be performed and observed shall be binding upon Tenant and its permitted successors and assigns and shall inure to the benefit of Landlord and its permitted successors and assigns, and the agreements and conditions in this Lease contained on the part of Landlord to be performed and observed shall be binding upon Landlord and its permitted successors and assigns and shall inure to the benefit of Tenant and its successors and assigns. No holder of a Leasehold Mortgage shall be deemed to be the holder of said Leasehold Interest until such holder shall have acquired indefeasible title to said Leasehold Interest.

11.7. Time of Essence.

Time is of the essence of this Lease and of all provisions hereof.

11.8. Recordable Form of Lease.

Simultaneously with the delivery of this Lease the parties have delivered a notice or short form of this Lease which Tenant shall record in the public office in which required to put third parties on notice. If this Lease is terminated before the Term expires, Landlord and Tenant agree to execute and deliver, in form suitable for recording, a revised notice of lease reflecting such termination.

11.9. Notices.

Notices will be in writing and will be either given by U.S. certified mail, return receipt requested, with postage prepaid (except in the event of a postal disruption, by strike or otherwise, in the United States), or sent by telex or facsimile promptly confirmed in writing, or sent by personal delivery by a nationally recognized courier service for next day delivery. The current addresses and telecopy numbers of the parties to which any notice provided for herein shall be sent, are as follows:

<b>If to the Landlord:</b>
<p>Eastern Kentucky University  521 Lancaster Avenue  Richmond, KY 40475  Attn: Office of Administration and Finance</p>
<b>If to the Tenant:</b>
<p>Kit Carson Commons, LLLP  c/o Kentucky River Foothills Development Council, Incorporated  309 Spangler Drive  Richmond, Kentucky 40475</p> <p>And</p> <p>Ohio Equity Fund for Housing Limited Partnership XXVI  88 East Broad Street, Suite 1800  Columbus, Ohio 43215  Attn: Asset Management</p>
<b>With copies to:</b>
<p>Vice Cox &amp; Townsend PLLC  2303 River Rd., Suite 301  Louisville, KY 40206  Attn: Robert Vice, Esq.</p> <p>And</p> <p>Barnes &amp; Thornburg, LLP  3300 Huntington Center  41 South High Street  Columbus, Ohio 43215  Attn: Bryan J. Venesy, Esq.</p>

Any party may designate another addressee (and/or change its address or telecopy number) for notices hereunder by a notice given pursuant to this Section 12.9. Notices delivered personally or by facsimile will be effective upon delivery to an authorized representative of the party at the designated address; notices sent by mail in accordance with the above paragraph will be effective upon execution by the addressee of the Return Receipt Requested.

11.11. Entire Agreement.

This instrument contains all the agreements made between the parties hereto and may not be modified in any other manner than by an instrument in writing executed by the parties or their

respective successors in interest and to which each Permitted Mortgagee has consented, if such consent is required pursuant to the terms of the applicable Permitted Mortgage.

11.12. Governing Law.

This Lease, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the substantive laws of the State. Any legal suit, action or proceeding against Landlord or Tenant arising out of or arising out of or relating to this Lease may at Landlord's option be instituted in the Circuit Court of Franklin County, Kentucky and Tenant waives any objections which it may now or hereafter have based on venue and/or forum non conveniens or any such suit, action or proceeding, and Tenant hereby irrevocably submits to the exclusive jurisdiction of any such court in any suit, action or proceeding.

11.13. Relationship of Parties.

Nothing contained in this Lease shall be deemed or construed by the parties or by any third person to create the relationship of an agent or of partnership or of joint venture or of any association or any other relationship except as aforesaid, exist between them.

***[SIGNATURES APPEAR ON NEXT PAGE]***

IN WITNESS WHEREOF, the parties have hereunto set their signatures and seals to this Lease as of the date first above written.

LANDLORD:

**THE COMMONWEALTH OF KENTUCKY**  
for the use and benefit of  
**EASTERN KENTUCKY UNIVERSITY,**  
a body politic and corporate

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

TENANT:

**KIT CARSON COMMONS, LLLP,**  
a Kentucky limited liability limited partnership

By: KCC GP, LLC, a Kentucky limited liability  
company, its General Partner

By: Kentucky River Foothills Develop-  
ment Council, Incorporated,  
a Kentucky non-profit corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## SCHEDULE 1

### WORKFORCE PATHWAY AT KIT CARSON COMMONS RESIDENCES PREFERENCES AND WAITING LIST

The following Preferences will apply for the Workforce Pathway at Kit Carson Commons (Residences), and will be used to rank applicants to determine the order in which they will be accepted into the Program. Applications will be placed on the waiting list (and processed) according to the date and time received in the following order:

1. Veteran shall be defined as person who served in the active military, naval, or air service and who was discharged or released under conditions other than dishonorable.
2. Single parent veteran who is currently, or enrolled in the next upcoming semester as, a full-time student in a post-secondary institution working on a 4 year degree, with minor or dependent children who will reside with them full-time.
3. Single parent who is currently, or enrolled in the next upcoming semester as, a full-time student in a post-secondary institution working on a 4 year degree, with minor or dependent children who will reside with them full-time.
4. Single parent veteran who is currently, or enrolled in the next upcoming semester as, a full-time student in a post-secondary institution working on a 2 year degree with minor or dependent children who will reside with them full-time.
5. Single parent who is currently, or enrolled in the next upcoming semester as, a full-time student in a post-secondary institution working on a 2 year degree, with minor or dependent children who will reside with them full time.
6. Single parent veteran with minor or dependent children who will reside with them full-time, who is currently enrolled in a Certificate Program, which must be accredited, with a minimum of 12 months remaining as a student.
7. Single parent with minor or dependent children who will reside with them full-time, who is currently enrolled in a Certificate Program, which must be accredited, with a minimum of 12 months remaining as a student.
8. Married couple (at least one of which is a veteran) who are eligible to, or do file a joint tax return, where both members of the couple are full-time students enrolled in a post-secondary institution working on a 2 or 4 year degree, and who have minor or dependent children who will reside with them full-time
9. Married couple who are eligible to, or do file a joint tax return, where both members of the couple are full-time students enrolled in a post-secondary institution working on a 2 or 4 year degree, with minor children who will reside with them full-time .
10. Married couple (at least one of which is a veteran), who are eligible to or do file a joint tax return, where one member is enrolled as a full-time student in a post-secondary institution working on a 2 or 4 year degree, and has minor or dependent children who will reside with them full-time
11. Married couple, who are eligible to or do file a joint tax return, where one member is enrolled as a full-time student in a post-secondary institution working on a 2 or 4 year degree with minor children.

12. Veteran with minor children who reside with them full-time
13. Single parent with minor children who reside with them full-time.
14. Married couple who are eligible to or do file a joint tax return, with minor children who reside with them full-time.

All other applicants: The Workforce Pathway at Kit Carson Commons (residence) will contact the local Public Housing Authority of project vacancies and give priority to households on the PHA's waiting list if there are no eligible households on the project's waiting list.



## EXHIBITS

Exhibit A: Description of Property

Exhibit B: Environmental Reports

## **Exhibit A**

### **Description of Property**

#### **Portion of 4440 Kit Carson Drive Richmond, Madison Co., Kentucky**

A certain parcel of land lying along the northern side of Kit Carson Drive, approximately 360 feet from the intersection of said Kit Carson Drive and Lancaster Avenue on the campus of Eastern Kentucky University, city of Richmond, county of Madison, Commonwealth of Kentucky and more particularly described as follows:

Beginning at a 2" Mag-Nail with aluminum washer stamped "VISION PLS 3674" (set nail) set in the asphalt entrance of a parking lot on the north side of Kit Carson Drive, said Mag-Nail being North 82° 11' 34" East 172.85 feet from a set nail at the centerline intersection of Leach Drive and said Kit Carson Drive; thence with a new severance line and coincidental with the back of an existing sidewalk for three (3) calls:

1. South 85° 26' 22" West 7.57 feet to a set nail;
2. Along a curve to the right having a Radius of 675.91 feet, an Arc Length of 338.29 feet and a Long Chord of North 80° 26' 15" West 334.77 feet to a 5/8" x 18" rebar with cap stamped "VISION PLS 3674" (set rebar) set at the back of sidewalk;
3. North 66° 10' 06" West 118.02 feet to a set rebar at the back of sidewalk; thence leaving back of sidewalk and continuing with new severance line for twelve (12) calls:
  4. North 26° 24' 28" East 94.09 feet to a set rebar;
  5. North 50° 32' 59" East 118.46 feet to a set rebar;
  6. North 57° 09' 09" East 131.92 feet to a set rebar;
  7. South 32° 49' 31" East 42.50 feet to a set rebar;
  8. North 57° 10' 24" East 41.15 feet to a set rebar;
  9. North 86° 34' 02" East 52.88 feet to a set rebar;
  10. South 73° 39' 09" East 59.88 feet to a set rebar;
  11. South 13° 30' 45" East 64.48 feet to a set nail in an asphalt parking lot;
  12. South 76° 29' 04" West 17.35 feet to a set nail in an asphalt parking lot;
  13. South 33° 14' 56" West 18.84 feet to a set nail in an asphalt parking lot;
  14. South 13° 05' 00" East 168.03 feet to a set nail in an asphalt parking lot;
  15. South 07° 37' 03" East 60.97 feet to the Point of Beginning containing 2.368 Acres.

This description is based on a field survey conducted under the direction of Richey B. Newton, P.L.S. 3674 of Vision Engineering, LLC located at 128 East Reynolds Rd., Lexington, KY on May 15, 2019. The basis of meridian is KYSPC South (NAD'83) as observed by GPS static observation.

This being a portion of the property conveyed to Commonwealth of Kentucky for the use and benefit of Eastern Kentucky State College from Earl Breckinridge Baker et ux and Ruth Hammons Baker by deed dated December 19, 1960 and of record at Deed Book 189, Page 15 in the office of the Clerk of Madison County, Kentucky.

**Exhibit B**

**Environmental Reports**

# # #

Eastern Kentucky University  
Board of Regents

Organizational Performance, Enrollment Growth and Student Success Committee  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

- II. **Call to Order** (Committee Co-Chair Bryan Makinen)
- III. **Information Items**
  - A. Written Report-Student Success Performance Metrics (Gene Palka) ..... 205
- IV. **Action Item**
  - A. Consent Agenda
    - i. Approval of the August 29, 2019 Organizational Performance, Enrollment Growth and Student Success Committee Meeting Minutes (Bryan Makinen)..... 221
- V. **Adjourn**



**Eastern Kentucky University**

**Student Success Performance Metrics**

(An Update to the Board of Regents)

**19 Nov 2019**

**Dr. Gene Palka**

# Agenda

- **Performance Metrics ... Historical Perspective**
  - Where were we?
  - Where are we now?
- **New First Time Freshmen (NFTF) Retention**
- **Graduation Rates**
  - 4 Year
  - 5 Year
  - 6 Year
- **Degrees Awarded**
  - Undergraduate
  - Graduate
  - Total Degrees Awarded
- **Summary**
- **Questions**



# Performance Metrics ... Historical Perspective

Freshmen Retention (GRS Cohort)						
2006	2008	2010	2012	2014	2016	2018
63.3%	69.08%	66.92%	72.19%	74.03%	73.04%	75.11%

## 4 Year Graduation Rate (Fall Freshman Cohorts)

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
15.67%	17.86%	19.39%	23.58%	23.28%	28.56%	29.71%	30.3%	32.7%	34.27%

## 5 Year Graduation Rate (Fall Freshman Cohorts)

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
33.22%	31.98%	33.26%	36.14%	40.56%	39.90%	45.28%	46.96%	45.62%	49.15%

## 6 Year Graduation Rate (Fall Freshman Cohorts)

2005	2006	2007	2008	2009	2010	2011	2012	2013
38.40%	37.68%	39.65%	41.94%	45.07%	44.91%	49.27%	50.88%	50.00%

# Performance Metrics ... Historical Perspective

## Total Undergrad Degrees Awarded

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
2388	2473	2615	2781	2826	2838	2843	2974	3004

## Total Graduate Degrees Awarded

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
712	751	822	795	809	936	960	910	951

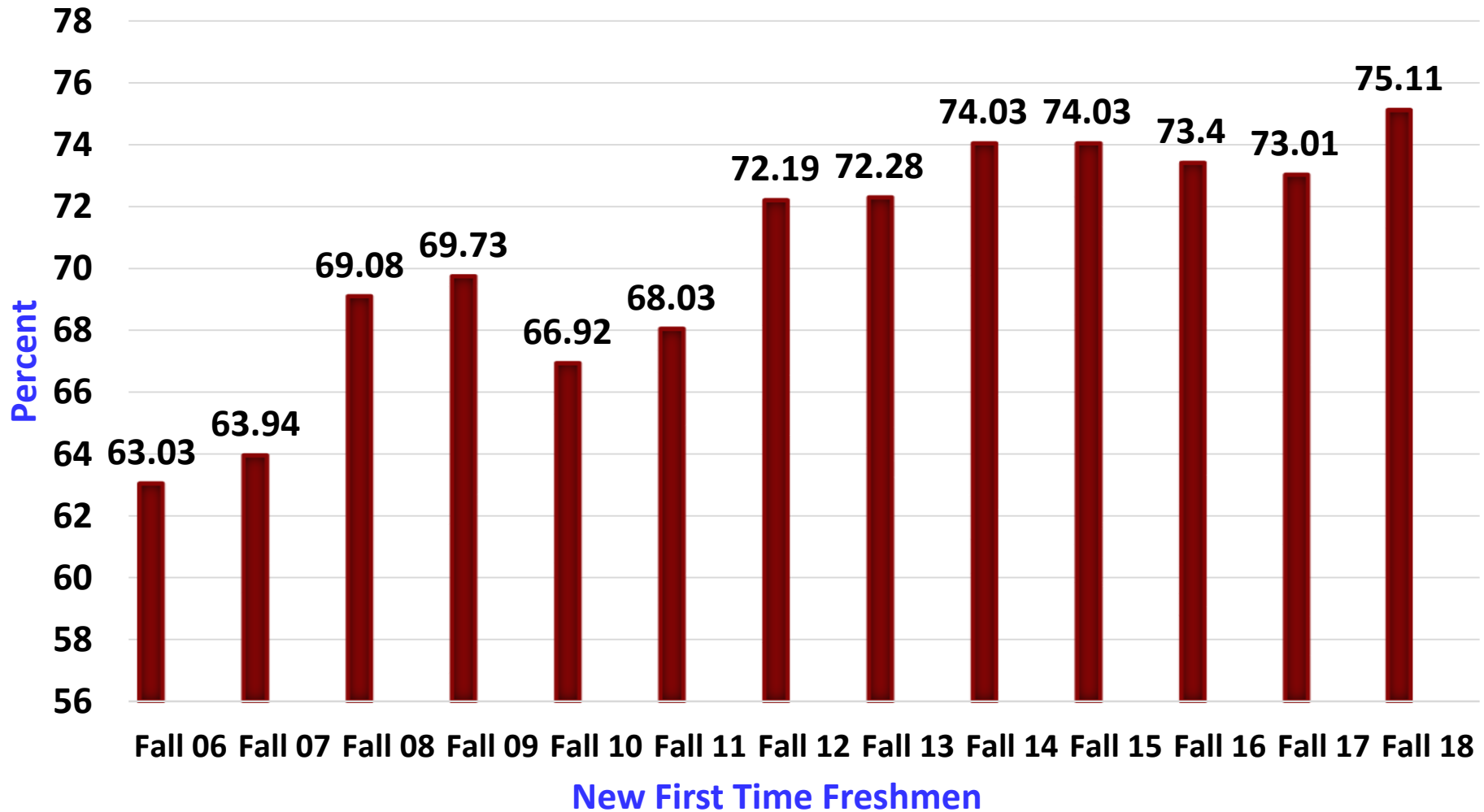
## Total Degrees Awarded

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
3100	3224	3437	3576	3635	3774	3803	3884	3955



# Freshmen Retention

Fall Cohort



# Freshmen Retention

GRS COHORT	Total Fall 2018	Enrolled Fall 2019	Retention Rate
First-Time, Full-Time, Baccalaureate	2,021	1518	75.1%
URM	198	127	64.1%
Low Income	651	445	68.4%

YEAR	Total Freshmen	Enrolled Fall 2019	Retention Rate
Fall 2018 (10/15/19)	2,427	1665	68.6%
Fall 2017 (10/15/18)	2,575	1728	67.1%

GENDER	Total	Fall 2019	Retention Rate
Female	1,446	1032	71.4%
Male	980	632	64.5%
n/a	1	1	100.0%
TOTAL	2,427	1,665	68.6%

RESIDENCY	Total	Fall 2019	Retention Rate
In state	2,151	1471	68.4%
SMART	179	130	72.6%
Out of state	83	55	66.3%
International	14	9	64.3%
TOTAL	2,427	1,665	68.6%

# Freshmen Retention

CAMPUS	Total	Fall 2019	Retention Rate
Corbin	86	49	57.0%
Manchester	32	26	81.3%
Richmond	2,276	1580	69.4%
Online	33	10	30.3%
TOTAL	2,427	1,665	68.6%

FINANCIAL	Total	Fall 2019	Retention Rate
Excellence	17	17	100.0%
Founders	134	122	91.0%
Regents	650	547	84.2%
Presidential	271	189	69.7%
N/A	1,355	787	58.1%
Pell	1,093	686	62.8%
TOTAL (Scholarships only)	1,072	875	81.6%

FIRST TERM ATTEMPTED HOURS	Total	Fall 2019	Retention Rate
<12	51	13	25.5%
12-15	717	458	63.9%
15	546	379	69.4%
>15	1,113	815	73.2%
TOTAL	2,427	1,665	68.6%

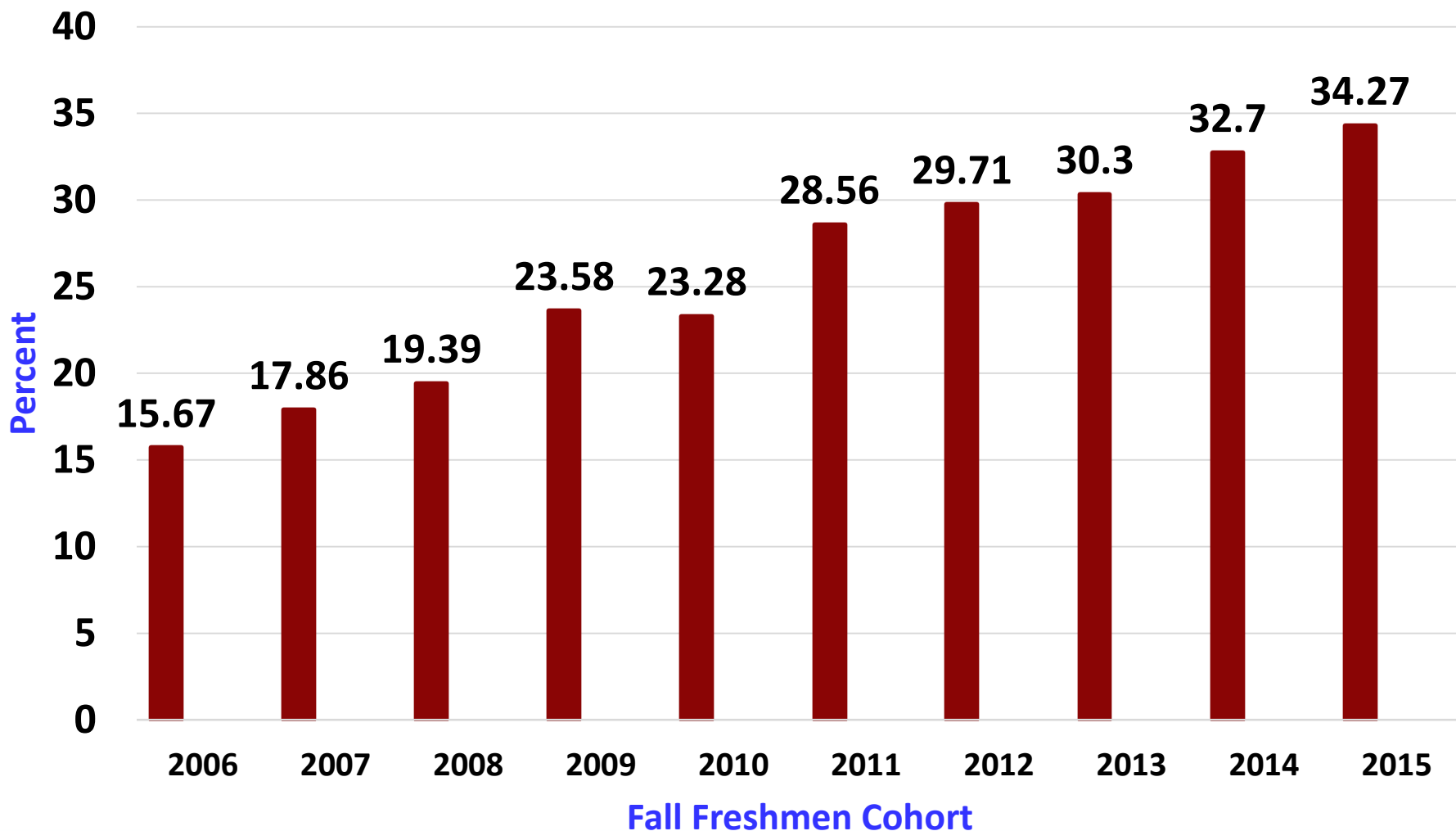
# Freshmen Retention

SUB-POPULATIONS	Total	Fall 2019	Retention Rate
EKU Dual Credit	349	283	81.1%
First Generation	733	449	61.3%
Greek	308	255	82.8%
Honors	120	114	95.0%
Nontraditional	14	10	71.4%
NOVA	59	43	72.9%
Student Athlete	83	63	75.9%
Veteran/Military	95	58	61.1%
Rodney Gross	38	35	92.1%
Freshman Academy	99	68	68.7%
Diversity Scholarship	9	9	100.0%
Service Region	834	559	67.0%

ACADEMIC STANDING	Total	Fall 2019	Retention Rate
Good Academic Standing	2,049	1623	79.2%
Academic Probation	116	32	27.6%
Academic Suspension	222	8	3.6%
No Standing	40	2	5.0%
TOTAL	2,427	1,665	68.6%

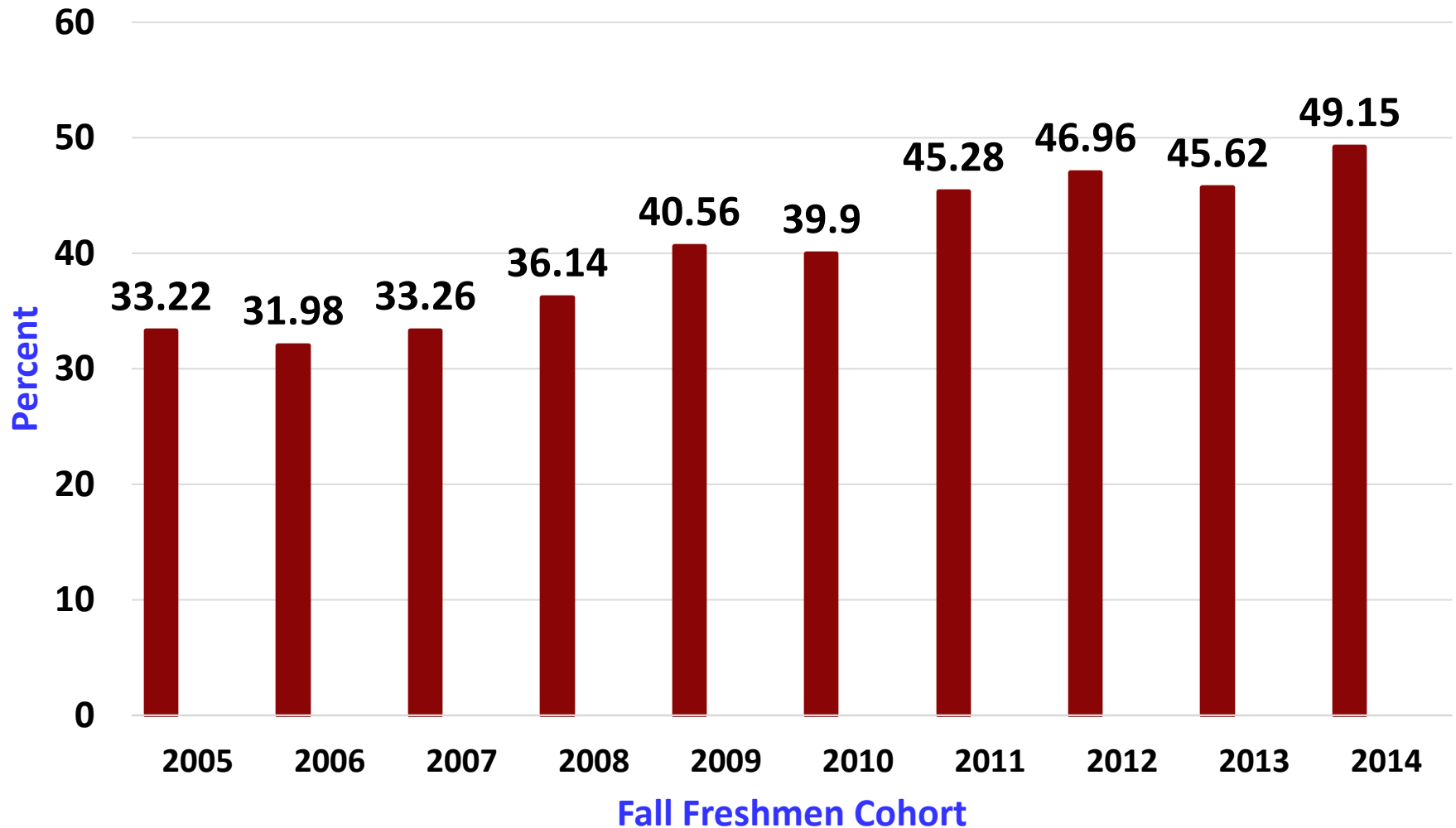
# Four Year Graduation Rates

## Freshmen Cohort Graduation Rates



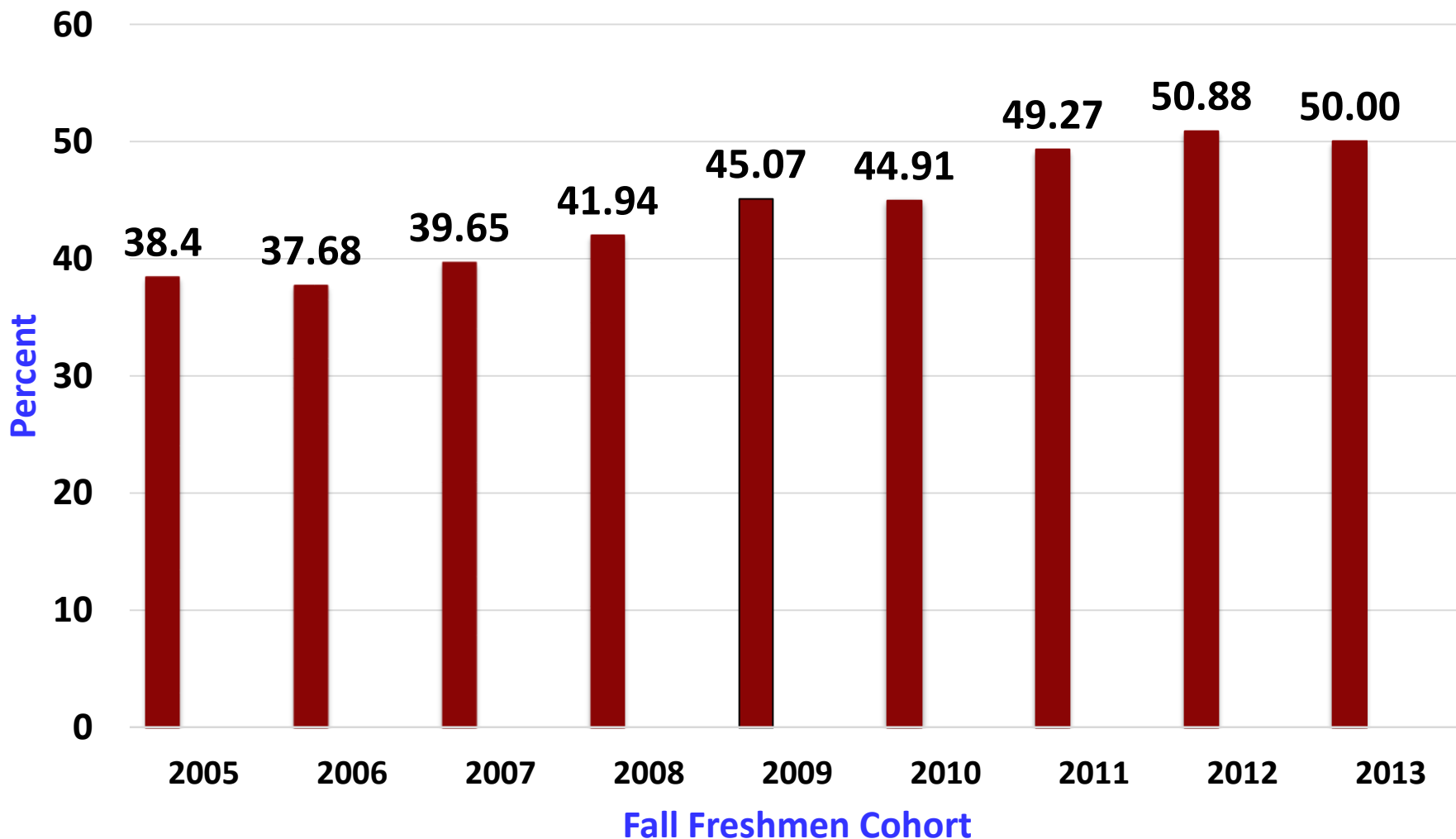
# Five Year Graduation Rates

## Freshmen Cohort Graduation Rates

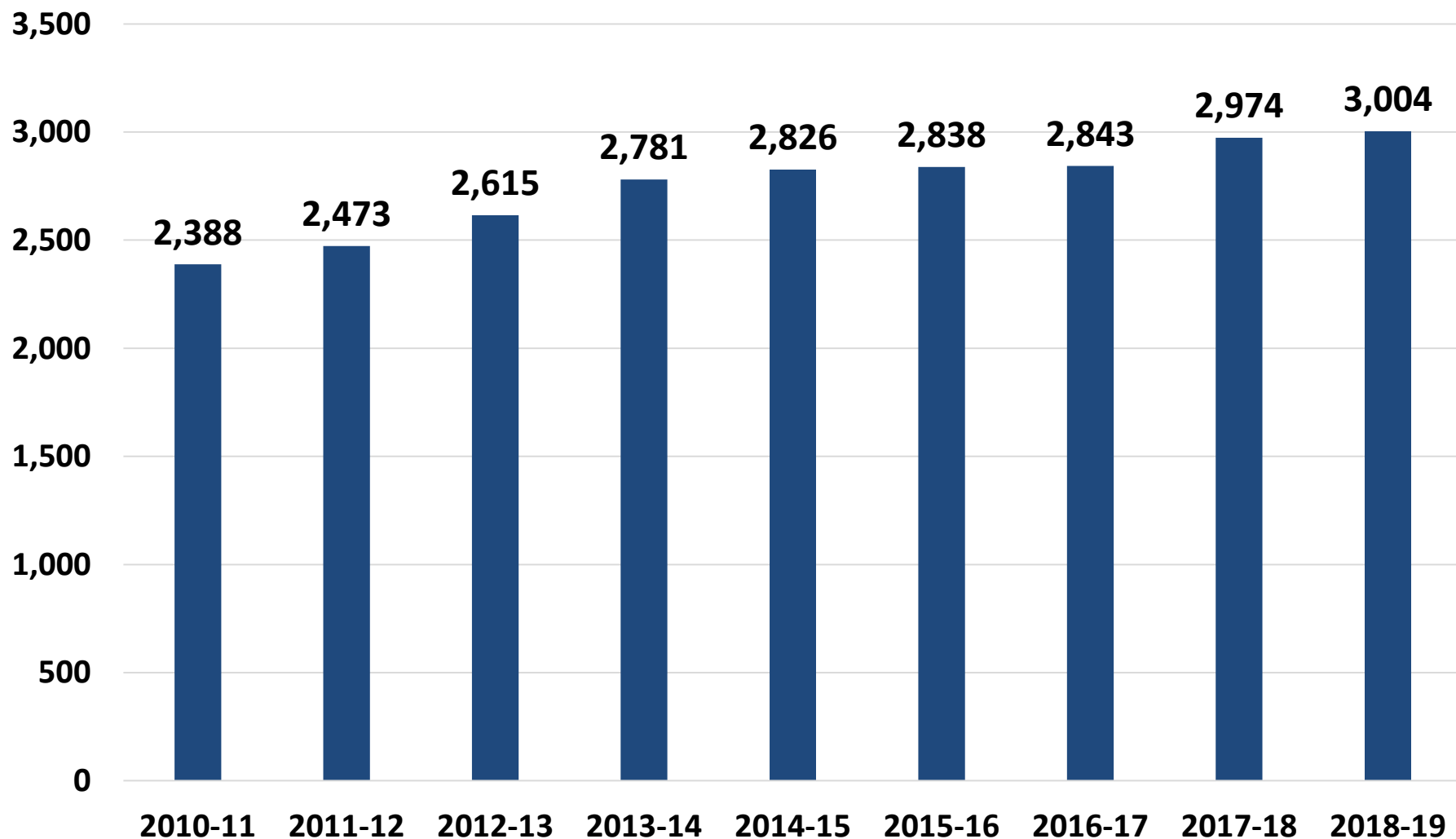


# Six Year Graduation Rates

## Freshmen Cohort Graduation Rates

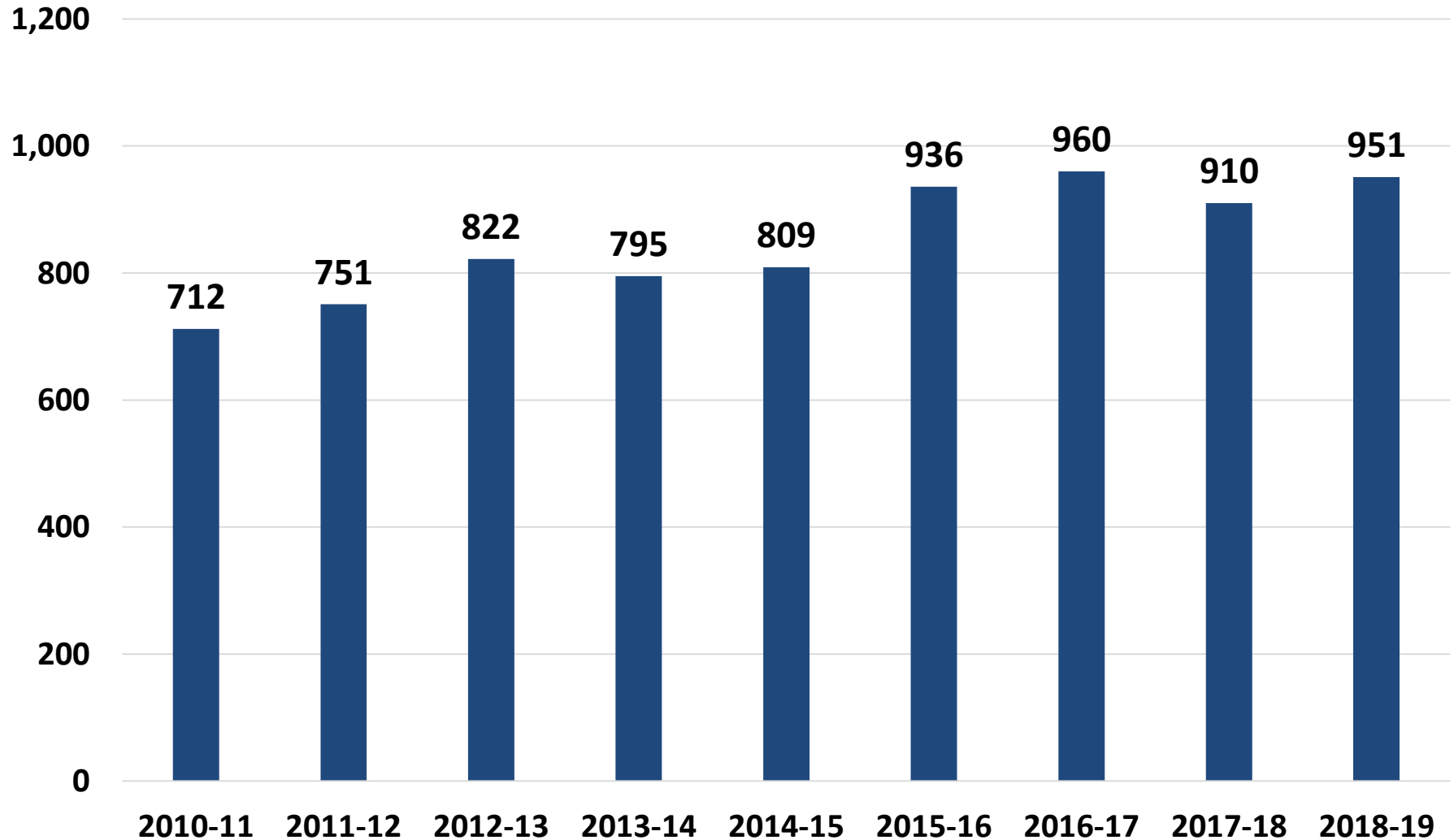


# Total “Undergraduate” Degrees Awarded

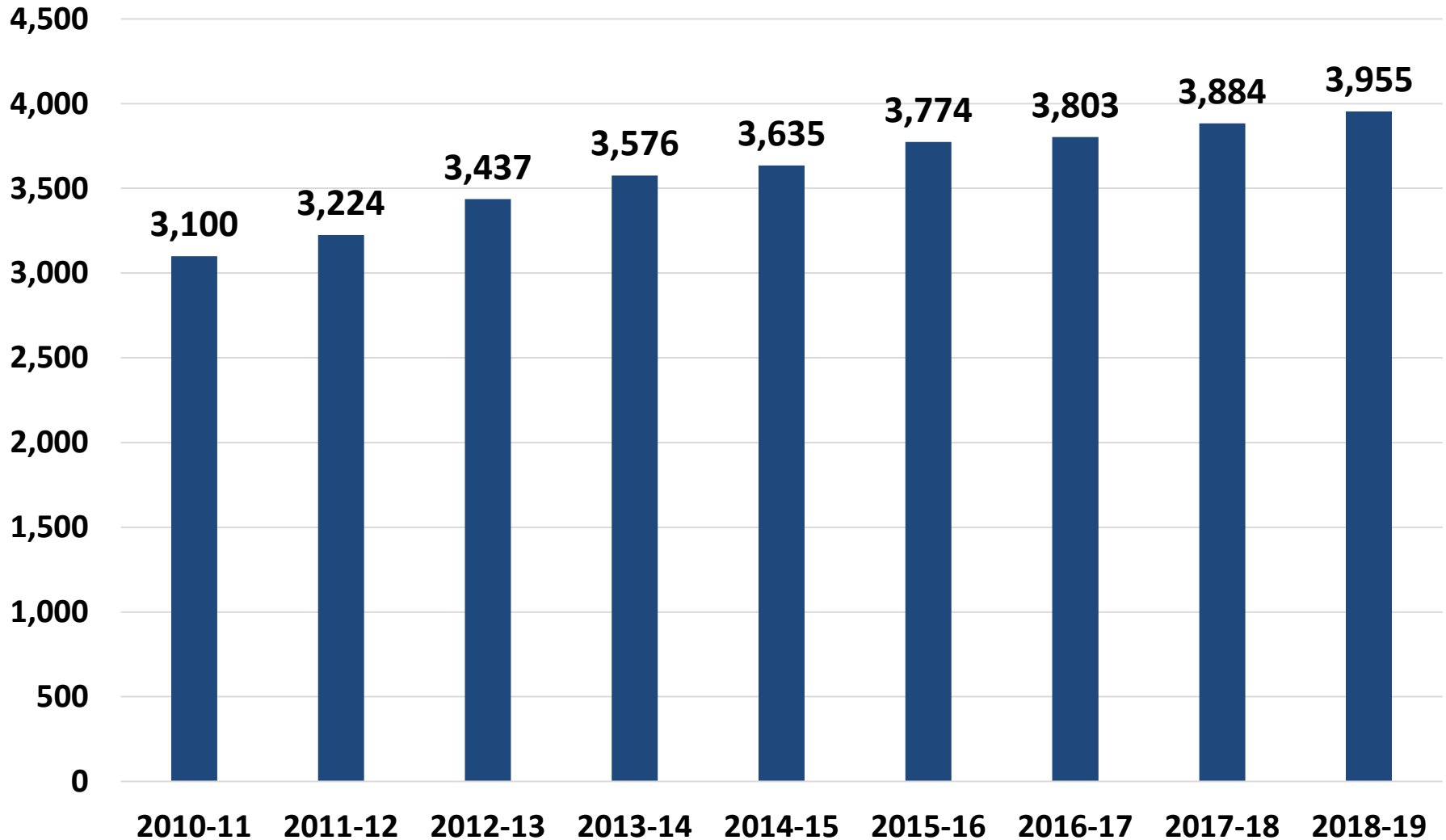




# Total “Graduate” Degrees Awarded



# Total Degrees Awarded



# Summary

## ("What has worked")

- **General Practices**

- Collaboration and co-operation between Student Success, Academic Affairs, and Student Affairs
- Removing barriers and creating pathways

- **Specific Initiatives**

- Merit Scholarship model
- Eastern Advising and Retention Network (EARN)
- Weekly retention reports
- "Recruit-Back campaigns
- Student Success Center
- "15 to Finish" campaign
- 4<sup>th</sup> week progress report
- Mid-term recovery program
- Probation-recovery workshop
- Tiered probation policy
- Retention "micro-grants"



# Questions?



**Eastern Kentucky University  
Board of Regents  
Organizational Performance, Enrollment Growth and Student Success Committee  
Meeting Minutes**

**August 29, 2019**

**O'Donnell Auditorium  
Whitlock Building  
Eastern Kentucky University**

**Call to Order**

Committee Co-Chair Jason Marion called the meeting of the Organizational Performance, Enrollment Growth and Student Success Committee to order at 1:55 p.m. at the O'Donnell Auditorium, Whitlock Building, Eastern Kentucky University. Committee Co-Chair Marion established a quorum was present.

**Committee Members Present**

Jason Marion  
Lynn Taylor Tye  
Bryan Makinen  
Laura Babbage  
Madison Lipscomb

**Committee Members Absent**

Nancy Collins

**Information Items**

**A. Profile of the Freshmen Class**

Dr. Gene Palka, Vice President for Student Success and Enrollment Management, presented an update on the Class of 2024 to the Board, a copy of which is incorporated herein and will be included with the official copy of the minutes.

**B. Fall Enrollment Report by College and Academic Program**

Dr. Tanlee Wasson, Assistant Vice President of Institutional Effectiveness & Research, presented a breakdown of the top ten academic programs to the Board, a copy of which is incorporated herein and will be included with the official copy of the minutes.

**C. Recruitment Plan for 2020**

Dr. Tanlee Wasson, Assistant Vice President of Institutional Effectiveness & Research, gave an update regarding the Recruitment Plan for 2020, a copy of which is incorporated herein and will be included with the official copy of the minutes.

### **Action Item**

#### **A. Consent Agenda**

##### **i. Strategic Plan Extension**

A motion was made by Regent Babbage to extend the deadline for implementation of the Strategic Plan to 2022. The motion was seconded by Regent Tye. The motion passed by voice vote.

### **New Business**

There was no new business.

### **Adjourn**

There being no further business, Committee Chair Marion requested a motion to adjourn. A motion was made by Regent Tye to adjourn the meeting. The motion was seconded by Regent Babbage. The motion passed by voice vote, and the meeting of the Organizational Performance, Enrollment Growth and Student Success Committee adjourned at 2:58 p.m.

Eastern Kentucky University  
Board of Regents

Executive and Academic Affairs Committee  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

- I. **Call to Order** (Committee Chair Lewis Diaz)
- II. **Information Item**
  - A. Academic Affairs Update (Jerry Pogatshnik)
- III. **Action Item**
  - A. Consent Agenda
    - i. Approval of the August 29, 2019 Executive and Academic Affairs Committee Meeting Minutes (Lewis Diaz) ..... 224
    - ii. Personnel Actions (President Benson) ..... 226
    - iii. Approval of Degree Candidates for Fall 2019 (Sherry Robinson)..... 234
    - iv. Council on Academic Affairs Presentation (Sherry Robinson)..... 235
    - v. Approval of Honorary Degree for P.G. Peeples (Sherry Robinson)..... 249
- IV. **Adjourn**

**Eastern Kentucky University  
Board of Regents  
Executive and Academic Affairs Committee  
Meeting Minutes**

**August 29, 2019**

**O'Donnell Auditorium  
Whitlock Building  
Eastern Kentucky University**

**Call to Order**

Committee Chair Lewis Diaz called the meeting of the Executive and Academic Affairs Committee to order at 2:58 p.m. at the O'Donnell Auditorium, Whitlock Building, Eastern Kentucky University. Committee Chair Diaz established a quorum was present.

**Committee Members Present**

Lewis Diaz  
Juan Castro  
Jason Marion  
Vasu Vasudevan  
Lynn Taylor Tye  
Bryan Makinen  
Alan Long

**Committee Members Absent**

None

**Information Items**

**A. Academic Affairs Update**

Dr. Jerry Pogatshnik, Interim Executive Vice President for Academics and Provost, presented an Academic Affairs update to the Board regarding aviation and ECU e-campus, a copy of which is incorporated herein and will be included with the official copy of the minutes.

**Action Item**

**A. Consent Agenda**

- i. **Approval of the June 18, 2019 Executive and Academic Affairs Committee Minutes**



A motion was made by Regent Castro to approve the minutes of the June 18, 2019 meeting of the Executive and Academic Affairs Committee of the Board of Regents. The motion was seconded by Regent Long. The motion passed by voice vote.

**New Business**

There was no new business.

**Adjourn**

Hearing no objection, Committee Chair Diaz declared the meeting of the Executive and Academic Affairs Committee adjourned at 3:07 p.m.

**Eastern Kentucky University**  
**Turnover Statistics**  
**Current Period (August - October, 2019)**

Job Category	Current Period		November 1, 2018 - Oct 31, 2019	
	Hires	Separations	Hires	Separations
Full-Time Faculty	39	4	47	52
Part-Time Faculty	90	2	138	7
Administrators/Deans	0	0	1	5
Full-Time Professionals	22	25	86	114
Full-Time Hourly	32	42	87	146
Total:	183	73	359	324
Net Increase/(Reduction):	110		35	

Job Category	Current Period		November 1, 2018 - Oct 31, 2019	
	Hires	Separations	Hires	Separations
Full-Time Faculty	\$ 2,054,752	\$ 235,003	\$ 2,438,699	\$ 3,789,478
Part-Time Faculty	\$ 322,917	\$ 2,233	\$ 485,803	\$ 100,221
Administrators/Deans	\$ -	\$ -	\$ 85,500	\$ 654,637
Full-Time Professionals	\$ 986,959	\$ 1,226,467	\$ 3,967,000	\$ 6,209,811
Full-Time Hourly	\$ 895,369	\$ 1,235,989	\$ 2,646,518	\$ 4,843,932
Total:	\$ 4,259,997	\$ 2,699,692	\$ 9,623,520	\$ 15,598,079
Net Increase/(Reduction):	\$ 1,560,305		\$ (5,974,559)	

**New Hires - August - October 2019**

<b><u>Last Name</u></b>	<b><u>First Name</u></b>	<b><u>Hire Date</u></b>	<b><u>Position Title</u></b>	<b><u>Department</u></b>	<b><u>Category</u></b>	<b><u>Annual Salary</u></b>
Adams	Krista	8/1/2019	Assistant Professor	Curriculum & Instruction	Fulltime Faculty	\$58,000
Arnett	Melinda	8/1/2019	Lecturer	Biological Sciences	Fulltime Faculty	\$44,000
Brooks	LaKeitha	8/1/2019	Model Media Specialist	Model Laboratory School	Fulltime Faculty	\$54,781
Bussan	Derek	8/1/2019	Asst Professor	Chemistry	Fulltime Faculty	\$55,000
Cheslick	Lauren	8/1/2019	Model Lab School Teacher	Model Laboratory School	Fulltime Faculty	\$45,000
Christensen	Moselle	8/1/2019	Model Lab School Teacher	Model Laboratory School	Fulltime Faculty	\$40,000
Cook	Mary	8/26/2019	Clinical Faculty	Occupational Therapy	Fulltime Faculty	\$55,000
Doctor	Austin	8/1/2019	Assistant Professor	Government	Fulltime Faculty	\$55,500
Dougherty	Alexander	8/1/2019	Assistant Professor	Emergency Medical Care	Fulltime Faculty	\$62,000
Fardo	Stephen	8/1/2019	Field Based Teacher	Applied Engineering and Technology	Fulltime Faculty	\$34,000
Foltz	Kenneth	8/1/2019	Assistant Professor	Aviation	Fulltime Faculty	\$70,000
Frazier	Tamyra	8/1/2019	Psychologist/Counselor	Model Laboratory School	Fulltime Faculty	\$58,571
Fry	Jason	8/1/2019	Assistant Professor	Physics & Astronomy	Fulltime Faculty	\$56,000
Ghanem	Sahar	8/1/2019	Assistant Professor	Applied Engineering and Technology	Fulltime Faculty	\$70,000
Gilliam	Joshua	8/1/2019	Lecturer	Program of Distinction	Fulltime Faculty	\$50,000
Hardin	Jason	8/1/2019	School Teacher	Model Laboratory School	Fulltime Faculty	\$55,000
Ivonchyk	Mikhail	8/1/2019	Asst Professor	OL-Public Administration-MPA	Fulltime Faculty	\$55,500
Jackson	Thad	8/1/2019	Asst Professor	Accounting/Finance/Information Sys	Fulltime Faculty	\$75,000
Jeon	Sung Bae	8/1/2019	Visiting Lecturer	Geosciences	Fulltime Faculty	\$44,000
Keener	Allen	8/1/2019	Associate Professor	Occupational Therapy	Fulltime Faculty	\$77,500
Kong	Lan	8/1/2019	Visiting Asst Professor	Computer Science	Fulltime Faculty	\$65,000
Kornack	Todd	8/1/2019	School Teacher	Model Laboratory School	Fulltime Faculty	\$54,500
Lang	Emily	8/1/2019	Assistant Professor	Curriculum & Instruction	Fulltime Faculty	\$56,000
LeRoy	Leslie	8/1/2019	Visiting Professor	Communication	Fulltime Faculty	\$23,500
Link-Perez	Melanie	8/1/2019	Assistant Professor	Biological Sciences	Fulltime Faculty	\$50,000
Lofton	Jasmine	8/1/2019	School Teacher	Model Laboratory School	Fulltime Faculty	\$40,000
Lotz	Carol	8/1/2019	Lect	Mathematics & Statistics	Fulltime Faculty	\$42,500
MacDonald	Aaron	8/1/2019	Assistant Professor	Health Services Administration	Fulltime Faculty	\$55,600
Manning	Maria	8/1/2019	Assistant Professor	Curriculum & Instruction	Fulltime Faculty	\$56,000
Morgerson	John	8/1/2019	School Teacher	Model Laboratory School	Fulltime Faculty	\$49,500
Mullins	Ricky	8/1/2019	Asst Professor	Curriculum & Instruction	Fulltime Faculty	\$56,000
Paxtle	Jeniffer	8/1/2019	School Teacher	Model Laboratory School	Fulltime Faculty	\$40,000
Sachs	Molly	8/1/2019	Visiting Asst Professor	Dept Amer SL & Interpreter Educat	Fulltime Faculty	\$48,000
Skees Hermes	Susan	8/1/2019	Assistant Professor	Occupational Therapy	Fulltime Faculty	\$65,000
Stevenson	Jennifer	8/1/2019	Visiting Asst Professor	Anthropology/Sociology/Social Work	Fulltime Faculty	\$50,000
Wade	David	8/1/2019	Lecturer	Chemistry	Fulltime Faculty	\$45,000
Winkler	Sarah	8/1/2019	Childhood Teacher	Burrier Child Development Center	Fulltime Faculty	\$45,000
Zomchek	Christina	9/16/2019	School Teacher	Model Laboratory School	Fulltime Faculty	\$45,000
Zyzak	LiLi	8/1/2019	Asst Professor	Chemistry	Fulltime Faculty	\$53,300
Amstutz	Lisa	9/9/2019	Interpreter	Vocational Rehab FY20	FT Hourly Staff	\$58,500
Asberry	Britani	10/1/2019	Admin Coord	Serve Kentucky Training Services	FT Hourly Staff	\$27,515
Bailey	Kearstin	9/9/2019	Repair Technician I	Housing Maintenance	FT Hourly Staff	\$19,843
Cheek	Cameron	9/9/2019	Acad Records Specialist	Registrar	FT Hourly Staff	\$24,258
Cruse	Brian	8/19/2019	Motor Vehicle Operator	Waste/Recycle Services	FT Hourly Staff	\$29,120
Dowling	Vance	9/16/2019	Maintenance Mechanic	Maintenance, Plumbing Shop	FT Hourly Staff	\$21,341
Frost	Valerie	9/9/2019	Paraeducator II	Model Laboratory School	FT Hourly Staff	\$25,623
Gallardo	Kelly	10/7/2019	Admin Coordinator	Music	FT Hourly Staff	\$33,696
Gross	Claude	10/7/2019	Const & Repair Tech II	Maintenance, Carpenter Shop	FT Hourly Staff	\$34,216
Hinman	Erika	9/23/2019	Mold Abatement Tech	Environmental Services	FT Hourly Staff	\$24,960
Lake	Bailey	10/17/2019	Library Associate III	Libraries	FT Hourly Staff	\$29,621
Martin	Anthony	8/19/2019	Grounds Zone Specialist	Grounds/Horticulture	FT Hourly Staff	\$26,083
McFerron	Sara	10/7/2019	Admin Coordinator	Libraries-Dean	FT Hourly Staff	\$27,515
McQueen	Ashley	10/7/2019	Admin Coord, IDC	Office of e-Campus Learning	FT Hourly Staff	\$32,331
Miller	Christopher	8/2/2019	Relocation Specialist	Relocation Services	FT Hourly Staff	\$23,920
Nehila	Matthew	8/5/2019	Relocation Specialist	Relocation Services	FT Hourly Staff	\$22,880
New	Craig	9/30/2019	Admin Coordinator	University Housing	FT Hourly Staff	\$30,947
Niemeier	Leslie	8/12/2019	Teaching Assistant	Ctr for Early Childhood Excellence	FT Hourly Staff	\$28,184
Parker	James	8/19/2019	HVAC Mechanic	Maintenance, HVAC-R	FT Hourly Staff	\$30,181
Patrick	Ryan	8/12/2019	Maintenance Mechanic	Housing Maintenance	FT Hourly Staff	\$20,842
Powell	Bradley	9/9/2019	Tech & Media Coord	Noel Studio for Creative Activ/TLC	FT Hourly Staff	\$33,716

**New Hires - August - October 2019**

<b><u>Last Name</u></b>	<b><u>First Name</u></b>	<b><u>Hire Date</u></b>	<b><u>Position Title</u></b>	<b><u>Department</u></b>	<b><u>Category</u></b>	<b><u>Annual Salary</u></b>
Rahschulte	Caitlyn	8/26/2019	Library Associate II	Libraries	FT Hourly Staff	\$25,565
Rhodus	Robert	9/3/2019	Const & Repair Tech I	Maintenance, Carpenter Shop	FT Hourly Staff	\$19,843
Ruth	Calder	10/7/2019	Locksmith	Maintenance, Lock Shop	FT Hourly Staff	\$29,931
Smallwood	Pheyten	8/12/2019	Teaching Assistant	Ctr for Early Childhood Excellence	FT Hourly Staff	\$24,149
Sparks	Corey	8/5/2019	Water Treatment Tech	Maintenance, HVAC-R	FT Hourly Staff	\$24,960
Stallard	Christina	10/1/2019	Assoc Dvlpmnt Officer	Libraries	FT Hourly Staff	\$40,014
Stamper	Anna	8/12/2019	Data Specialist	Teacher Ed Srv/Admission&Certificat	FT Hourly Staff	\$26,208
Swint	Tori	8/12/2019	Teaching Assistant	Ctr for Early Childhood Excellence	FT Hourly Staff	\$23,005
Tarter	Nathanael	8/12/2019	Electrician Assistant	Maintenance, Electrical Shop	FT Hourly Staff	\$24,086
Williams	Ashley	9/30/2019	Library Associate I	Libraries	FT Hourly Staff	\$24,804
Williamson	Brianna	8/12/2019	Admin Coordinator	Psychology	FT Hourly Staff	\$27,515
Bledsoe	David	9/23/2019	AMT Program Director	KY Appalachia Aviation Maintenance	FT Professionals	\$68,371
Burks	Jeffrey	8/12/2019	Procurement Specialist	Purchasing	FT Professionals	\$38,072
Burns	Gary	8/12/2019	Procurement Official	Purchasing	FT Professionals	\$47,184
Crowe	Austin	8/1/2019	Equipment Coordinator	Football	FT Professionals	\$30,000
Drouin	Cody	10/1/2019	Assoc Dir, Sports Perf	Strength & Conditioning	FT Professionals	\$31,498
Fritz	Henry	10/16/2019	Sr Programmer Analyst	UTC Title IV-E Admin Support - PCP	FT Professionals	\$48,000
Gatto	Deborah	10/16/2019	Coordinator	UTC Targeted Case Management	FT Professionals	\$34,393
Gibson	Jennifer Onecia	9/1/2019	Programmer Analyst	Institutional Effectiveness & Rsch	FT Professionals	\$47,559
Griskowitz	Evan	8/12/2019	Asst Dir, Sports Medicine	Athletic Training	FT Professionals	\$40,000
Harris	Denise	8/1/2019	Mgr, Space Utilization	Planning & Design	FT Professionals	\$54,000
Kidd	Richard	9/16/2019	Athletics Ticket Mgr	Athletics Ticket Office	FT Professionals	\$35,390
Lay	Emily	8/14/2019	Procurement Specialist	Purchasing	FT Professionals	\$35,833
Lewis	Zachary	10/16/2019	Assoc Dir, Transfer Stud	Student Outreach and Transition Off	FT Professionals	\$52,500
McFall	Billi	8/26/2019	Career Navigator	Adult Ed FY20 - Madison Cty	FT Professionals	\$36,000
Morgan	Paul	8/26/2019	Staff Psychologist	Counseling Center	FT Professionals	\$60,152
Norberg	Haley	8/6/2019	Policy, & Gov Adminstr	University Counsel	FT Professionals	\$47,500
Ohrnberger	Elisabeth	8/22/2019	Athletic Trainer	Athletic Training	FT Professionals	\$25,000
Robinson	Jennifer	8/5/2019	Coord, Wellness	Healthy You at EKU	FT Professionals	\$48,092
Shaffer	Jamie	8/19/2019	Coord, Teach & Learning	Noel Studio for Creative Activ/TLC	FT Professionals	\$50,496
Shisley	Steven	8/5/2019	Instructional Designer	Office of e-Campus Learning	FT Professionals	\$52,940
Slater	Bennie	9/16/2019	Mgr, MEP Bldg Maint	Maintenance, HVAC-R	FT Professionals	\$67,500
Watts	Hanna	9/3/2019	Procurement Specialist	Purchasing	FT Professionals	\$36,479
Addington	Brenda	8/16/2019	PT Faculty-On Campus	Instruction - College of Education	PT Faculty	\$2,600
Barnes	Lucas	8/16/2019	PT Faculty-On Campus	Instruction - Justice and Safety	PT Faculty	\$2,600
Barrier	Bobbie	9/1/2019	PT Faculty-On Campus	Instruction - College of Education	PT Faculty	\$2,600
Bentley	Rachel	10/1/2019	PT Faculty-On Campus	Instruction - Health Sciences	PT Faculty	\$7,360
Biller	Justin	10/16/2019	Online PT Faculty	OL-FSE-BS	PT Faculty	\$3,050
Bradley	Madeline	8/16/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$3,200
Bradley	Kimberly	9/1/2019	PT Faculty-On Campus	Instruction - College of Science	PT Faculty	\$1,300
Braun	Carly	8/16/2019	12428 OTS 821	Instruction - Health Sciences	PT Faculty	\$4,500
Bricken	Matthew	8/16/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$2,600
Brode	Samuel	10/16/2019	Online PT Faculty	OL-Psychology-BS	PT Faculty	\$3,050
Brown	Julie	9/1/2019	12841 NUR 241C	Instruction - Health Sciences	PT Faculty	\$9,333
Burnett	Daniel	8/16/2019	PT Faculty-On Campus	Instruction - Justice and Safety	PT Faculty	\$2,600
Butterbaugh	Sarah	8/16/2019	PT Faculty-On Campus	Instruction - Health Sciences	PT Faculty	\$2,600
Caldwell	Donna	8/16/2019	13093 ADM 102	Instruction - Health Sciences	PT Faculty	\$2,600
Chapman	Charles	9/1/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$1,155
Chelyshkov	Volodymyr	9/1/2019	PT Faculty-On Campus	Instruction - College of Science	PT Faculty	\$6,400
Ciocca	William	9/1/2019	PT Faculty-On Campus	Instruction - College of Science	PT Faculty	\$5,850
Cornett	Matthew	8/16/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$1,872
CortÃ©s	Eve	9/1/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$5,200
Dolen	Carrie	8/16/2019	Online PT Faculty	OL-Public Health Nurs Admin & Ed-MS	PT Faculty	\$3,050
Dotson	Rebecca	9/16/2019	PT Faculty-On Campus	Instruction - Health Sciences	PT Faculty	\$7,600
Drake	Karen	9/1/2019	PT Faculty-On Campus	Instruction - College of Science	PT Faculty	\$3,033
Dudak	Brian	8/16/2019	Online PT Faculty	OL-SSEM-MS	PT Faculty	\$3,050
Edmonds	Suzanne	8/16/2019	PT Faculty-On Campus	Instruction - College of Education	PT Faculty	\$2,600
Elias	David	9/1/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$7,822
Embury	Dusty	10/16/2019	Online PT Faculty	OL-Education-MA	PT Faculty	\$3,050
Fernandez	Heidi	10/16/2019	Online PT Faculty	OL-Education-MA	PT Faculty	228\$5,000

**New Hires - August - October 2019**

<b><u>Last Name</u></b>	<b><u>First Name</u></b>	<b><u>Hire Date</u></b>	<b><u>Position Title</u></b>	<b><u>Department</u></b>	<b><u>Category</u></b>	<b><u>Annual Salary</u></b>
Gadd	Susan	8/16/2019	PT Faculty-On Campus	Instruction - Business & Technology	PT Faculty	\$2,600
Goforth	Michael	8/16/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$3,200
Gorbett	Kelly	10/16/2019	Online PT Faculty	OL-FSE-BS	PT Faculty	\$3,050
Gregory	JoAnne	8/16/2019	PT Faculty-Ext Campus	Regional Programming	PT Faculty	\$2,600
Hadden	Alexis	9/1/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$5,200
Hall	Mead	9/1/2019	PT Faculty-On Campus	Instruction - College of Education	PT Faculty	\$3,200
Hawkins	Michelle	9/16/2019	PT Faculty-On Campus	Instruction - College of Education	PT Faculty	\$3,000
Heise	Georgia	8/16/2019	12253 MPH 816	Instruction - Health Sciences	PT Faculty	\$3,200
Hensley	Carmel	8/16/2019	Online PT Faculty	OL-Public Health Nurs Admin & Ed-MS	PT Faculty	\$3,050
Hibbard	Holly	9/16/2019	PT Faculty-Ext Campus	Regional Programming	PT Faculty	\$2,600
Hidenrite	Diane	8/16/2019	Online PT Faculty	OL-Public Health Nurs Admin & Ed-MS	PT Faculty	\$3,050
Holmes	Tiffany	10/16/2019	Online PT Faculty	OL-AGS/Supporting Courses	PT Faculty	\$3,050
Hunt	Chasity	10/16/2019	Online PT Faculty	OL-AGS/Supporting Courses	PT Faculty	\$3,050
Jett-Seals	Arion	9/1/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$2,816
Jewell	Tracey	10/16/2019	Online PT Faculty	OL-Public Health Nurs Admin & Ed-MS	PT Faculty	\$3,050
Johnson	Brooke	9/1/2019	PT Faculty-On Campus	Instruction - College of Science	PT Faculty	\$2,600
Keesler	Bradley	9/1/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$9,248
Kenealy	Jessica	8/16/2019	PT Faculty-On Campus	Instruction - Business & Technology	PT Faculty	\$8,534
Kim	Eun	9/1/2019	PT Faculty-On Campus	Instruction - College of Science	PT Faculty	\$3,200
King	Jessica	9/1/2019	PT Faculty-On Campus	Instruction - College of Science	PT Faculty	\$1,050
Leis	Shauna	8/16/2019	PT Faculty-On Campus	Instruction - Business & Technology	PT Faculty	\$2,600
Leone	David	8/16/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$6,400
Logsdon	Dana	8/16/2019	PT Faculty-On Campus	Instruction - Health Sciences	PT Faculty	\$4,500
Marshal	Jessica	9/1/2019	PT Faculty-On Campus	Instruction - Health Sciences	PT Faculty	\$8,000
Matthews	Cynthia	9/1/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$2,600
Mattingly	Thomas	8/16/2019	PT Faculty-On Campus	Instruction - Justice and Safety	PT Faculty	\$5,200
McComb	Elizabeth	10/16/2019	Online PT Faculty	OL-Psychology-BS	PT Faculty	\$3,050
Meckes	Paula	10/16/2019	PT Faculty-On Campus	Instruction - College of Education	PT Faculty	\$1,200
Merrick	Brian	8/16/2019	Online PT Faculty	OL-Public Health Nurs Admin & Ed-MS	PT Faculty	\$3,050
Meyer	Jonathan	8/16/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$7,800
Miller	Jamie-Marie	9/1/2019	PT Faculty-On Campus	Instruction - College of Education	PT Faculty	\$1,280
Moore	Steven	9/1/2019	PT Faculty-On Campus	Instruction - Justice and Safety	PT Faculty	\$2,600
Muff	Deverin	9/1/2019	PT Faculty-On Campus	OL-Sports Management-BS	PT Faculty	\$3,050
Neutz	Jacklynn	9/1/2019	PT Faculty-15582	Instruction - College of Education	PT Faculty	\$3,200
Newman	Anthony	10/16/2019	Online PT Faculty	OL-Sports Management-BS	PT Faculty	\$3,050
Pace	April	10/16/2019	Online PT Faculty	OL-CJIS-BS	PT Faculty	\$3,050
Parsons	Michael	9/16/2019	Online PT Faculty	OL-AGS/Supporting Courses	PT Faculty	\$2,669
Poudrier	Jason	10/16/2019	Online PT Faculty	OL-AGS/Supporting Courses	PT Faculty	\$3,050
Pratt	Bruce	9/1/2019	PT Faculty 10044	Instruction - Business & Technology	PT Faculty	\$3,200
Preston	Kristen	8/16/2019	Online PT Faculty	OL-SSEM-MS	PT Faculty	\$3,050
Reagan	Natalia	9/16/2019	PT Faculty-On Campus	Anthropology/Sociology/Social Work	PT Faculty	\$2,600
Reynolds	Elizabeth	9/1/2019	PT Faculty-10269	Instruction - Health Sciences	PT Faculty	\$4,500
Richardson	Steven	8/16/2019	Online PT Faculty	OL-Bachelor Social Work	PT Faculty	\$3,050
Riggins	Krista	9/1/2019	PT Faculty-On Campus	Instruction - College of Science	PT Faculty	\$7,800
Rogers	Jeffrey	9/1/2019	PT Faculty-On Campus	Instruction - College of Science	PT Faculty	\$1,300
Rust	Chelsea	8/16/2019	Online PT Faculty	OL-Public Health Nurs Admin & Ed-MS	PT Faculty	\$3,050
Seitz	Scott	8/16/2019	Online PT Faculty	OL-Public Health Nurs Admin & Ed-MS	PT Faculty	\$3,050
Slaughter	Kerri	9/1/2019	PT Faculty-On Campus	Instruction - College of Science	PT Faculty	\$1,575
Sloggy	JoAnna	9/1/2019	PT Faculty-15581	Instruction - College of Education	PT Faculty	\$2,600
Stevens	Jerred	10/16/2019	Online PT Faculty	OL-Occupational Safety-BS	PT Faculty	\$3,050
Stith	Wilma	10/16/2019	Online PT Faculty	OL-Bachelor Social Work	PT Faculty	\$3,050
Sundberg	Lauren	10/16/2019	Online PT Faculty	OL-Psychology-BS	PT Faculty	\$3,050
Tait	Edwin	8/16/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$6,400
Taylor	Tremichael	9/1/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$2,600
Thomas	Franklin	9/1/2019	Online PT Faculty	OL-Education-MA	PT Faculty	\$5,000
Walters	Shalyne	9/16/2019	PT Faculty-On Campus	Instruction - Health Sciences	PT Faculty	\$2,600
Washington	William	9/1/2019	PT Faculty-13045	Instruction - CLASS	PT Faculty	\$3,200
Wilder	Melinda	10/1/2019	Faculty Overload	Instruction - College of Education	PT Faculty	\$320
Williams	Lynne	9/1/2019	PT Faculty-On Campus	Instruction - College of Education	PT Faculty	\$2,600
Wilson	John	10/16/2019	Online PT Faculty	OL-Paralegal-BA	PT Faculty	\$3,050

**New Hires - August - October 2019**

<b><u>Last Name</u></b>	<b><u>First Name</u></b>	<b><u>Hire Date</u></b>	<b><u>Position Title</u></b>	<b><u>Department</u></b>	<b><u>Category</u></b>	<b><u>Annual Salary</u></b>
Wilson	Melissa	9/1/2019	PT Faculty-On Campus	Instruction - CLASS	PT Faculty	\$3,200
Yurkewich Liddell	Kelly	8/16/2019	Online PT Faculty	OL-AGS/Supporting Courses	PT Faculty	\$3,050
Zancan	Darren	9/1/2019	PT Faculty-10387	Instruction - CLASS	PT Faculty	\$2,600
Acharya	Shamyak	10/9/2019	Public Health Prj Asst	Madison County CHA and CHIP	PT Hourly Staff	\$208
Burchett	Hope	8/27/2019	Sub Paraeducator	Model Laboratory School	PT Hourly Staff	\$268
Burton	Henrietta	8/12/2019	Interpreter - DHH (day)	Deaf Student Accessibility Services	PT Hourly Staff	\$1,040
Cash	Charles	9/2/2019	Model Sub Bus Drivers	Football	PT Hourly Staff	\$264
Clevenger	Kathryn	8/1/2019	Interpreter (day)	Interpreter Services - University	PT Hourly Staff	\$1,040
Fain	Theresa	8/26/2019	ASL Lab Semester Wkr	Class Fees - ASLIE	PT Hourly Staff	\$260
Frazier	David	8/12/2019	PT NE Continual Svc	UTC Title IV-E Foster Parent Trng	PT Hourly Staff	\$390
Frost	Erin	8/1/2019	Interpreter - DHH (day)	Deaf Student Accessibility Services	PT Hourly Staff	\$1,040
Fryman	Penny	9/5/2019	Model Sub Bus Drivers	Model Lab School Transportation	PT Hourly Staff	\$0
Glass	Michael	9/30/2019	Info Tech Associate	Information Tech-Administration	PT Hourly Staff	\$438
Goldsby	Theresa	10/14/2019	PT NE Continual Svc	UTC Title IV-E Foster Parent Trng	PT Hourly Staff	\$390
Harrison	Emma	9/9/2019	PT NE Continual Svc	UTC Comm Based Child Abuse Preventn	PT Hourly Staff	\$520
Harrison	Brooke	10/16/2019	Athletics Office Assistant	Athletic Marketing	PT Hourly Staff	\$189
Jones	Stephenson	9/23/2019	Regional Facilitator	Regional Programming	PT Hourly Staff	\$278
Keelys	Melissa	8/19/2019	Regional Facilitator	Regional Programming	PT Hourly Staff	\$278
Laimana	Stephanie	8/1/2019	Senior Office Associate	Accessibility Services	PT Hourly Staff	\$14,383
Lewis	Ethan	9/1/2019	Tutor Advisor	Upward Bound FY20	PT Hourly Staff	\$189
Marshall	Zachary	8/6/2019	PT Office Assistant	Intercollegiate Athletics Admin	PT Hourly Staff	\$234
Mattingly	Laura	10/14/2019	Parent Res Trainer	UTC Title IV-E Foster Parent Trng	PT Hourly Staff	\$390
May	Tonya	9/3/2019	Research & Data Mgr	Dean-Education	PT Hourly Staff	\$585
McPheeters	Kenya	8/1/2019	Interpreter (Day)	ASLIE Sign Interpreting	PT Hourly Staff	\$1,040
Moberly	Sharon	8/26/2019	Sub Paraeducator	Model Laboratory School	PT Hourly Staff	\$268
Pannell	Corinna	9/9/2019	PT NE Continual Svc	UTC Comm Based Child Abuse Preventn	PT Hourly Staff	\$520
Parnell	Trina	10/14/2019	Parent Resource Trainer	UTC Title IV-E Foster Parent Trng	PT Hourly Staff	\$390
Pons Escanilla	Carles	9/9/2019	Tennis Assistant	Adams Tennis Center	PT Hourly Staff	\$260
Savage	Shannan	10/7/2019	ASL Lab ITP 440	PD-ASLIE	PT Hourly Staff	\$260
Schwartz	Lori	8/26/2019	Model Sub Bus Drivers	Model Laboratory School	PT Hourly Staff	\$286
Spade	Preston	8/19/2019	ASL Lab Semester Wkr	PD-ASLIE	PT Hourly Staff	\$260
Spurgeon	Melissa	8/1/2019	Reg Campus Facilitator	Regional Programming	PT Hourly Staff	\$278
Stepacheva	Elena	10/22/2019	ASL Lab Semester Wkr	PD-ASLIE	PT Hourly Staff	\$260
Sullivan	Meghan	10/16/2019	Temp Office Associate	Parking Services	PT Hourly Staff	\$342
Washington	Russell	9/5/2019	Model Sub Bus Drivers	Model Lab School Transportation	PT Hourly Staff	\$286
Watterson	Natalie	9/4/2019	Outside Svs Attendant	University Club at Arlington	PT Hourly Staff	\$208
White	Devin	8/15/2019	Reg Campus Facilitator	Regional Programming	PT Hourly Staff	\$278
Alfaro	Hayley	9/1/2019	Member	KY READY Corps FY20	PT Professionals	\$2,300
Blevins	Robert	9/1/2019	Model Substitutes	Model Laboratory School	PT Professionals	\$0
Brown	Maria	8/16/2019	Model Substitutes	Model Laboratory School	PT Professionals	\$0
Campbell	Christopher	9/1/2019	Instructor Pilot IV	Class Fees - Aviation	PT Professionals	\$0
Casallas	Traci	9/16/2019	KY Ready Corps	KY READY Corps FY20	PT Professionals	\$5,469
Collins	Gregory	8/15/2019	Model Substitutes	Model Laboratory School	PT Professionals	\$0
Domenghini	Cynthia	9/16/2019	Community Ed Instructor	Community Education	PT Professionals	\$0
Elliott	Robert	9/1/2019	Flight Instructor	Class Fees - Aviation	PT Professionals	\$0
Fisk	Kristine	9/1/2019	Model Substitutes	Model Laboratory School	PT Professionals	\$0
Fitzgerald	Virginia	10/1/2019	Model Substitutes	Model Laboratory School	PT Professionals	\$0
Harris	Donna	10/1/2019	Model Substitutes	Model Laboratory School	PT Professionals	\$0
Hill	Nekari	9/1/2019	Member	KY READY Corps FY20	PT Professionals	\$2,300
Jenkins	Angela	8/1/2019	Model Substitutes	Model Laboratory School	PT Professionals	\$0
Judd	Alex	9/16/2019	Flight Instructor	Class Fees - Aviation	PT Professionals	\$0
Martin	Lawrence	10/1/2019	JV Basketball Coach	Model Laboratory School	PT Professionals	\$2,525
McDaniel	Jennifer	10/1/2019	Regional Teach Part.	PIMSER	PT Professionals	\$0
McMullan	Nathaniel	9/30/2019	Flight Instructor	Class Fees - Aviation	PT Professionals	\$0
Paas	Hayden	10/1/2019	Flight Instructor	Class Fees - Aviation	PT Professionals	\$0
Pitts	Tolene	10/1/2019	Reg. Teach Partner	PIMSER	PT Professionals	\$0
Ragsdale	Vicki	10/1/2019	Research Media Librarian	KY CSS FY20	PT Professionals	\$19,950
Riegle	Isabell	9/1/2019	Member	KY READY Corps FY20	PT Professionals	\$2,300
Ryan	Garrett	9/1/2019	Member	KY READY Corps FY20	PT Professionals	\$1,500
Sandy	Mark	10/28/2019	Interim, Athletic Dir	Intercollegiate Athletics Admin	PT Professionals	\$340,000

**New Hires - August - October 2019**

<b><u>Last Name</u></b>	<b><u>First Name</u></b>	<b><u>Hire Date</u></b>	<b><u>Position Title</u></b>	<b><u>Department</u></b>	<b><u>Category</u></b>	<b><u>Annual Salary</u></b>
Shepherd	Rachel	8/1/2019	Model Substitutes	Model Laboratory School	PT Professionals	\$0
Sloan	Summer	10/1/2019	Member	KY READY Corps FY20	PT Professionals	\$1,500
Tillerson	Jay	8/1/2019	Master Instrutor	RDPC17 Task 2	PT Professionals	\$0
Tomaino	Brendan	8/1/2019	Instructor	RDPC17 Task 2	PT Professionals	\$0
Weitzel	Kari	9/1/2019	Model Substitutes	Model Laboratory School	PT Professionals	\$0
Wheeler	Sequoia	10/16/2019	Cheer Coach, Middle	Model Laboratory School	PT Professionals	\$1,010
Yates	Diane	10/1/2019	Region. Teacher Part.	PIMSER	PT Professionals	\$0

Separations August - October 2019

<u>Last Name</u>	<u>First Name</u>	<u>Separation</u>	<u>Position Title</u>	<u>Department</u>	<u>Category</u>	<u>Annual Salary</u>
Bucknam	Julie	9/30/2019	Professor	Curriculum & Instruction	Fulltime Faculty	\$65,944
Lindon	Joseph	10/28/2019	School Teacher	Model Laboratory School	Fulltime Faculty	\$52,379
Sexton	Sandra	8/31/2019	Special Ed Teacher	Model Laboratory School	Fulltime Faculty	\$45,680
Shumaker	Shannon	8/14/2019	Assistant Professor	Baccalaureate & Graduate Nursing	Fulltime Faculty	\$71,000
Avery	Sarah	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$27,105
Barklage	Alexis	8/26/2019	Family Mentor	UTC START Expansion	FT Hourly Staff	\$25,935
Benavides	Katrina	10/8/2019	Sr Office Associate	Parking Services	FT Hourly Staff	\$27,643
Blye	Gaynelle	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$27,105
Carson	Herberta	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$27,105
Chandler	Crystal	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Clark	Deborah	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Cline	Carmel	8/26/2019	Family Mentor	UTC TANF General	FT Hourly Staff	\$27,690
Fossett	Harley	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Gallenstein	Bridget	8/31/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Glenn	Dylan	9/12/2019	Web Developer	Libraries	FT Hourly Staff	\$50,018
Graham	Ethel	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Gray	Paula	10/31/2019	Sr Account Clerk	Student Accounting Services	FT Hourly Staff	\$35,412
Gray	Lisa	8/15/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Hester	Rodney	8/21/2019	Zone Specialist	Grounds/Horticulture	FT Hourly Staff	\$26,083
Housley	Rosemary	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$28,685
Jackson	Martina	9/10/2019	Prog Specialist	University Diversity	FT Hourly Staff	\$37,635
Jewell	Kennedy	8/15/2019	Developmt Coord	CWSP/Job Location/Development	FT Hourly Staff	\$28,899
Jones	Andrea	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Kincaid	Ross	10/24/2019	Energy Mngt Sys Opr	Campus Util Sys & Bldg Climate Svcs	FT Hourly Staff	\$24,814
Kinnan	Krystal	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Luangrathkomkeo	Cigi	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Lucas	Terri	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$27,690
Maddox	Ronda	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$28,665
McGarrh	Brittany	8/1/2019	Paraeducator	Model Laboratory School	FT Hourly Staff	\$21,782
McKay	Jocelyn	9/19/2019	Agriculture Tech II	Meadowbrook Farm	FT Hourly Staff	\$31,387
Meurer	Anna	8/24/2019	Schedule Splist II	Registrar	FT Hourly Staff	\$30,303
Pearson	Jamie	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Robinson	Carol	9/6/2019	Admin Assistant I	Music	FT Hourly Staff	\$30,986
Ruhlow	Sherry	10/18/2019	Admin Coordinator	Regional Campuses-Corbin	FT Hourly Staff	\$37,460
Sanders	Rebecca	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Scarberry	Rhonda	10/4/2019	Library Specialist	Libraries	FT Hourly Staff	\$39,546
Smallwood	Pheyten	8/13/2019	Teaching Assistant	Ctr for Early Childhood Excellence	FT Hourly Staff	\$24,149
Stockton	Julia	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Thomas	Sue	8/26/2019	Family Mentor	UTC START Expansion	FT Hourly Staff	\$25,935
Thomas	Carol	8/31/2019	Library Associate III	Libraries	FT Hourly Staff	\$40,112
Tipton	K.	8/31/2019	Systems Specialist	Information Tech-Administration	FT Hourly Staff	\$48,263
Tipton	Rebekah	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Traft	Tara	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Van de venne	Judy	10/19/2019	Proj Coordinator	EKU SAFE FY19	FT Hourly Staff	\$31,200
Witt	Mitzi	10/10/2019	Park Services Coord	Parking Services	FT Hourly Staff	\$35,360
Workman	Raven	8/26/2019	Family Mentor	UTC Title IV-E Waiver	FT Hourly Staff	\$25,935
Amann	Michelle	8/22/2019	Asst Director	UTC Title IV-E Waiver	FT Professionals	\$60,800
Arnold	Clayton	8/31/2019	Asst Online Coord	OL-RN to BSN	FT Professionals	\$45,496
Austin	Nathan	9/27/2019	Facility Specialist	Engineering & Construction	FT Professionals	\$45,519
Coates	Katherine	8/22/2019	Asst Dir Beh Hlth	UTC Title IV-E Waiver	FT Professionals	\$66,474
Elswick	Matthew	8/1/2019	Sr Prog Analyst	UTC Division of Child Care/TRIS	FT Professionals	\$57,162
Faith	Jillian	9/6/2019	Res Life Prog & Recruit	University Housing	FT Professionals	\$49,336
Hartsell	Ryan	8/21/2019	Assoc Dir, Sports Perf	Strength & Conditioning	FT Professionals	\$31,498
Isaacs	Logan	8/15/2019	Advising Specialist	Program of Distinction	FT Professionals	\$34,398



Separations August - October 2019

<u>Last Name</u>	<u>First Name</u>	<u>Separation</u>	<u>Position Title</u>	<u>Department</u>	<u>Category</u>	<u>Annual Salary</u>
Jeffries	Benjamin	8/15/2019	Trng Specialist Famly	UTC Medical Assistance	FT Professionals	\$34,409
Johnson	Chrystal	8/17/2019	Conf & Events Planner	Conferencing & Events Admin	FT Professionals	\$33,333
Koger	Victoria	8/2/2019	Assoc Univ Librarian	Libraries	FT Professionals	\$57,708
Leestma	Jeremy	8/23/2019	Facility Specialist	Engineering & Construction	FT Professionals	\$48,092
McKinney	Justin	10/22/2019	Dir, Meadowbrook	EKU Farms Administration	FT Professionals	\$68,000
Parker	Melba	9/30/2019	Assoc Director	KECSAC FY20	FT Professionals	\$55,582
Robinson	Jennifer	8/9/2019	Coord, Wellness	Healthy You at ECU	FT Professionals	\$48,092
Schultz	Sarah	8/2/2019	Assoc Dir, Stud Engag	(SL) Student Life General	FT Professionals	\$48,407
Shipp	Joshua	10/9/2019	Academic Advisor	NCAA Academic Enhancement Program	FT Professionals	\$40,441
Smead	Erin	8/22/2019	Dir, START	UTC Title IV-E Waiver	FT Professionals	\$75,380
Smith	Jamie	9/16/2019	Reg Training Coord	UTC Targeted Case Management	FT Professionals	\$33,705
Stocker	Brandi	10/8/2019	Asst Dir, Grad Rctmnt	Office of e-Campus Learning	FT Professionals	\$56,043
Taylor	Kara	8/30/2019	Instructional Designer	Office of e-Campus Learning	FT Professionals	\$47,482
Thompson	Quenna	10/31/2019	HR Business Partner	Human Resources	FT Professionals	\$59,433
Walker	Regina	8/30/2019	Trng Specialist	UTC Medical Assistance	FT Professionals	\$40,493
Wallen	Lucais	8/30/2019	Support Svcs Advisor	Acad Affairs Software & Licenses	FT Professionals	\$40,441
Wiles	Cory	9/6/2019	HR Business Partner	Human Resources	FT Professionals	\$48,743
Miller	Kent	9/15/2019	PT Faculty-On Campus	Instruction - Health Sciences	PT Faculty	\$1,733
Nunez	Cristian	9/15/2019	Online PT Faculty	OL-Bachelor Social Work	PT Faculty	\$500
Brewer	Charlotte	8/19/2019	Supt Services Assoc	Regional Campuses-Corbin	PT Hourly Staff	\$14,602
French	Jeannie	10/19/2019	Skills U Assistant	Adult Ed FY20 - Clay Cty	PT Hourly Staff	\$10,400
Hendricks	Jocelyn	8/12/2019	Field Tech	Wetland & Forest Monitoring DBNF	PT Hourly Staff	\$260
Hukill	Devin	9/13/2019	PT Office Assistant	Intercollegiate Athletics Admin	PT Hourly Staff	\$234
Spurgeon	Melissa	10/4/2019	Reg Camp Facilitator	Regional Programming	PT Hourly Staff	\$278
Voynar	Aaron	8/11/2019	Info Tech Associate	Information Tech-Administration	PT Hourly Staff	\$438
Woosley	Andrea	9/1/2019	Res Parent Trainer	UTC Title IV-E Foster Parent Trng	PT Hourly Staff	\$390
Presley	Bridget	8/8/2019	Instructor	Adult Ed FY20 - Madison Cty	PT Professionals	\$4,600

**I. Approval of Degree Candidates for Fall 2019**

**II. Issue**

Candidates who have completed degree requirements for Fall 2019 need approval for their degrees.

**III. Background**

All requirements for degrees are verified by the appropriate Chairs, Deans, Office of the Registrar, and the Executive Vice President for Academics & Provost for the Fall 2019 graduates. Board of Regents' approval is required for granting degrees from Eastern Kentucky University.

**IV. Alternatives**

Not to approve candidates for Fall 2019.

**V. President's Recommendation**

Based upon recommendations from the appropriate Chairs, Deans, Office of the Registrar, and the Executive Vice President for Academics & Provost, the President recommends approval of degrees for Fall 2019 graduates who have met or will meet degree requirements.



## **EASTERN KENTUCKY UNIVERSITY**

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Executive Vice President for Academics & Provost  
[provost@eku.edu](mailto:provost@eku.edu)   [www.eku.edu](http://www.eku.edu)

CPO 30A, 108 Coates Building  
521 Lancaster Avenue  
Richmond, Kentucky 40475-3102  
PHONE: (859) 622-3884  
FAX: (859) 622-8136

TO: Dana Fohl

FROM: Sherry Robinson

DATE: October 28, 2019

SUBJECT: Council on Academic Affairs Agenda for Board of Regents

The following Academic Affairs items have been approved by the Council on Academic Affairs, the Faculty Senate, and the Provost. On behalf of President Benson, these items are presented for the Board of Regents' consideration on November 19, 2019.

## NEW PROGRAMS

The following proposed new programs are presented for approval by the Board of Regents.

<u>Department of Government</u>	<u>Page</u>
<b>1. Minor in Pre-Law</b> <i>Using current faculty resources and existing courses, add a new minor for pre-law to satisfy a demonstrated, consistent demand for a dedicated pre-law program that provides an adaptive, structured curriculum for students interested in law school to introduce the foundations of law, legal terminology and research, and electives related to advanced study and practice of the law.</i>	3

## PROGRAM REVISIONS

The following proposed program revisions are presented for approval by the Board of Regents.

### Proposed program revisions with anticipated possible budget impact:

#### COLLEGE OF EDUCATION

<u>Department of Curriculum &amp; Instruction</u>	<u>Page</u>
<b>1. Master of Arts in Teaching (M.A.T.)</b> <i>Replace the three-hour seminar (EGC 847) with Research for Teacher Leaders (ETL 805) as the research methodology course in the program to complement the required ETL 806 Capstone course and reduce reliance on adjunct instruction.</i>  <b>Anticipated Operating Expenses Impact:</b> <i>The program anticipates cost savings because of a decrease in adjunct faculty and increased efficiency in course enrollments.</i>	7

### Proposed revisions to program admission requirements:

#### COLLEGE OF EDUCATION

<u>Department of Curriculum &amp; Instruction</u>	<u>Page</u>
<b>2. M.A.Ed. in School Media Librarian</b> <i>Revise and expand admission requirements to meet updated requirements from the Education Professional Standards Board/Office of Educator Licensure and Effectiveness (EPSB/OELE). Minor language updates and corrections for consistency and clarity.</i>	9
<b>3. Rank I (Non-Degree Programs)</b> <i>Revise and expand admission and exit requirements to meet updated requirements from the Education Professional Standards Board/Office of Educator Licensure and Effectiveness (EPSB/OELE). Minor language updates to Library Science program for consistency and clarity.</i>	12

**Substantial Curriculum Change Form**  
**(Present only one proposed curriculum change per form)**  
**(Complete only the section(s) applicable.)**

**Part I**

(Check one)	Department Name	Government
<input type="checkbox"/> New Course (Parts II, IV)	College	CLASS
<input type="checkbox"/> Course Revision (Parts II, IV)	*Course Prefix & Number	
<input type="checkbox"/> Hybrid Course ("S," "W")	*Course Title (full title±)	
<input checked="" type="checkbox"/> New Minor (Part III)	*Program Title	Pre-Law Minor
<input type="checkbox"/> Program Suspension (Part III)		
<input type="checkbox"/> Program Revision (Part III)	If Certificate, indicate Long-Term (University) or Short-Term (Departmental)	
	* Provide only the information relevant to the proposal.	± If Title is longer than 30 characters see Part IV to provide abbreviation

Proposal Approved by:	<u>Date</u>		<u>Date</u>
Departmental Committee	4.10.19	Council on Academic Affairs	5/16/19
College Curriculum Committee	4.22.18	Faculty Senate**	10/7/19
General Education Committee*	NA	Board of Regents**	PENDING
Teacher Education Committee*	NA	EFFECTIVE ACADEMIC TERM***	
Graduate Council*	NA		

\*If Applicable (Type NA if not applicable.)  
 \*\*Approval needed for program revisions or suspensions.  
 \*\*\*To be added by the Registrar's Office after all approval is received.

**Completion of A, B, and C is required: (Please be specific, but concise.)**

**A. 1. Specific action requested:** (Example: Increase the number of credit hours for ABC 100 from 1 to 2.)

Create new minor in Pre-Law

**A. 2. Proposed Effective Academic Term:** (Example: Fall 2016)

Fall 2020

**A. 3. Effective date of suspended programs for currently enrolled students:** (if applicable)

**B. The justification for this action:**

At present, 85 admitted students are listed as "Pre-Law" and will be immediately advised at orientation into other majors and minors. This number is consistent with past years, showing that there is clearly a demand for a Pre-Law program that we are not directly meeting with our major or minor offerings. While ECU currently offers a Legal Studies minor, it is "an interdisciplinary, liberal arts study of the law.... [W]hile an excellent major for students considering law school and legal careers, [the Legal Studies Minor] is not intended for pre-law or paralegal training." Similarly, ECU offers a Paralegal Science major and Paralegal Studies minor, but these programs are primarily designed to train support staff in the legal field.

The Pre-Law minor, in contrast, would be directly focused on students considering law school, organizing our existing course offerings into a coherent plan that introduces them to the study of law, requires them to take courses that give them a strong foundation in legal terminology and concepts, trains them in legal writing and research, and allows them to select electives within the minor that relate directly to what they will learn in law school and practice on the job as attorneys.

**C. The projected cost (or savings) of this proposal is as follows:**

**Personnel Impact:** None. No new courses are proposed and department chairs have indicated that additional students could be accommodated in existing sections of all of the minor's course options.

**Operating Expenses Impact:**

**Equipment/Physical Facility Needs:**

**Library Resources:** Adequate

**Part III. Recording Data for Revised or Suspended Program**

1. For a revised program, provide the current program requirements using ~~strike through~~ for deletions and underlines for additions.
2. For a suspended program, provide the current program requirements as shown in catalog. List any concentrations and/or minors affected by the program's suspension.

Revised\* Program Text  
(\*Use ~~strike through~~ for deletions and underlines for additions.)

**Pre-Law minor**

The Pre-Law Minor is an interdisciplinary program specifically designed for students considering law school and a career as an attorney after graduation. It is designed to supplement a student's chosen major(s) by providing a strong foundation in basic legal concepts as well as legal research and writing. The minor incorporates course work from several disciplines related to law to develop students' advocacy and interpersonal skills and introduce them to legal concepts in specific areas of legal practice.

While law schools do not require any particular undergraduate course of study before applying, the Pre-Law Minor encourages and enables students to make a more informed decision on whether they wish to attend law school and pursue a career as an attorney. A student may minor in Pre-Law by successfully completing LAS 210 (3 hours), LAS 220 (3 hours), and an additional 12 hours from other courses listed below in CMS, POL, CRJ, PLS, and COR. A student may apply no more than 9 hours from any one prefix to the minor. A maximum of 6 hours of POL 466 (Mock Trial) may be applied to the minor.

**Required Courses .....6 hours**

LAS 210; LAS 220

**Select an additional 12 hours from courses below, with a maximum of 9 hours from any one prefix:**

CMS 205/205W; CMS 325; CMS 420; CMS 450

CRJ 313; CRJ 314; CRJ 323

GBU 204

LAS 300

PLS 216; PLS 316; PLS 416

POL 360; POL 460; POL 463; POL 464; POL 466 (maximum 6 hours); POL 495 (Special Topics: Trial Advocacy and Procedure)

Total Program REquirements.....18 hours

Course substitutions may be approved by the Chair of the Department of Government.

## New Minor, Concentration, or Department Certificate Proposal Approval Form

When proposing a new minor, concentration, or department certificate, the following factors should be considered:

- Minors and certificates often add time to degree.
- Minors can increase the number of credit hours that students have at graduation.
- Minors and certificates can potentially increase student debt because of the factors above.
- Minors, concentrations, and department certificates can significantly add to faculty workloads.
- Minors, concentrations, and department certificates increase the need for oversight and administration.

The following information should be provided in addition to the normal curriculum change forms. Before a new minor, concentration, or department certificate is submitted to CAA, the Dean must approve the proposal based on the information on this form and any other information requested by the Dean.

### Proposal: Pre-Law Minor

CLASS

*April 2019*

#### From the Proposing Program

1. How will the new minor, concentration, or department certificate attract new students to ECU? On what is this based? What is the marketing plan?

The Pre-Law Minor will provide a focal point for marketing to prospective students interested in law school after graduation. Currently students who list “pre-law” as their planned major in application materials must be advised upon arriving that no such major or minor exists, which sometimes leaves them confused and frustrated as they try to pick a new major upon their first interaction with an ECU advisor at or before orientation.

As it currently stands, NKU may have a competitive advantage over ECU in recruiting pre-law students because of its Pre-Law Minor:

<https://inside.nku.edu/artsci/departments/psciol/programs/prelaw.html>

While ECU’s actual course and program offerings for pre-law students compare favorably with NKU’s, simply having a Pre-Law minor with an established curriculum is a distinction that NKU’s recruiters can cite when contrasting our schools’ strengths and weaknesses for prospective students.

2. What is the justification for the proposed curriculum proposal? (i.e., industry demand, job market, accreditation requirement, etc.) Provide evidence.

At present, 85 admitted students are listed in DegreeWorks as “Pre-Law” and will be immediately advised at orientation into other majors and minors. This number is consistent with past years, showing that there is clearly a demand for a Pre-Law program that we are not directly meeting with our major or minor offerings. While ECU currently offers a Legal Studies minor, it is “an interdisciplinary, liberal arts study of the law. .. [w]hile an excellent major for students considering law school and legal careers, it is not intended for pre-law or paralegal training.” Similarly, ECU offers a Paralegal Science major and Paralegal Studies minor, but these programs are specifically designed to train support staff in the legal field, not students planning to attend law school.

The Pre-Law minor, in contrast, would be directly focused on students considering law school, organizing our existing course offerings into a coherent plan that introduces them to the study of law, requires them to take courses that give them a strong foundation in legal terminology and concepts, trains them in legal writing and research, and allows them to select electives within the minor that provide further education on topics that relate directly to what they will learn in law school and practice on the job as attorneys.

3. What are the qualifications of the faculty to teach the curriculum? Are there sufficient faculty resources to teach the curriculum? Explain.

The Pre-Law minor would consist entirely of existing course offerings. The six hours of coursework specifically required in the minor, LAS 210 (Introduction to Law) and LAS 220 (Legal Research & Writing I), are taught by EKU Paralegal Program faculty with Juris Doctorate degrees who have attended law school and practiced law. Students then select 12 hours from other existing courses in CMS, POL, CRJ, PLS, and COR, where they will be trained by qualified faculty well-versed in those disciplines.

4. What are the potential costs of the proposed curriculum addition, especially 3-5 years from implementation? Fully explain the answer, particularly if there are no perceived costs.

The costs of implementing a Pre-Law minor are minimal. All courses listed in the minor are currently being taught, so no additional faculty will be required unless the minor becomes so popular that those courses become oversubscribed. LAS 210 and LAS 220 have multiple sections, including online sections that are scalable (using the online facilitator model) at a lower cost than adding an in-person section of the same course.

From an advising standpoint, pre-law students already have a designated advisor, so this would not increase the advising load and will make pre-law advising easier, as currently students are individually advised to seek out the courses that constitute the proposed minor. The structure of an established pre-law minor will ensure that students in the minor take LAS 210 and 220 early enough in their college careers to make an informed decision on whether to take the LSAT and apply for admission to law school.

**From the Dean**

How will costs of the proposed addition be covered? (Complete A or B, or both if applicable)

- A. New Resources. Explain.

The minor should not require any new resources in terms of faculty or advising, with the exception of possibly expanding sections of LAS 210 and 220 if the minor is wildly successful in attracting students who are not already taking those courses.

- B. Reallocation of resources. Explain.

The Pre-Law Advisor will be responsible for advising students in the Pre-Law minor. This should require very little reallocation of resources, as many of these students are currently being advised as pre-law students.

I have thoroughly reviewed the proposal and the above responses and I support the proposal moving forward.

  
Dean's Signature

4/08/2019  
Date



**Substantial Curriculum Change Form**  
**(Present only one proposed curriculum change per form)**  
**(Complete only the section(s) applicable.)**

**Part I**

(Check one) <input type="checkbox"/> New Course (Parts II, IV) <input type="checkbox"/> Course Revision (Parts II, IV) <input type="checkbox"/> Hybrid Course ("S," "W") <input type="checkbox"/> New Minor (Part III) <input type="checkbox"/> Program Suspension (Part III) <input checked="" type="checkbox"/> Program Revision (Part III)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Department Name</td> <td style="width: 50%;">Curriculum and Instruction</td> </tr> <tr> <td>College</td> <td>Education</td> </tr> <tr> <td>*Course Prefix &amp; Number</td> <td></td> </tr> <tr> <td>*Course Title (full title±)</td> <td></td> </tr> <tr> <td>*Program Title</td> <td>Master of Arts in Teaching</td> </tr> <tr> <td colspan="2">If Certificate, indicate Long-Term (University) or Short-Term (Departmental)</td> </tr> <tr> <td>* Provide only the information relevant to the proposal.</td> <td>± If Title is longer than 30 characters see Part IV to provide abbreviation</td> </tr> </table>	Department Name	Curriculum and Instruction	College	Education	*Course Prefix & Number		*Course Title (full title±)		*Program Title	Master of Arts in Teaching	If Certificate, indicate Long-Term (University) or Short-Term (Departmental)		* Provide only the information relevant to the proposal.	± If Title is longer than 30 characters see Part IV to provide abbreviation
Department Name	Curriculum and Instruction														
College	Education														
*Course Prefix & Number															
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*Program Title	Master of Arts in Teaching														
If Certificate, indicate Long-Term (University) or Short-Term (Departmental)															
* Provide only the information relevant to the proposal.	± If Title is longer than 30 characters see Part IV to provide abbreviation														

<b>Proposal Approved by:</b>	<u>Date</u>		<u>Date</u>
Departmental Committee	03/07/19	Council on Academic Affairs	5/16/19
College Curriculum Committee	3/19/19	Faculty Senate**	10/7/19
General Education Committee*	N/A	Board of Regents**	PENDING
Teacher Education Committee*	4/2/19	EFFECTIVE ACADEMIC TERM***	Fall 2020
Graduate Council*	4.19.19		

\*If Applicable (Type NA if not applicable.)  
 \*\*Approval needed for program revisions or suspensions.  
 \*\*\*To be added by the Registrar's Office after all approval is received.

**Completion of A, B, and C is required: (Please be specific, but concise.)****A. 1. Specific action requested:** (Example: Increase the number of credit hours for ABC 100 from 1 to 2.)

Replace EGC 847 MAT Seminar (3) with ETL 805 Research for Teacher Leaders (3) as the research methodology course in the MAT degree.

\*Previous curriculum was passed by CAA in October 2018 to adjust EGC 847 from 1 cr. to 3 cr. effective Fall 2019 so this would be an even switch of credit hours. Information currently not visible in catalog copy.

**A. 2. Proposed Effective Academic Term:** (Example: Fall 2016)

Fall 2020

**A. 3. Effective date of suspended programs for currently enrolled students:** (if applicable)

n/a

**B. The justification for this action:**

Both MAT and MAED degree candidates complete a two course series to fulfill the Capstone Research requirements of the degree. The program has determined that moving the MAT degree candidates into the newly redesigned ETL 805 course and eliminating EGC 847 increases effectiveness by ensuring candidates are instructed by full time faculty rather than adjunct instructors. This ensure that Capstone Research for both degrees has the same rigor. Both degree majors already take ETL 806 Capstone Research together and it has been very effective.

**C. The projected cost (or savings) of this proposal is as follows:**

**Personnel Impact:** This change will decrease the number of adjunct faculty by one instructor.

**Operating Expenses Impact:** This change will decrease budget requirements with the elimination of EGC 847 from the schedule when enrollment is rolled into ETL 805.

**Equipment/Physical Facility Needs:** n/a

**Library Resources:** n/a

## Part II. Recording Data for New, Revised, or Dropped Course

(For a **new required course**, complete a separate request for the appropriate program revisions.)

1. For a new course, provide the catalog text.
2. For a revised course, provide the current catalog text with the proposed text using ~~strike through~~ for deletions and underlines for additions.
3. For a dropped course, provide the current catalog text.

### New or Revised\* Catalog Text

(\*Use ~~strike through~~ for deletions and underlines for additions. Also include Crs. Prefix, No., and description, limited to 35 words.)

## Part III. Recording Data for Revised or Suspended Program

1. For a revised program, provide the current program requirements using ~~strike through~~ for deletions and underlines for additions.
2. For a suspended program, provide the current program requirements as shown in catalog. List any concentrations and/or minors affected by the program's suspension.

### Revised\* Program Text

(\*Use ~~strike through~~ for deletions and underlines for additions.)

**\*Edits are based on CAA approved changes from October 2018 minutes that changed EGC 847 from 1 cr. to 3 cr.**

ALTERNATIVE ROUTES TO INITIAL CERTIFICATION  
MASTER OF ARTS IN TEACHING (M.A.T.)  
in Teacher Education  
CIP Code: 13.1206

### III. PROGRAM REQUIREMENTS

**Professional Education Core.....~~22~~ \_ 24 hours**

CED 810(.5), 820 (.5), 830 (1), 840 (1), and 897; EGC 820; EGC 830 (or SED 707 for IECE majors only); and ~~EGC 847(1)~~; EMS 810, EMS 874, ETL 805, and SED 800.

**Substantial Curriculum Change Form**  
**(Present only one proposed curriculum change per form)**  
**(Complete only the section(s) applicable.)**

**Part I**

(Check one)	Department Name	Department of Curriculum & Instruction
<input type="checkbox"/> New Course (Parts II, IV)	College	Education
<input type="checkbox"/> Course Revision (Parts II, IV)	*Course Prefix & Number	
<input type="checkbox"/> Hybrid Course ("S," "W")	*Course Title (full title±)	
<input type="checkbox"/> New Minor (Part III)	*Program Title	Master of Arts in Education (M.A.Ed.) School Media Librarian (p.65)
<input type="checkbox"/> Program Suspension (Part III)		
<input checked="" type="checkbox"/> Program Revision (Part III)	If Certificate, indicate Long-Term (University) or Short-Term (Departmental)	
	* Provide only the information relevant to the proposal.	± If Title is longer than 30 characters see Part IV to provide abbreviation

Proposal Approved by:	<u>Date</u>		<u>Date</u>
Departmental Committee	2/7/19	Council on Academic Affairs	5/16/19
College Curriculum Committee	3/19/19	Faculty Senate**	10/7/19
General Education Committee*	N/A	Board of Regents**	PENDING
Teacher Education Committee*	4/2/19	EFFECTIVE ACADEMIC TERM***	Fall 2020
Graduate Council*	4/19/19		

\*If Applicable (Type NA if not applicable.)  
 \*\*Approval needed for program revisions or suspensions.  
 \*\*\*To be added by the Registrar's Office after all approval is received.

**Completion of A, B, and C is required: (Please be specific, but concise.)****A. 1. Specific action requested:** (Example: Increase the number of credit hours for ABC 100 from 1 to 2.)

Adjust the program name to be consistent across all certification routes. Update terminology and entrance requirements to reflect current expectations for the program.

**A. 2. Proposed Effective Academic Term:** (Example: Fall 2016)

Fall 2020

**A. 3. Effective date of suspended programs for currently enrolled students:** (if applicable)

N/A

**B. The justification for this action:**

There are several "routes" that candidates may take to pursue certification in school library services. In the catalog, the program is labeled "School Media Librarian" in one place and "Library Science" in others. Changing all of them to "School Librarian" provides consistency and clarity. In addition, the note about the Professional Education Admissions Committee is incorrect. That committee evaluates initial license candidates, not advanced license candidates. Other admissions information is updated, based upon the latest requirements from EPSB/OELE and is consistent with other documentation that is shared with candidates regarding their program requirements.

**C. The projected cost (or savings) of this proposal is as follows:**

**Personnel Impact:** None

**Operating Expenses Impact:** None

**Equipment/Physical Facility Needs:** None

**Library Resources:** None

## Part II. Recording Data for New, Revised, or Dropped Course

(For a **new required course**, complete a separate request for the appropriate program revisions.)

1. For a new course, provide the catalog text.
2. For a revised course, provide the current catalog text with the proposed text using ~~strike through~~ for deletions and underlines for additions.
3. For a dropped course, provide the current catalog text.

### New or Revised\* Catalog Text

(\*Use ~~strike through~~ for deletions and underlines for additions. Also include Crs. Prefix, No., and description, limited to 35 words.)

## Part III. Recording Data for Revised or Suspended Program

1. For a revised program, provide the current program requirements using ~~strike through~~ for deletions and underlines for additions.
2. For a suspended program, provide the current program requirements as shown in catalog. List any concentrations and/or minors affected by the program's suspension.

### Revised\* Program Text

(\*Use ~~strike through~~ for deletions and underlines for additions.)

## MASTER OF ARTS IN EDUCATION (M.A.Ed.)

School ~~Media~~ Librarian

CIP Code: 13.1334

(Programs Available Online)

- I. GENERAL INFORMATION The Master of Arts in Education School ~~Media~~ Librarian program prepares professionals for work in P-12 schools as School ~~Media~~ Librarians.

## II. ADMISSION REQUIREMENTS

- Admission to the Graduate School
- A bachelor's or master's degree with a cumulative grade point average of 2.75 on a 4.0 scale or a grade point average of 3.0 in the last 30 hours of credit completed, including undergraduate and graduate coursework
- A Verbal score of 150, a Quantitative score of 143 and an Analytical Writing score of 4.0 on the GRE; or a score of 375 on the Miller Analogies Test (MAT). Applicants with a cumulative GPA of 3.0 or higher or a 3.25 in the last 60 semester hours are exempt from the Entrance Examinations.
- Statement of Eligibility or Professional Certificate with EPSB
- Reference inventory on Candidate Dispositions (which candidates receives from a colleague or administrator who has worked directly with the candidate): In the areas of Communication, Collaboration, Critical Thinking, and Creativity, the candidate must receive a rating of 3 or higher to be eligible for admission to advanced programs.
- Professional Code of Ethics, Character Fitness Declaration, and Professional Dispositions
  - o Candidates must review the Professional Code of Ethics for Kentucky School Certified Personnel established in 16 KAR 1:020 and sign a COE Professional Code of Ethics for Kentucky Declaration form.
  - o Candidates must review the character and fitness questionnaire contained in Section III of the CA-1 incorporated by reference in 16 KAR 2:010 and sign a COE Professional Character and Fitness Declaration form.
  - o Candidates must demonstrate understanding of professional dispositions expected of Professional educators.
- ~~Additional Certification: o Provisional Teaching Certificate in IECE, P 5, 5-9, or 8-12 for classroom teachers is required prior to enrollment.~~
- ~~Admission to the Graduate School:~~
- ~~A bachelor's or master's degree with a cumulative grade point average of 2.75 on a 4.0 scale; or a grade point average of 3.0 on a 4.0 scale on the last 30 hours of credit completed, including undergraduate and graduate coursework.~~

~~• (i) Verbal Reasoning 150; b. (ii) Quantitative Reasoning 143; and (iii) Analytical Writing 4.0.~~

~~—○ May be exempt from exam if cumulative undergraduate GPA is 3.0 or higher; OR undergraduate GPA of 3.25 or higher in last 60 hours.~~

#### **Admission to the Program:**

~~• Additional Certification: ○ Provisional Teaching Certificate in IECE, P-5, 5-9, or 8-12 for classroom teachers is required prior to enrollment.~~

NOTE: Based upon applicant disclosure, an interview by the Professional Education Admission Committee may be required.

*Candidates must be admitted to professional education upon completion of six credit hours in library science coursework. A background check must be completed prior to enrolling in LIB 840.*

#### **• Candidates Seeking Option 6 Alternative Route:**

○ Successfully complete the Praxis Core Academic Skills for Educators (CASE): Reading (156), Writing (162), Mathematics (150) exams OR Graduate Record Exam: Verbal Reasoning (150), Quantitative Reasoning (143), and Analytical Writing (4.0). Scores are good for five (5) years from the test date.

○ In addition to meeting the above admission criteria, Option 6 candidates must provide a letter from their district indicating that they have been hired or will be hired pending processing of the TCTP. A mentoring plan will be developed once the candidate has been admitted and receipt of employment letter. Mentoring plan requires 10 hours of direct observation from a University Mentor and participation from the candidate's district through a district assigned mentor who will complete 5 hours of direct observation and support. Mentoring Plan is verified by candidate, University Mentor and District Mentor.

### **III. PROGRAM REQUIREMENTS**

**School ~~Media~~ Librarian (P-12) Core.....18 hours**

LIB 800, 801; LIB 802, 805; LIB 821, \*EPY 869.

**\*Candidates selecting a teacher leader endorsement option will replace EPY 869 with ETL 805.**

#### **Program Specific Coursework – Concentrations:**

**Additional Certification Concentration – (Online).. 15 hours**

ELE 871 or EMG 806; ETL 803, LIB 831, 841, and 870.

Endorsement Concentration – (Some are Online) ..... 15-18 hours

LIB 870, Endorsement.

Candidates may select an approved EPSB licensure endorsement to fulfill the endorsement concentration. Refer to the Endorsement list at the beginning section for the College of Education. Access endorsement course requirements at the respective department website.

**Exit Requirement .....0 hours**

**Portfolio Review: GRD 878y**

**Total Program Hours..... 33-36 hours**

### **IV. EXIT REQUIREMENTS**

**The following are the exit requirements for School ~~Media~~ Librarian:**

○ Program GPA: Candidates must earn an overall GPA of 3.0 or higher, with no grade lower than a C.

○ ~~Signature Key~~ Assessments: Candidates will have opportunities to demonstrate professional growth through ~~signature key~~ assessments covering major program components. Successful completion of all key assessments and evaluation in the College's digital portfolio database is required.

○ GRD 878y – Oral presentation of Capstone Research project and approval by graduate faculty advisor in ETL 806.

~~○ Pass the required Praxis exam.~~

~~○ Portfolio review.~~

~~○ A professional portfolio review and presentation (GRD 878y).~~

~~○ Initial Certification Concentration: Successful completion of The Professional Semester for the initial certification concentration.~~

~~○ Option 6 Route: Submission of completed, verified Mentoring Plan.~~

**Substantial Curriculum Change Form**  
**(Present only one proposed curriculum change per form)**  
**(Complete only the section(s) applicable.)**

**Part I**

(Check one) <input type="checkbox"/> New Course (Parts II, IV) <input type="checkbox"/> Course Revision (Parts II, IV) <input type="checkbox"/> Hybrid Course ("S," "W") <input type="checkbox"/> New Minor (Part III) <input type="checkbox"/> Program Suspension (Part III) <input checked="" type="checkbox"/> Program Revision (Part III)	Department Name College *Course Prefix & Number *Course Title (full title±) *Program Title If Certificate, indicate Long-Term (University) or Short-Term (Departmental) * Provide only the information relevant to the proposal.	Department of Curriculum & Instruction Education  Rank I NON-DEGREE PROGRAMS (p. 69)  ± If Title is longer than 30 characters see Part IV to provide abbreviation
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Proposal Approved by:	<u>Date</u>		<u>Date</u>
Departmental Committee	2/7/19	Council on Academic Affairs	5/16/19
College Curriculum Committee	3/19/19	Faculty Senate**	10/7/19
General Education Committee*	N/A	Board of Regents**	PENDING
Teacher Education Committee*	4/2/19	EFFECTIVE ACADEMIC TERM***	Fall 2020
Graduate Council*	4/19/19		

\*If Applicable (Type NA if not applicable.)  
 \*\*Approval needed for program revisions or suspensions.  
 \*\*\*To be added by the Registrar's Office after all approval is received.

**Completion of A, B, and C is required: (Please be specific, but concise.)**

<b>A. 1. Specific action requested:</b> (Example: Increase the number of credit hours for ABC 100 from 1 to 2.) Adjust the School Media Librarian program name to be consistent across all certification routes. Clarify admission requirements. <b>A. 2. Proposed Effective Academic Term:</b> (Example: Fall 2016) Fall 2020 <b>A. 3. Effective date of suspended programs for currently enrolled students:</b> (if applicable) N/A	<b>B. The justification for this action:</b> There are several "routes" that candidates may take to pursue certification in school library services. In the catalog, the program is labeled "School Media Librarian" in one place and "Library Science" in others. Changing all of them to "School Librarian" provides consistency and clarity. Also, admissions and exit information is updated, based upon the latest requirements from EPSB/OELE. These updates are also consistent with other documentation (e.g., curriculum contracts) that is shared with candidates regarding their program requirements.
<b>C. The projected cost (or savings) of this proposal is as follows:</b> <b>Personnel Impact:</b> None <b>Operating Expenses Impact:</b> None <b>Equipment/Physical Facility Needs:</b> None <b>Library Resources:</b> None	

## Part II. Recording Data for New, Revised, or Dropped Course

(For a **new required course**, complete a separate request for the appropriate program revisions.)

1. For a new course, provide the catalog text.
2. For a revised course, provide the current catalog text with the proposed text using ~~strike through~~ for deletions and underlines for additions.
3. For a dropped course, provide the current catalog text.

### New or Revised\* Catalog Text

(\*Use ~~strike through~~ for deletions and underlines for additions. Also include Crs. Prefix, No., and description, limited to 35 words.)

## Part III. Recording Data for Revised or Suspended Program

1. For a revised program, provide the current program requirements using ~~strike through~~ for deletions and underlines for additions.
2. For a suspended program, provide the current program requirements as shown in catalog. List any concentrations and/or minors affected by the program's suspension.

### Revised\* Program Text

(\*Use ~~strike through~~ for deletions and underlines for additions.)

## RANK I NON-DEGREE PROGRAMS

### Rank I Classification, the Sixth Year Program

#### I. GENERAL INFORMATION

General policies governing the sixth year program leading to Rank I classification appear in the general section of the College of Education.

#### II. ADMISSION REQUIREMENTS

~~Candidates must have a Master's degree or Rank II certification through a regionally accredited institution.~~

~~• Admission to the Graduate School~~

~~• A bachelor's or master's degree with a cumulative grade point average of 3.0 on a 4.0 scale or a grade point in the last 60 hours of credit completed, including undergraduate and graduate coursework~~

~~• A Verbal score of 150, a Quantitative score of 143 and an Analytical Writing score of 4.0 on the GRE. Applicants with a cumulative GPA of 3.0 or higher or a 3.25 in the last 60 semester hours are exempt from the Entrance Examinations.~~

~~• Statement of Eligibility or Professional Certificate with EPSB~~

~~• Candidates must have a Master's degree or Rank II certification through a regionally accredited institution.~~

~~• Reference inventory on Candidate Dispositions (which candidates receives from a colleague or administrator who has worked directly with the candidate): In the areas of Communication, Collaboration, Critical Thinking, and Creativity, the candidate must receive a rating of 3 or higher to be eligible for admission to advanced programs.~~

~~• Professional Code of Ethics, Character Fitness Declaration, and Professional Dispositions~~

~~o Candidates must review the Professional Code of Ethics for Kentucky School Certified Personnel established in 16 KAR 1:020 and sign a COE Professional Code of Ethics for Kentucky Declaration form.~~

~~o Candidates must review the character and fitness questionnaire contained in Section III of the CA-1 incorporated by reference in 16 KAR 2:010 and sign a COE Professional Character and Fitness Declaration form.~~

~~o Candidates must demonstrate understanding of professional dispositions expected of Professional educators.~~

#### III. PROGRAM REQUIREMENTS

Curriculum for Sixth Year Rank I Program Elementary and Middle Grade Education Professional Education ..... 6 hours

Courses in Certified Teaching Area ..... 12-15 hours

Elementary (P-5) .....12 hours

Middle Grade (5-9) .....15 hours

Electives ..... 9-12 hours

Elementary (P-5) .....12 hours

Middle Grade (5-9) .....9 hours

Selected with prior approval of the advisor.

Minimum Program Total..... 30 hours

Curriculum for Sixth Year Rank I Program Secondary Education and P-12 Professional Education ..... 6 hours

Courses in Certified Teaching Area..... 12 hours

Electives ..... 12 hours

Selected with prior approval of the advisor.

Minimum Program Total..... 30 hours

Curriculum for Sixth Year Rank I Program ~~Library Science~~ School Librarian

Professional Education ..... 6 hours

(As approved for Rank I Programs) Candidates who have

not previously completed a graduate ~~reading~~ methods course must take .....ELE 871, or EMG 806, ~~or ESE 884~~.

Library Science Courses\* .....25 hours

LIB 800, 801, 802, 805, 821, 831, 863, and 870.

Total Program Hours.....31 hours

#### IV.EXIT REQUIREMENTS

~~Rank I programs require an exit interview and portfolio review.~~

- Complete all required coursework within the time allotted.
- Earn a GPA of 3.0 on a 4.0 scale with no grade lower than a C.
- Successfully complete a Professional Growth Plan, Program Portfolio and Exit Interview.
- Pass Praxis exam, if required.





## EASTERN KENTUCKY UNIVERSITY

*Serving Kentuckians Since 1906*

Office of the Provost and Academic Affairs  
Executive Assistant to the Provost for Policy and Process

111 Coates Building, CPO 30A  
521 Lancaster Avenue  
Richmond, Kentucky 40475-3102  
(859) 622-6515  
FAX: (859) 622-8136

TO: President Michael T. Benson

FROM: Sherry Robinson *SR*  
Honorary Degree Nominating Committee

DATE: November 5, 2019, 2019

SUBJECT: Recommendation for Honorary Degree Candidate

The Honorary Degree Nominating Committee is pleased to recommend the following candidate for your consideration for honorary degrees:

Candidate	Degree	Nominated by
Mr. Porter G. Peeples, Sr.	Doctor of Humane Letters	David McFaddin

The above degree is a recommendation. Below are the degree options appropriate to Mr. Peeples's background and service:

Doctor of Humane Letters (L.H.D.) – Distinguished service to humanity  
Doctor of Laws (L.L.D.) – Distinguished service to the public  
Doctor of Pedagogy (Ped.D.) – Distinguished service to education

The attachment nomination letter, biography, and letter of support provide evidence of Mr. Peeples's accomplishments to society through his years of public service. Please let me know if you wish to receive additional information on the candidate.

On behalf of the Committee members, I thank you for the opportunity to serve on the Committee in carrying out this special task.

Attachment: Brief Biography  
Resume

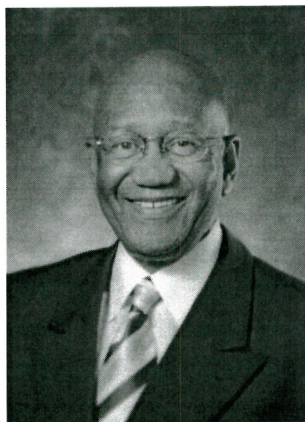




Urban League of  
Lexington-Fayette County

*Empowering Communities.  
Changing Lives.*

**Porter G. Peeples, Sr., President/CEO**



Porter G. Peeples, Sr. is a native of Lynch, Kentucky where he attended public school and graduated in 1964. He entered Southeast Community College in Cumberland, Kentucky where he earned an Associate Degree in Education in 1966. He then enrolled at the University of Kentucky where he graduated with a Bachelor of Arts Degree in Elementary and Special Education in 1968. He has also done graduate work at Eastern Kentucky University and has an honorary doctorate from Lindsey Wilson College. He spent one semester as a teacher in the Fayette County School System before joining the Urban League staff as its Education Director.

Peeples became CEO of the Urban League of Lexington – Fayette County in 1972. Under his leadership the Urban League has made its mark with job training, housing, computer, technology, and education programs. The Urban League has also gained a reputation for its intervention and advocacy on behalf of its constituent base.

Housing has become the signature activity of the Urban League through the work of its development corporation that was established in 1981. Since its inception 260 units have been added to the Lexington community. Of those, 159 are single-family homes (\$11,670,035), 50 are single-family rental units (\$6,340,660), and an additional 51 are apartments for senior citizens (\$8,286,362). The total financial contribution and community impact over the years through these developments is \$26,297,057<sup>i</sup>. The most recent multi-family development, the Russell School Apartments, has received 2 national and 3 local awards: National Urban League Housing Award (2012); the National J. Timothy Anderson Award for Best Historic Rehab Utilizing LIHTCs – Medium (Between \$5-10 Million Development Costs) (2013); Downtown Lexington Urban Innovation Award (2012); Bluegrass Trust's Clyde Carpenter Adaptive Re-Use Award (2012), and the Fayette Alliance Leader in Innovation Development (2013), National Urban League Housing and Community Development Champion Award (2018).

Peeples continues his dedication to the Lexington community through his active participation on numerous local and national boards. His work has also led him to receive various awards.

#### **Boards & Committees**

- ⊖ Kentucky Community & Technical College System – Secretary, Vice Chair, Chair
- ⊖ Commerce Lexington
- ⊖ Bluegrass Airport – Secretary and Vice Chair
- ⊖ Kentucky Housing Corporation – Executive Committee
- ⊖ Blue Grass Community Foundation
- ⊖ St. Joseph Hospital Foundation
- ⊖ World Equestrian Games – Executive Committee
- ⊖ Kentucky Horse Park Foundation
- ⊖ Kentucky Civil Rights Commission – Chair
- ⊖ Commerce Lexington Minority Business – Chair
- ⊖ Fayette County Public Schools Equity Council – Chair
- ⊖ Lexington Center Corporation Board
- ⊖ Lexington Convention and Visitors Bureau Commission

#### **Awards & Honors**

- ⊖ University of Kentucky College of Education Hall of Fame
- ⊖ Kentucky Human Rights Commission Hall of Fame
- ⊖ Kentucky Community & Technical College System Hall of Fame
- ⊖ Southeast Community College President's Award
- ⊖ National Council for Community & Justice
- ⊖ University of Kentucky Lyman T. Johnson Award
- ⊖ Downtown Lexington Corporation Outstanding Individual Award
- ⊖ National History Makers Award
- ⊖ Fayette County Public Schools Second Mile Award
- ⊖ Junior Achievement Hall of Fame

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<sup>i</sup> Value as of June 30, 2017



## PORTER G. PEEPLES, SR.

809 Forest Lake Drive  
Lexington, Kentucky 40515  
(859) 271-8337

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**Personal Data:** Place of Birth: Lynch, Kentucky  
Date of Birth: October 29, 1945  
Marital Status: Married

**Education:** Lynch High School  
Lynch, Kentucky

Southeast Community College  
Cumberland, Kentucky  
Education Associate Degree - 1966

University of Kentucky  
Lexington, Kentucky  
B. A. Degrees in Elementary/Special Education  
Dual Teaching Certificates - 1968

Eastern Kentucky University  
Richmond, Kentucky  
Graduate Studies - 6 hours towards  
Masters Degree in Non-School Guidance/Counseling - 1969

### **Work Experience:**

**00/72 - Present:** *President/C.E.O.*  
**Urban League of Lexington-Fayette County**  
148 DeWeese St.  
Lexington, Kentucky 40507  
(606) 233-1561

Duties: Overall management of agency.

**00/71 - 00/72:** *Acting Executive Director*  
**Urban League of Lexington-Fayette County**  
167 E. Main Street  
Lexington, Kentucky 40507  
(606) 233-1561

Duties: Agency management during interim period.

**00/69 - 00/71:**      Director of Education  
**Urban League of Lexington-Fayette County**  
167 E. Main Street  
Lexington, Kentucky 40507  
(606) 233-1561

Duties: Developing and overseeing education projects designed to serve the target community.

**06/69 - 09/69:**      Associate Director for Special Student Summer Program  
**Community Action for Lexington-Fayette County**  
913 Georgetown Street  
Lexington, Kentucky 40508  
(606) 233-4600

Duties: Assisting with the coordination of a project designed to work with a mixture of juvenile delinquents and non-juvenile delinquents with work experience.

**01/69 - 05/69:**      Special Education Teacher  
**Fayette County School System**  
701 E. Main Street  
Lexington, Kentucky 40507  
(606) 281-0100

Duties: Taught intermediate level elementary special education class.

**Honors, Awards and Recognition:**

National Conference Humanitarian Award  
Southeast Community College - Outstanding Alumni Award  
Alpha Fraternity - Martin Luther King, Jr. Award  
Community Action Council – Executive Director's Award  
Kentucky State University - Alumni Association Recognition  
Roots and Heritage Festival Recognition  
Lexington-Fayette County Schools - Second Mile District Award  
UK Lyman T. Johnson Recognition

**Memberships, Boards & Commissions**

Neighborhood Action Grant Review Committee  
Kentucky Housing Corporation Board of Directors  
Mayor's 503 Loan Program Review Board  
National City Bank's Community Development Corporation Board  
Lexington Commission on Race Relations (Co-Chair)  
Fayette County Schools Equity Council (Chair)  
Good Samaritan Hospital Board of Trustees  
KY Health Care Access Board  
Governor's Tasks Force on Health Care Reform  
Fayette County Schools Affirmative Action Committee  
Mayor's Private Industry Council  
Bluegrass Regional Private Industry Council  
Bluegrass Tomorrow Board  
Lexington Chamber of Commerce Board  
Lexington Rotary Club  
Fayette County Schools Equity Task Force  
U. S. Civil Rights State Advisory Commission (Chairman)

Eastern Kentucky University  
Board of Regents

Regular Quarterly Meeting  
Agenda

December 12, 2019

Black Box Theater  
Center for the Arts  
Eastern Kentucky University

1:30 p.m.

- I. Call to Order
- II. Written Informational Reports
  - A. Legislative Update (Ethan Witt)..... 257
  - B. Marco Ciocca, Faculty Senate Chair..... 258
  - C. Caelin Scott, Staff Council Chair..... 261
  - D. Madison Lipscomb, SGA President ..... 263
- III. Oral Informational Reports
  - A. Michael Benson, President
  - B. Lewis Diaz, Chair
- IV. Executive Session
- V. Action Items
  - A. Consent Agenda
    - i. Approval of the August 29 2019 Board Meeting Minutes (Lewis Diaz)..... 264
    - ii. Personnel Actions (President Benson) ..... 226
    - iii. Approval of the OVC Governing Board Certification Form.....16
    - iv. Approval of Degree Candidates for Fall 2019..... 234
    - v. Council on Academic Affairs Presentation.....235
    - vi. Approval of Honorary Degree for P.G. Peeples .....249
  - B. Approval of Audit for the Fiscal Year Ending June 30, 2019..... 28
  - C. Land Lease – Kit Carson Commons Project..... 158
  - D. Appointment of Interim President of Eastern Kentucky University
  - E. Approval of Resolution Regarding President Benson
- VI. Adjournment





## EASTERN KENTUCKY UNIVERSITY

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CPO 41A, 2 Coates Building  
521 Lancaster Avenue  
Richmond, Kentucky 40475-3102  
Phone: (859) 622-7501

The Kentucky General Assembly convenes on Tuesday, January 7, 2020, for the 60-day legislative session. Kentucky's biennial budget is at the forefront of priorities in the coming session, but ECU has a number of additional priority areas that will be in focus. We are in the process of securing a date for the annual Colonels at the Capitol Event and will send a notification once a date is selected. We hope you will make plans to attend as we set aside a day to gather as a group and advocate for ECU.

### **Model Laboratory School**

ECU continues working with Rep. Deanna Frazier, Sen. Jared Carpenter and others on legislation to establish Model as the Commonwealth's Practice School at Eastern Kentucky University. This legislation, to be filed at the onset of the 2020 session, seeks to codify Model's existence in statute as a leader in K-12 education innovation and Kentucky's Center for Innovation in Educator Preparation and Excellence.

### **Performance Funding**

The Council on Postsecondary Education, with the approval of the public postsecondary university presidents, formally requested \$52.5 million in performance funds in 2020-21 and \$75 million in 2021-22. This represents an increase of 6.2% and 8.8% in each respective year of the biennium.

ECU will continue advocating for an examination of the structure of the existing performance funding model. Specifically, ECU looks forward to a robust discussion on the merits of differentiating regional comprehensive universities and research universities into separate competitive pools within the performance funding model.

### **Asset Preservation**

The Council on Postsecondary Education formally requested \$200 million per year in the coming biennium for asset preservation. This ask of the state is accompanied by a .50c institutional match for every dollar provided by the Commonwealth.

ECU is seeking a \$35 million asset preservation pool over the biennium that will be financed with \$1.5 million annually in state support and \$1.5 million annually in ECU asset fees. This approach will allow ECU to address nearly \$35 million in deferred maintenance without issuing new agency bond debt.



Eastern Kentucky University is an Equal Opportunity/Affirmative Action Employer and Educational Institution

**Faculty Senate Chair report**  
Board of Regents meeting  
December 3 2019  
Submitted by Marco Ciocca, chair of the Senate

**Senate activities**

The Senate has had 4 meeting since the last Board Meeting of August 29. They were held September 9, October 7, November 4 and December 2, with 3 Executive Committee meeting held on September 23, October 21 and November 18

During the September 9<sup>th</sup> meeting, the Senate was notified, by President Benson in his report, that The Society of Professional Journalists has named EKU's student chapter as the winner of the Campus Program of the Year Award for their First Amendment Week program. Of note, was also the visit of CPE President Aaron Thompson, who spoke about preparation for future changes in higher education.

During the October 7<sup>th</sup> meeting, three new policies were approved:

Policy 4.6.3 - Determining Faculty Rank for Initial Appointments

Policy 4.7.7 - Consulting and Outside Activities by Faculty

Policy 4.7.5 - Faculty Absences

During the November 4 meeting, policy 4.6.8-Vising Faculty, was given a First Read, followed with Approval by the Senate on 12-02. During the same meeting, the Rules committee presented a motion to ensure that Senators may serve on no more than 2 Faculty Senate Standing committee. The motion was approved.

**EKU Forward**

EKU forward met three times, on September 16, October 28 and November 20.

These meeting have become better attended and several fruitful discussion ensued. During the September 9<sup>th</sup> meeting, there was a discussion on how to better use of Faculty for recruitment, and to incentivize participation by Faculty. That segued into a discussion of how to possibly modify the semester schedule, to make it more uniform with other institutions in KY while maintain instructional standards. The subject was broached again during the October 28 meeting, especially in the context of Winter and Summer terms. Of note, during this meeting, were consideration of morale, given the current financial situation. It was felt, by participants, that even simple gestures of recognition would have a significant impact. The subject will be discussed again in future meetings.

During the November 20 meeting, the possibility of using virtual (as in via video) meetings as a recruiting tools for on-line instructors was discussed. It is difficult right now to attract outstanding candidates and this could help. The tenure policy requires working with students

here at ECU. Conversation need to be brought forward to see if this is feasible. One possible issue for those teaching on-line exclusively: how to ensure exclusive commitment to ECU.

Also, the Semester length was discussed. There is a sense that the current subdivision of Fall, Winter, Spring and Summer terms needs revisiting, as is the duration of each individual term, to accommodate the students and their requirements with outside agencies.

**Ad-Hoc Committee for Open Education Resources:** Textbook costs have increased 3 times the rate of inflation and the increased costs place an extra financial burden on students. The ad-hoc Committee to Review Open Educational Resources will continue its work. Kelly Smith was elected to serve as the chair this year. They have met once and are asking more interested faculty, senators or not, to join their ranks. Of note: Open Access Week was held on October 21-27, with the following special events: Oct 22 (8:30-10:00) - Annual Library Faculty Breakfast will feature soft launch of new AFA Textbook, that will be adopted in intro course in the Spring. Oct 23 (2:30-3:20) – Matt Winslow and Kelly Smith will present TLI on OERs. All committee members were encouraged to attend.

The committee is trying to create OER Resource Guide - Kelly Smith is working to update this & make more usable for Faculty..

The ad-hoc committee is also trying to expand participation, with all the colleges having a representative. Steve Caudill shared with the Ad Hoc Committee on Open Education Resources that textbook adoptions at ECU is about 35% complete vs. the 85% average for the same period for Barnes and Noble nationally. Further discussion with the committee centered on ways to improve that percentage.

#### *First-Day Solution*

Another option which has proved to be a significant savings for students. Barnes & Noble negotiates preferred pricing with publishers and the materials are provided digitally through Blackboard to the students. It is prepaid with tuition. Advantage of this option is that the materials are available on or before the first day of class. Faculty Regent Marion also asked for data on the cost difference of printing 100 pages versus 300 pages through ECU's in-house printing service for OER options.

Kelly Smith stated that the ad hoc committee applied for an innovation grant with the Board of Regents and has been selected to present to the Board. This would be an incentive grant for faculty who either adopt existing open education resources for their courses or create new ones.

#### **President Benson Evaluation**

Regent Makinen announced to the Executive Committee that state law has changed relative to how often a president of an institution is evaluated and that is now become an annual process. The Board of Regents intended to carry out an annual evaluation for our president to be completed in time for the November 19th Board meeting.

This meant that the Executive Committee was required to have a short turn-around time to distribute the survey to the faculty, compile the data received, and submit the report to the Board for inclusion in the evaluation. The committee decided to use the previous survey instrument, so as to directly compare the two evaluations.

The survey was distributed to all eligible faculty in early September and remained open until October 4th.

The Executive Committee completed its work and the results of the faculty survey was delivered to Regents Makinen and Marion on Monday, October 28.

Respectfully submitted.

Marco Ciocca, Chair of the Senate

December 3, 2019

## **Staff Council Report, Board of Regents Meeting, December 12th, 2019**

Submitted by Staff Council Chair, Caelin Scott

Chair Diaz, President Benson and members of the board, I respectfully submit this report for your review and approval on ongoing Staff Council initiatives.

Staff Council participated in ECU's Homecoming festivities this year by hosting a number of activities and some friendly competition for ECU Employees. To kick off Homecoming week, Staff Council hosted themed days during homecoming for our first ever ECU Spirit Week. We also partnered with ECU Special Collections and Archives in the Library to offer an archived photo recreation competition. Departments were encouraged to try their best to recreate an archived ECU Homecoming photo for a chance to win. Our ECU Online department won this challenge by best recreating a past Homecoming 5K photo. Additionally, Staff Council offered the ever popular door decorating competition where departments were challenged with decorating office doors with ECU Spirit and ECU Pride in mind. A heartfelt thank you to our very own Colonel and ECU President, Dr. Benson, for helping judge the door submissions. While it was a hard decision, the ECU Medical Laboratory & Environmental Health Science "Mad about ECU" design was victorious. If you haven't seen some of the photos from the week, I encourage you to check them out on Staff Council's Facebook page to enjoy a recap.

Another event hosted by Staff Council was the second annual Breakfast with Benson which took place in late September. This casual breakfast is a wonderful opportunity for a small group of ECU Employees to have time and casual conversation with our President. The second hosted event was another huge success, and we are so grateful to Dr. Benson for this continued willingness to be a part of this program.

Staff Council, in conjunction with Human Resources, submitted a call for nominations for Staff Emeritus. After receiving nominations, vetting them through HR to ensure they met the eligibility requirements and acquiring letters of recommendation for each individual, there were four individuals who met the requirements to be recognized as Staff Emeritus. The four individuals I'm respectfully submitting to be recognized for emeritus status for their significant contributions to Eastern Kentucky University through a long and distinguished record of service, dedication, leadership and innovation are Ms. Ann Cotton, Mr. Jerry Wallace, Ms. Barbara Rupard and Ms. Connie Dirks. President Benson heartily gave his support for all four of the nominees. Now, per the Staff Emeritus policy, I humbly ask the members of the Board for their final approval of recognition for these four distinguished individuals to receive Staff Emeritus status. If the Board gives their final approval for Ms. Cotton, Mr. Wallace, Ms. Rupard and Ms. Dirks, the individuals will be notified of this distinguished honor and will be invited to an employee recognition event after the New Year to recognize their Staff Emeritus status.

In mid-November, Staff Council hosted elections to fill expiring terms for four of our constituent areas. The areas up for election, and their elected representatives are as follows:

- **Grant Stepp**, Foundation, Equity and Inclusion, Diversity Office, Athletics, Development & Alumni Engagement, Center for the Arts, Arlington
- **Karrie Adkins**, CLASS, College of Science, Honor Program

- **Jessica Ehrhart**, Internal Audit, President Office, Accounting & Financial Services, Budgeting & Financial Planning, Human Resources
- **Dekia Gaither**, Public Safety, Academic Affairs Business Office, Academic Support

While Staff Council was once again at full member status, unfortunately, soon after the elections, I was notified that both Ms. Karrie Adkins and Ms. Jessica Ehrhart were resigning their seats as they had recently taken positions outside of the university. Specials elections will be hosted very soon in order to fill the two recently vacated seats.

Staff Council successfully finalized and voted our new by-laws into effect in September as well. The by-laws include a new standing committee structure to ensure that we as a council are doing our best to promote the welfare of staff and meet the needs of our employees. The new standing committees include an Elections and Credential Committee, Policy Committee and an Events and Programming Committee. As a council, we feel as though this new committee structure better aligns us to meet the needs of all ECU employees.

Once again, I thank you Chair Diaz, President Benson and members of the Board for your continued support of ECU Staff Council. The council is very appreciative of your recognition of value in the initiatives we offer our employees, and hope you remain supportive of the council's mission.

Good Afternoon!

The Student Government Association had a very exciting, effective, and efficient Fall 2019 semester. Since the Board in August, Student Senate passed 19 pieces of legislation including some sustainability efforts in going paperless, allocated \$11,500 to student organizations, and discussed the university's Dead Week policy. Student Activities Council hosted 10 events throughout the semester, each yielding a high turnout. Midnight Breakfast, a fan favorite during dead week, attracted around 900 students to eat breakfast and catch a break from studying. Student Senate had the luxury of touring both the new Rec Center as well as Powell. They all had nothing but praises and I can only commend all of those involved in the initiatives to better our campus. Our Director of Diversity, Eyouel Mekonnen, conducted a survey into SGAs levels of Diversity and Inclusion. Our goal was to present this full report to the Board, but in the essence of time, I can report to you all that SGA has higher levels of diversity than the university as a whole in both gender diversity and racial/ethnic diversity. Although this is a success, we do not plan on these numbers remaining stagnant. We will only work to become more diverse and inclusive, ensuring all students voices are heard and their concerns taken into consideration.

As the end of the semester is upon us, SGA is preparing for our move back into Powell which will bring a large culture and logistical change from our current location. This change is only for the better, as our students have been without a focal meeting place for too long— I look forward to seeing the effect it has on our campus climate, engagement, and culture.

Thank you all for being here today and I look forward to next semester!

Madison Lipscomb  
Student Regent

A copy of our full diversity report can be found here: <https://sga.eku.edu/diversity>

**Minutes of a Regularly Scheduled Meeting  
Eastern Kentucky University  
Board of Regents**

**August 29, 2019**

**O'Donnell Auditorium  
Whitlock Building  
Eastern Kentucky University**

**Call to Order**

A regular quarterly meeting of the Eastern Kentucky University Board of Regents convened at 3:22 p.m. at the O'Donnell Auditorium, Whitlock Building, Eastern Kentucky University, Richmond, Kentucky. Mr. Lewis Diaz, Chair of the Board, presided. The following members of the Board were present:

**Present**

Mr. Lewis Diaz  
Mr. Alan Long  
Mr. Juan Castro  
Ms. Laura Babbage  
Mr. Bryan Makinen  
Dr. Jason Marion  
Ms. Lynn Taylor Tye  
Mr. Vasu Vasudevan  
Ms. Madison Lipscomb

**Absent**

Ms. Nancy Collins

**Others Present**

Dr. Michael Benson, President  
Mr. Skip Daugherty, Vice President for Student Affairs and Campus Life  
Mr. Steve Lochmuller, Director of Athletics  
Ms. Dana Fohl, University Counsel  
Ms. Betina Gardner, VP for University Development and Alumni Engagement  
Dr. Jerry Pogatshnik, Interim Executive Vice President for Academics and Provost  
Dr. Gene Palka, Vice President for Student Success and Enrollment Management  
Mr. Barry Poynter, Senior Vice President for Finance and Administration  
Mr. Ryan Wilson, Special Assistant to the President and Senior Vice President for Operations  
Members of the faculty and staff  
Members of the media



## **Information Items**

### **A. Staff Reports**

#### **1. Mr. Ethan Witt, Legislative Update**

Mr. Ethan Witt presented an overview of House Bill 1 relative to ECU's KERS non-hazardous retirement system to the Board, a copy of which is incorporated herein and will be included with the official copy of the minutes.

The Bill gives ECU five options moving forward. These options include:

- Remain in KERS Unchanged and Pay Full ARC Going Forward
- Hard Freeze Exit with Lump-Sum Payment (4.5% Discount Rate)
- Hard Freeze Exit with Installment Payment (3.5% Discount Rate)
- Soft Freeze Exit with Lump-Sum Payment (3.5% Discount Rate)
- Soft Freeze Exit with Installment Payment (3.0% Discount Rate)

In order to understand the full financial picture of the retirement obligation, the Regents requested a Request for Proposal (RFP) to select a vendor that will assess ECU's financial liabilities in the KERS non-hazardous plan. Once this assessment is complete, the Board can make an informed decision as to the best course of action to take. It is expected that a decision will have to be made by April 2020.

### **B. Additional Reports to the Board**

#### **1. Dr. Marco Ciocca, Faculty Senate Chair**

Dr. Marco Ciocca, Chair of Faculty Senate, submitted a written report to the Board, a copy of which is incorporated herein and will be included with the official copy of the minutes.

#### **2. Ms. Caelin Scott, Staff Council Chair**

Ms. Caelin Scott, Chair of Staff Council, delivered the following report:

Good afternoon. Thank you, Chair Diaz, President Benson & members of the Board, for allowing me the opportunity to give a report on current Staff Council initiatives.

Earlier this summer, Jillian Faith, Vice Chair of the Council resigned her position and seat. With having two vacant seats to fill after losing our Facility Services representative earlier this year, and Jillian, our Student Success representative, I'm happy to report that Staff Council is once again at full member status after holding a special election. We would like to welcome to the Council Laura Kearns, Judicial Affairs Officer, as the representative Student Success, University Council, Dean of Students, Student Rights and Responsibilities, Campus Life, Enrollment Management, and Retention and Graduation. Additionally, we would like to welcome Kimberly Cook, Assistant Director for Administrative Support Services. Kim will be representing the area of Facility Services and Project Administration. Their first Staff Council meeting will be at our next regularly scheduled meeting date on September 10. We've extend them a big welcome and look forward to having both Laura and Kim on the Council.

Our Family Pool events hosted at Lake Reba's Paradise Cove this summer were a huge success with over 300 ECU Employees and their families attending between both scheduled event dates. This annual event is always one employees and their families look forward to attending, and we plan to continuing offering these functions in the future based on the positive feedback we receive.

Staff Council had the privilege to help sponsor along with the Office of the President, the ECU Day of Service that took place Friday, August 2nd. It was a wonderful opportunity for employees to give back to campus and come together as a community to help maintain the Campus Beautiful. Employees volunteered to help remove weeds, mulch flower gardens, and do trash pick up to name a few. I hope others would agree, but I believe it was a very successful day of service!

We also had a number of Staff Council members volunteer for Move-In Day on August 16th to help welcome new and returning Colonels to campus. Additionally, we had Staff Council representatives participate in the Welcome Walk at Turner Gate that evening.

Staff Council also had the honor to provide volunteers to assist with the Office of Military and Veterans Affairs Welcome Back Picnic on Saturday, August 24th. The picnic was very well attended and coordinated and I'm thankful to Barbara for asking Staff Council to assist with volunteers.

At our Staff Council meeting in July, we had a working retreat to revise the current by-laws and review our Staff Council Standing Committees to see if they align with needs of our staff. As an extension to that retreat, we will continue working on our standing committee structure to ensure we are doing our best to promote the welfare staff and meet the needs of our employees.

A few upcoming initiatives the Council has planned include a fall Breakfast with Benson on September 25th where employees will have the opportunity to have breakfast and conversation with President Benson. Information on this event will be sent to ECU Employees soon for staff to submit their names. Staff Council would like to extend our gratitude to President Benson for his willingness to participate in this event after the success and feedback we received from the breakfast we hosted in the spring. Additionally, Staff Council will be hosting programming for employees during ECU's Homecoming week in hopes to get everyone in the spirit of the week. Additional information will be forthcoming regarding those initiatives as well.

As you can see, Staff Council is very busy with ongoing initiatives and we hope you see the value in what we are doing for employees. Once again, I'd like to thank you, Chair Diaz, President Benson, and members of the Board for your continued support of Staff Council.

### **3. Ms. Madison Lipscomb, President, Student Government Association**

Ms. Madison Lipscomb, SGA President, delivered the following report:

So I spent a majority of today with you guys, so I hope that you know who I am. For the people that were not with me from 9 o'clock this morning, my name is Madison Lipscomb. I am the Student Body President. A little bit of information: I am a Human Resources major. I am a

senior. I am supposed to graduate in May. So just a little tid bit of who I am for everyone who might not know who I am.

But as far as student government is going, it's pretty fresh. I mean, we're still two weeks into the semester. Summer was pretty quiet, so it's really great to be able to see all the students back on campus. It was like a deserted wasteland. A pretty one, a beautiful wasteland over the summer. Campus is beautiful of course. But it's really nice to have some life given back into it. It was really lonely this summer being here by myself. But as people start getting back in the groove, getting the semester back in motion is really reassuring.

As far as student government is going, we had a really big success over the summer with my executive Vice President Grant Minix getting the position as the student representative for the Council on Post-Secondary Education. It's a huge success for him and the University as a whole, so any CPE trouble that you may have, send them Grant's way. He is more than happy to hear it. I think he is not really sure what he's got himself into, but he's learning.

We will be hosting elections on September 10<sup>th</sup>. These elections are almost specifically for new students here at ECU who are interested in joining student government. We had an information last week that had a really good turnout, so I think that we will be seeing a really good, full Senate this year. We have about 33 seats available with 15 filled right now, so we have about 15 spots that are going to be considered for elections.

We recently passed our budget last Tuesday at the Senate meeting, which is a really huge success. It passed unanimously without any revisions being made, so I'm going to pat myself on the back for that one, for pleasing them in that aspect. They also had the Committees at the Senate meeting last week present goals that they have for the semester. We have about five different committees that range from sustainability to residential affairs all the way to student rights and student safety and things like that. It was really awesome to see the goals that they have for this year, a lot of them being sustainability initiatives, IT commons that we've set up with the libraries.

I'm looking to you (Betina Gardner), but I'm not looking to you anymore, which is okay. I'm still going to look to you for IT. She is in my heart as IT for always. But last year when we did come up with the initiative to have an 80/20 split with our 100,000 IT grant that we receive every year, 80,000 of that going to the new IT commons that we are going to see on campus and the rest of the 20,000 being distributed to student groups throughout campus for any IT needs that they may have.

Also looking into the rest of this semester, we are probably hosting another airing of grievances event or "Not Your Average Colonel Corn Roast", as we decided to call it. We had a great turnout last semester. It was a great way to wrap up the year. Great turn out as far as administrators and students went. We had a lot of good points brought up to administrators, and I think maybe opened their eyes into some things that were going on on campus that they might not have known were going on. So, I expect the Board of Regents to be receiving an invite for our now semi-annual, I guess we'd call it bi-annual airing of grievances event. So make sure you guys come out to that. I'll let you guys know when that's going to be happening.

But other than that, it's been a great day so far. I'm really happy to be here, and it's been a great day spending time with all the Regents up there. I think one of my favorite parts of today is after we had toured Powell and the new Rec Center, we went into Starbucks and the line into Starbucks was very long. Almost overpowered the entirety of Powell. Regent Castro, Regent Diaz, and Regent Tye had this great idea that they were going to pay for all of the students', a majority of the students were in line, pay for their Starbucks. So, not only did they get to have a nice little photo op and set a good tone for this semester and a great tone for this Board of Regents this year. And make some students' day, because coffee always makes students' day. When in doubt, just bring coffee. But it's going to be a great year, and I'm really excited to work alongside everybody.

#### **4. Dr. Michael Benson, President**

President Michael Benson delivered the following report:

I did not want to impinge on President Lipscomb's time, I just wanted to come off the frozen tundra and warm up a minute. But, good to be with you. I'll be very quick.

Madison mentioned Grant Minix. This makes two now ECU representatives on the CPE Board. So when he fulfills his two-year term, in addition to Sebastian Tomez, who was the previous two years, we will have had a full four years of CPE representation on the Board. I don't know if anybody else can say that, so that's a big deal for us.

I forgot to mention when I was up here talking about our diversity and inclusion efforts, when we had the Turner Gate walk, as I was going back into the middle of campus, two students came up to me- Latino students. And they said, "Hey, we went to Camino Camp, and we're here now as freshmen, and we just wanted to say 'hi.'" And I thought, how cool is that? And Abby showed us the bar chart, of all the students who have gone through the Camino Camp, and the ones that have now matriculated as students at ECU. And our goal is to capture all of them. Capture is not the right word, but have them come, entice them to come here as students. We do want to get them, retain them, and graduate them. And to think that we started where we did, and we're almost now to 500 Latino students. I know we've talked about the 1,000 mark, and we'll get there. I can promise you we'll get there. I want Ethan to come up here, because Caelin mentioned the Day of Service, and where did Ethan go?

*[He went to help with Tailgate. He is volunteering.]*

Oh my word, can someone call him and get him back here? I have a special presentation. I kid you not. I have been waiting all day for this. I was invited to go to the signing of House Bill 1, and the Governor gave me my very own copy of the bill with a pen and I was going to give it to Ethan. Because he is the one who bird-dogged this thing, and he deserves it. So, boy, this is anticlimactic.

*Chair Diaz: Mr. President there is a football game today with a halftime show. You could do it there if you so choose.*

Well anyway, okay. I wanted to present that to him today because I can't overemphasize enough how much work he put into it. David has been trying to hire him to ECU for a while now, and we are so lucky to have him representing us up on the Hill.

This is the front page of the Richmond Register on the weekend of August 3<sup>rd</sup>, and it chronicles all the folks that came to help. I want to brag on Brian here for a second because Brian and I have had our fits and starts, not because of him but because of me. Brian Wilcox had a plan when he came in, and at times I doubted the plan, because I didn't see enough progress. And at the end of June I walked around campus, and quite frankly campus did not look very good. At least I didn't think so, and I think, Barry, you concur. And so I would send notes to Brian, and I would call him, and I would bug him, and I kind of put him on notice that hey, we've got to improve things. Now if you go out and look at campus today, there is a 180 degree improvement. The way that Brian has gone about the changes and the savings and you saw the net effect to the bottom line. Brian, I tip my cap to you because you've brought a whole new approach to our facilities management and its working, so I commend you and your team.

We've got flowers and planters now, because I was bugging them because there weren't flowers in front of signs, and it was driving me nuts. And the Turner Gate looked terrible, and now look at it. It's something we can all be proud of, so thank you very much.

I am teaching at class this semester on World War I, and I have ten graduate students, and five of the ten students are high school teachers. And the reason I tell you that is, it has reinforced in my mind once again, that teaching is hard work. I don't know if we really truly appreciate the work that our faculty do. Not only our faculty but K-12 teachers. To prepare lesson plans every single day and to put up with kids, listen I've got 3 kids that are in school. I know what it's like. But I really have enormous respect for teachers. So to the teachers out there in the audience, to the faculty, I thank you for what you do. Because I go to class I think, boy, if I did this every single day, these are bright young people, and I say young people. I have a 65 year old man in there too. And the only reason he is taking this class is he is teaching a class on Appalachian music and he has to have a master's degree to teach this class. And he is a late bloomer. And it's just a real joy every Monday night from 6:00-9:00 to teach this course. And so, to Sara Zeigler, who is my Dean, thank you for giving me the opportunity to teach again because I'm really enjoying it.

September 27<sup>th</sup> is our big campaign kick-off, and you would be dumb as dirt to miss it. So, please be there. The Center for the Arts. Betina and her crew are going to put together a fantastic night. Betina of course, as you know, is our new Vice President for Development. Julia George will you stand up? Julia is our interim Dean of the Libraries and is doing a fantastic job. It really will be a wonderful kick-off to our public phase of our campaign.

Lastly I will mention that I had the chance to be on Bill Bryant the other day on Newsmakers, and I misspoke. I said we had 4,124 graduate. I apologize I shorted that by 30. 4,154 graduates. Now, as Vasu pointed out, our enrollment is down slightly. It's coming back. But one reason it's down is we've graduated so many students. That is the all-time high. We have never, ever eclipsed 4,000 graduates. And think about that. That's 4,000 people, 4,154 people that are out there being productive citizens. I hope, paying taxes, making a difference, and representing the

University. And that's what it's all about. I'm proud to be a part, along with you, in this endeavor. So thank you very much.

*Regent Babbage and Regent Marion echoed the President's appreciation for teachers and encouraged the President to share his experience in the classroom and the impact it has had on his thankfulness for teachers in both the alumni magazine and when speaking at high school recruiting events.*

*Chair Diaz informed the President that Ethan Witt had returned to the meeting.*

Come on up here, Ethan. On behalf of the University, Ethan, I know how hard you worked on behalf of not only EKU but all of higher education on House Bill 1. I was on a plane coming back from Utah for our family vacation and I was invited to represent the presidents at the bill signing, and you should have been there. But the Governor presented me with a copy of the bill and a pen, and I thought, if anybody deserves a copy of this, you do.

## **5. Lewis Diaz, Chair**

Chair Lewis Diaz delivered the following report:

I want to make a couple of observations, and I'll be very, very brief. The first observation is that through the committee meetings today, I sat back and listened to you all ask questions, converse. Good questions. Targeted questions. Questions that were on the right track. And I just felt fulfilled, frankly. Because as we restructured our bylaws, you make a move like that, and that's something we all did together. And you don't really know how it's going to work. Right? How is the Diversity and Inclusion Committee going to go? How's the Organizational Planning and Strategic Initiatives Committee going to go? And I thought it went really well. And I'm particularly proud of Bryan and Jason because there is often this concept of, there's faculty and then there's staff. And you guys are uniquely talented, and your ability to work as co-chair and drive that initiative is so important. Not just because of the work that you're doing, but how you're going about doing it. And working in partnership is the model that we want to put out there. You guys are the model for everyone else on this campus of how faculty and staff can interact together. You guys working together on that committee is intentional. And you guys are the example, and I'm extremely proud of how you got the first meeting off and how you're running it and it's just very exciting. All of us, I'm just proud of the group. I wrote Dana a quick note, I said "I think you have a good team here." And I think everyone is engaged. I think everyone is looking at the materials in advance of the meeting. You're coming into meetings prepared. I'm just really, really proud of everyone here, and I'm excited about the direction of this body.

Second observation, or thing that's worth sharing with everyone, is that 18,500 is a real number. I know that we graduated a lot of students. I know that we have to replace a lot of students. But we have the best physical assets on this campus. We have a new student center, a new Rec center. This is the year that we should see a larger increase in our new student/new freshmen enrollment. New transfers. We really need to see a return on that investment. And so that is something that I can't emphasize enough. We have been looking at the 18,500 number for three years. And it's real. And if we don't strive to do the very best that we can, which I'm told is 18,500,

then we are effectively selling ourselves short. So I don't know that we'll get there, but the effort has to be to get there, and then we'll see where we end up. So I'm just really proud of the group, and I want to encourage everyone here to focus on retention. Focus on enrollment growth. And focus on the partnership between faculty and staff, because that's when we win.

And I suppose lastly, in all things be student-centric. When we are student-centric, we always win. We always win.

### **Action Items**

#### **A. Consent Agenda**

Chair Diaz presented to the full Board the following items on the Consent Agenda for approval:

##### **i. Approval of the Minutes for the Full Board Meeting on June 18, 2019**

A motion was made by Regent Tye to approve the minutes for the Full Board meeting on June 18, 2019. The motion was seconded by Regent Castro. The motion passed unanimously by voice vote.

##### **ii. Personnel Actions Report**

A motion was made by Regent Long to approve the Personnel Actions Report. The motion was seconded by Regent Tye. The motion passed unanimously by voice vote.

##### **iii. Strategic Plan Extension**

A motion was made by Regent Long to approve the Strategic Plan Extension. The motion was seconded by Regent Castro. The motion passed unanimously by voice vote.

##### **iv. Richmond Utilities Easement**

A motion was made by Regent Castro to approve the Richmond utilities easement. The motion was seconded by Regent Tye. The motion passed unanimously by voice vote.

##### **v. Reelection of Officers**

Chair Diaz requested a motion to reelect the current slate of officers to their respective positions upon the swearing in of Janice Sword Way to the Board. The motion was made by Regent Babbage. The motion was seconded by Regent Castro. The motion passed by voice vote.

### **New Business**

As required by law, Open Meetings and Open Records information was distributed to and signed by all Board members.

Two resolutions were presented to the Board for approval:

**Eastern Kentucky University Board of Regents Resolution in Recognition of the Engle Family**

Regent Long presented the following resolution:

**WHEREAS**, beginning in 1928 with Dr. Fred Allen Engle, Sr., three generations of the Engle family have served with distinction on the Eastern Kentucky University faculty, completing a combined ninety years of distinguished familial leadership and meritorious service that continues with the service of Dr. Allen D. Engle; and

**WHEREAS**, during those years, their special contributions to the University have included serving as members of the faculty and teaching courses in math, education, commerce, economics, business law, human resources, and English, for which numerous teaching awards have been conferred; and

**WHEREAS**, throughout their tenure on the faculty, members of the Engle family have demonstrated dedication and commitment to academic rigor, as well as the welfare of its students, faculty, and staff; and

**BE IT THEREFORE RESOLVED** that the Eastern Kentucky University Board of Regents hereby highly commends the Engle family for their important contributions made to Eastern Kentucky University, and, hereby formally records its appreciation for the excellent leadership they have provided, for the countless hours they have devoted, and the exemplary service they have rendered.

Done this the 29th day of August, 2019, by the Board of Regents of Eastern Kentucky University.

A motion was made by Regent Long to approve the Resolution in Recognition of the Engle Family. The motion was seconded by Regent Castro. The motion passed by voice vote.

**Eastern Kentucky University Board of Regents Resolution in Recognition of Ryan Wiggins**

Regent Makinen presented the following resolution:

**WHEREAS**, Ryan Wiggins has served with distinction since 2018 as the Student Regent on the Eastern Kentucky University Board of Regents, having been elected by his campus peers as Student Regent; and having also served as a member of the Student Life, Discipline and Athletics Committee;



**WHEREAS**, he selflessly shared with the University and colleagues the resources of his time, expertise, and guidance;

**WHEREAS**, he demonstrated dedication and commitment to speaking for and representing the student body and to maintaining and growing the student experience; and

**WHEREAS**, he steadfastly served as a valued and effective advocate for Eastern Kentucky University and the higher education community of the Commonwealth;

**BE IT THEREFORE RESOLVED** that the Eastern Kentucky University Board of Regents officially records its sincere appreciation for the service and leadership given by Student Regent Ryan Wiggins;

Done this the 29th day August, 2019, by the Board of Regents of Eastern Kentucky University.

A motion was made by Regent Makinen to approve the Resolution in Recognition of Ryan Wiggins. The motion was seconded by Regent Castro. The motion passed by voice vote.

### **Adjournment**

There being no further business, Chair Diaz requested a motion to adjourn. A motion was made by Regent Makinen to adjourn the meeting. The motion was seconded by Regent Castro. The motion passed by voice vote, and the meeting was thereby adjourned at 4:17 p.m.

\_\_\_\_\_  
Bryan Makinen

\_\_\_\_\_  
Date