UNIVERSITY OF KENTUCKY®

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FINANCIAL REPORT 2010

University of Kentucky
A Component Unit of the Commonwealth of Kentucky
Financial Statements
Years Ended June 30, 2010 and 2009

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MESSAGE FROM THE PRESIDENT

We are living in that moment anticipated by Kentucky's anthem. Indeed, *tough times have come knocking at the door.* The poor economic conditions that continue to plague the Commonwealth, and therefore the state's flagship university, remain deep and have shown a stubborn intransigence.

This University has borne the brunt of lost state support and poorly performing investments. State support for the University in fiscal year 2009-10 was $310.5 million, which was $9.4 million below the state support for UK originally enacted by the General Assembly. This is a decrease of $24.5 million compared with the originally enacted fiscal year 2007-08 budget.

These decreases in state support have colluded with declines in investment returns. Since June 30, 2007, the University's endowment pool market value has decreased from $938.4 million to $788.1 million. In addition, the University's short-term and overnight investment income has declined $11.6 million - from $15.6 million to $4.0 million.

Tuition rate increases of recent years have been moderate, reflecting a sensitivity to the economic condition of families across our state in these troubled times. As a result, tuition revenue has not been sufficient to offset declines in state support and investment income and increases in fixed costs. The result has been substantial reallocation of funds during the last three budget cycles.

And yet, in spite of obstacles such as these, the University consistently demonstrates good stewardship of its resources. Net assets increased $177.0 million to $2.39 billion during the year ended June 30, 2010. Highlights of the fiscal year include:

- Total student enrollment was 27,171 in Fall 2009, just short of the previous record high in Fall 2006; undergraduate transfer student enrollment in Fall 2009 increased for the second year in a row to 1,039; and research and professional doctoral enrollment reached a new high of 4,121.
- The mid-50 percent range of the ACT Composite for the Fall 2009 first-year class increased to 22-28.
- UK enrolled a record 403 first-year African-American students in Fall 2009.
- The number of new international undergraduate students increased for the second year in a row to 259.
- UK achieved a first-to-second year retention rate greater than 80 percent for the second year in a row; the fall to spring retention rate for the Fall 2009 cohort was a record 94.5 percent.
- General Education reform progressed as faculty developed 60 new courses for consideration for the new General Education program, with 24 taught for the first time in Spring 2010; over 160 new or revised courses for General Education are in development for Fall 2010 and Spring 2011.
- A record 734 research and professional doctorates were awarded in 2009-10.

- Research awards received during 2009-10 total $337.6 million, a 32 percent increase over the prior year. This is the first time total awards have exceeded $300 million.
- The University has been very competitive for federal research dollars made available through the American Recovery and Reinvestment Act (ARRA), receiving ARRA awards totaling $64.5 million in 2009-10.

This University's faculty and staff have made clear that we will not concede in the face of economic conditions that threaten to hamper and harm our efforts to build a better University as a means to a better Kentucky. We instead remain faithful to the mission of Kentucky's flagship university to be a conduit through which our students build futures, private entrepreneurs build companies and private citizens build communities.

And we dedicate ourselves even more clearly to the work of educating Kentuckians. With clarity of voice and commonness of purpose, we affirm this University's constant and fierce resolve to continue to shepherd forward this next and best generation of Kentuckians.

Sincerely,

Lee T. Todd Jr.
President

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CPAs & Advisors

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
University of Kentucky
Lexington, Kentucky

We have audited the accompanying basic financial statements of the University of Kentucky (University), a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Kentucky Medical Services Foundation, Inc. (KMSF), which statements reflect total assets of \$106,968,091 and \$107,533,968 as of June 30, 2010 and 2009, respectively, and total revenues of \$203,404,190 and \$198,745,113, respectively, for the years then ended. Those financial statements were audited by other accountants whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the University, is based on the report of the other accountants.

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 of material misstatement. The financial statements of KMSF, which are included in the University's reporting entity, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010, on our consideration of the University's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and pension information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the supplementary information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

September 30, 2010

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Kentucky (the University) and its affiliated corporations for the years ended June 30, 2010 and June 30, 2009. Management has prepared this discussion, and suggests that it be read in conjunction with the financial statements and the notes appearing in this report.

About the University of Kentucky

Mission. The University of Kentucky is a public, land grant university dedicated to improving people's lives through excellence in education, research and creative work, service and health care. As Kentucky's flagship institution, the University plays a critical leadership role by promoting diversity, inclusion, economic development and human well-being.

Vision. The University of Kentucky will be one of the nation's 20 best public research universities.

Values. The University of Kentucky is guided by its core values:

- Integrity
- Excellence
- Mutual respect and human dignity
- Diversity and inclusion
- Academic freedom
- Shared governance
- Work-life sensitivity
- Civic engagement
- Social responsibility

Background. Under provisions of the federal Morrill Land-Grant Colleges Act (1862), Kentucky State Agricultural and Mechanical College was established in 1865 as part of Kentucky University (now Transylvania University). The College separated from Kentucky University in 1878 and was established on a 52 acre site (the University's current location) donated by the city of Lexington. In 1908 the College was re-named the State University, Lexington, Kentucky. In 1916 it became the University of Kentucky.

According to the Kentucky Revised Statutes (KRS) 164.125(2):

> In carrying out its statewide mission, the University of Kentucky shall conduct statewide research and provide statewide services, including, but not limited to, agricultural research and extension services, industrial and scientific research, industrial technology extension services to Kentucky employers and research related to the doctoral, professional and postdoctoral programs offered within the University. The University may establish and operate centers and utilize state appropriations and other resources to carry out the necessary research and service activities throughout the state. The University may enter into joint research and service activities with other universities in order to accomplish its statewide mission.

In 1997, the Kentucky General Assembly reformed the state's public system of colleges and universities. According to the ***Kentucky Postsecondary Education Improvement Act*** of 1997:

> The University of Kentucky is mandated to become a major comprehensive research institution ranked nationally in the top twenty public universities by 2020.

At its December 2005 meeting, the UK Board of Trustees approved the ***Top 20 Business Plan***. The ***Business Plan*** is the framework for UK's funding and capital requests to the Kentucky General Assembly as it constructs the biennial Budget of the Commonwealth. The Provost led a review and update of the ***Business Plan*** measures in

2009. The ***Business Plan*** continues to focus the University community's attention on goals in nine areas across four domains:

- Undergraduate Education
    - ACT/SAT Score
    - Student to Faculty Ratio
    - Graduation Rate
- Graduate Education
    - Masters Degrees Awarded
    - Research and Professional Doctorates Awarded
- Faculty
    - Publications
    - Citations
- Research
    - Federal
    - Non-Federal

The University's ***Strategic Plan for 2009-2014*** was adopted by the UK Board of Trustees at its June 2009 meeting. The ***Strategic Plan*** is designed to implement the ***Business Plan*** by establishing specific goals for teaching, research and service at the department, college and university level. The Strategic Plan established five goals:

- Prepare Students for Leading Roles in an Innovation-driven Economy and Global Society
- Promote Research and Creative Work to Increase the Intellectual, Social, and Economic Capital of Kentucky and the World Beyond Its Borders
- Develop the Human and Physical Resources of the University to Achieve the Institution's Top 20 Goals
- Promote Diversity and Inclusion
- Improve the Quality of Life of Kentuckians through Engagement, Outreach and Service

The University of Kentucky is identified as a "Doctoral/Research University-Extensive" institution by the Carnegie Commission on Higher Education. There are 151 such institutions in the United States (out of approximately 3,600 colleges and universities).

The University is accredited by the Commission on Colleges (CoC) of the Southern Association of Colleges and Schools (SACS). This has been re-affirmed at approximately 10-year intervals since 1915, with the next accreditation review scheduled for 2012. In addition, several degree programs and individual units are accredited by agencies appropriate to specific professions or fields.

<u>Students.</u> In Fall 2009, the University of Kentucky had 27,171 undergraduate, graduate, and professional students. They represent all 120 Kentucky counties, every state in the U.S. and over 100 countries. Enrollment has increased over 3,300 students (14 percent) in 10 years.

<u>Programs.</u> The University offers over 200 majors and degree programs in 17 academic and professional colleges. UK is one of only seven public universities nationally to house colleges of Agriculture, Engineering, Medicine and Pharmacy on a single campus.

<u>Research.</u> Total research expenditures in science and engineering fields, as reported to the National Science Foundation (NSF), totaled $368.0 million for fiscal year 2008-09, compared to $337.0 million in 2007-08. Research productivity has increased $166.0 million (82 percent) since 2000.

<u>Outreach</u>. As Kentucky's flagship, land-grant university, UK engages citizens and communities across the state in a myriad of ways, including extension offices in all 120 Kentucky counties; continuing education opportunities for teachers, lawyers and health care providers; clinics providing legal, pharmaceutical and health care assistance; and a multitude of research efforts aimed at Kentucky's most difficult problems in economic development, health care, infrastructure and education.

Medical Centers. UK HealthCare operates two hospitals – Chandler and Good Samaritan – and is considered one of the finest academic medical centers in the U.S. The hospitals have a combined 643 available beds and have an average daily occupancy of 522.85 beds. On a monthly basis, the hospitals provide over: 1,000 inpatient surgeries, 1,000 outpatient surgeries, 26,000 radiology procedures, 26,600 outpatient services and 45,800 outpatient clinic visits at the hospitals and at clinics throughout the state.

In spring 2007, ground was broken for a new $532.3 million Patient Care Facility. This more than one million square foot facility, to be completed in 2011, is the cornerstone of a 20-year, $2.50 billion plan to construct the Commonwealth Medical Campus of the Future. Among the campus' components are a recently completed $133.0 million Biological-Pharmacy Research Building and future plans for additional research buildings, a new shared Health Sciences Learning Center and additional buildings to house programs for the colleges of Medicine, Nursing, Health Sciences, Dentistry and Public Health.

Libraries. UK operates a nationally recognized research library system, with the capstone being the world-class William T. Young Library. UK's book endowment is the largest among public universities. Its library network and technology provide extraordinary service to students in the colleges of Medicine, Law, Engineering, Fine Arts and other programs. Meanwhile, students, faculty and Kentucky residents can use UK Libraries' advanced technology to access the most up-to-date information from online journals, government publications and private studies.

Financial Highlights

The University's overall financial position remains fiscally sound with assets of $3.54 billion and liabilities of $1.15 billion. Net assets, which represent the University's residual interest in assets after liabilities are deducted, were $2.39 billion (68 percent) of total assets.

- Total assets increased $298.4 million (nine percent), primarily due to increases in cash, endowment investments and net capital assets.

- Total liabilities increased $121.5 million (12 percent), primarily due to the issuance of additional bonds, capital leases and other long-term obligations for the purchase and/or construction of land, buildings and equipment.

- Total net assets increased $176.9 million (eight percent) from June 30, 2009 to June 30, 2010. Unrestricted net assets decreased $11.9 million as a result of expenses and transfers in excess of revenues primarily in UK HealthCare Hospital System, which saw a decrease as a result of the use of unrestricted net assets for construction of the new patient care facility; restricted net assets increased $51.3 million largely due to investment gains on endowments; and capital assets, net of depreciation and related debt, increased $137.5 million.

- Operating revenues were $1.74 billion and operating expenses were $2.11 billion, resulting in a loss from operations of $372.4 million. Nonoperating and other revenues, net of nonoperating expenses, were $549.3 million, including $294.1 million in state appropriations.

Using the Financial Statements

The University presents its financial reports in a "business type activity" format, in accordance with Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34*. GASB requires that statements be presented on a comprehensive, entity-wide basis. In addition to this MD&A section, the financial report includes:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

Reporting Entity
The University of Kentucky is a component unit of the Commonwealth of Kentucky. The financial statements of the University include the operations of the University and the following entities:

- University of Kentucky Research Foundation, and its for-profit subsidiaries, Kentucky Technology, Inc. and Coldstream Laboratories, Inc.
- University of Kentucky Athletic Association
- The Fund for Advancement of Education and Research in the University of Kentucky Medical Center
- University of Kentucky Business Partnership Foundation, Inc.
- University of Kentucky Center on Aging Foundation, Inc.
- University of Kentucky Gluck Equine Research Foundation, Inc.
- University of Kentucky Humanities Foundation, Inc.
- University of Kentucky Mining Engineering Foundation, Inc.
- Central Kentucky Management Services, Inc.
- Kentucky Medical Services Foundation, Inc.
- University of Kentucky Faculty Club, Inc.
- Kentucky Healthcare Enterprises, Inc., a for-profit subsidiary.

Statement of Net Assets
The Statement of Net Assets is the University's balance sheet. It reflects the total assets, liabilities and net assets (equity) of the University as of June 30, 2010, with comparative information as of June 30, 2009. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as noncurrent. Net assets (i.e. the difference between total assets and total liabilities) are an important indicator of the University's current financial condition, while the change in net assets is an indicator of whether the overall financial position has improved or worsened during the year. Generally, assets and liabilities are reported using current values. A major exception is capital assets, which are stated at historical cost less accumulated depreciation. A summarized comparison of the University's assets, liabilities and net assets as of June 30, 2010; June 30, 2009; and June 30, 2008 follows:

Condensed Statements of Net Assets (in thousands)

	2010	2009	2008
ASSETS			
Current assets	$ 712,530	$ 628,141	$ 659,405
Capital assets, net of depreciation	1,773,855	1,571,530	1,345,426
Other noncurrent assets	1,058,256	1,046,614	1,325,909
Total Assets	3,544,641	3,246,285	3,330,740
LIABILITIES			
Current liabilities	346,363	313,083	312,458
Noncurrent liabilities	808,301	720,121	721,697
Total Liabilities	1,154,664	1,033,204	1,034,155
NET ASSETS			
Invested in capital assets,			
net of related debt	1,047,225	909,736	822,409
Restricted			
Nonexpendable	526,291	500,182	487,815
Expendable	201,624	176,433	302,215
Unrestricted	614,837	626,730	684,146
Total Net Assets	$ 2,389,977	$ 2,213,081	$ 2,296,585

Assets. As of June 30, 2010, total assets amounted to $3.54 billion. The largest asset class was investment in capital (net of depreciation) that totaled $1.77 billion, or 50 percent of total assets. Endowment investments were $793.5 million, or 22 percent of total assets and cash and cash equivalents totaled $493.3 million, or 14 percent of total assets. During the year, total assets increased by a net $298.4 million primarily due to an increase in capital additions of buildings and equipment. Additionally, endowment investments increased $91.7 million due to more favorable market conditions.

Liabilities. As of June 30, 2010, total liabilities amounted to $1.15 billion. Bonds and notes payable, capital leases and other long-term obligations issued for educational buildings, the housing and dining system, the UK HealthCare Hospital System, equipment and computer software totaled $888.1 million, or 77 percent of total liabilities. During the year, total liabilities increased by $121.5 million primarily due to the issuance of additional debt, principally for the construction of the patient care facility.

Net Assets. The University's equity of $2.39 billion as of June 30, 2010 is reported on the Statement of Net Assets in four net asset categories: invested in capital assets, net of related debt, $1.05 billion (44 percent); restricted-nonexpendable $526.3 million (22 percent); restricted-expendable $201.6 million (8 percent); and unrestricted $614.8 million (26 percent).

Restricted net assets are subject to externally imposed restrictions governing their use. Although unrestricted net assets are not subject to externally imposed stipulations, most of the unrestricted net assets have been internally designated for support of academic and research programs and initiatives, capital projects and working capital requirements.

Total net assets increased $176.9 million during the year ended June 30, 2010. Invested in capital assets, net of related debt increased $137.5 million due to the additions of capital assets and principal payments of capital debt. Restricted net assets increased $51.3 million principally as a result of gains on endowment investments due to a positive return on the endowment pool. Unrestricted net assets decreased $11.9 million including a $41.0 million decline in the UK HealthCare Hospital System and an increase of $29.1 million from the other University units and related organizations. UK HealthCare Hospital System decrease in unrestricted net assets is primarily the result of the use of unrestricted net assets for construction of the new patient care facility.

2009 Versus 2008. During the year ended June 30, 2009:

- Total assets decreased by a net $84.5 million primarily due to a decline in endowment investments resulting from unfavorable market conditions and a decrease in cash and cash equivalents. This decrease was offset by an increase in capital assets due to new additions of land, buildings, equipment and computer software.

- Liabilities decreased $951,000 primarily due to a decrease in accounts payable and accrued liabilities offset by increases in deferred revenue and long-term liabilities.

- Total net assets decreased $83.5 million during the year ended June 30, 2009. Invested in capital assets, net of related debt, increased $87.3 million primarily due to the additions of capital assets and principal payments of capital debt. Restricted net assets decreased $113.4 million principally as a result of a $195.1 million loss on endowment investments due to a negative return on the endowment pool. The loss was partially offset by gifts to endowments totaling $10.0 million. Unrestricted net assets decreased $57.4 million primarily due to $59.9 million loss on quasi endowment investments offset by excess unrestricted revenues over expenses in the UK HealthCare Hospital System of $13.9 million.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets is the University's income statement. It details how net assets have changed during the year ended June 30, 2010, with comparative information for the year ended June 30, 2009. This statement is prepared on the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Items that increase or decrease net assets appear on the Statement of Revenues, Expenses and Changes in Net Assets as revenues, expenses, gains or losses.

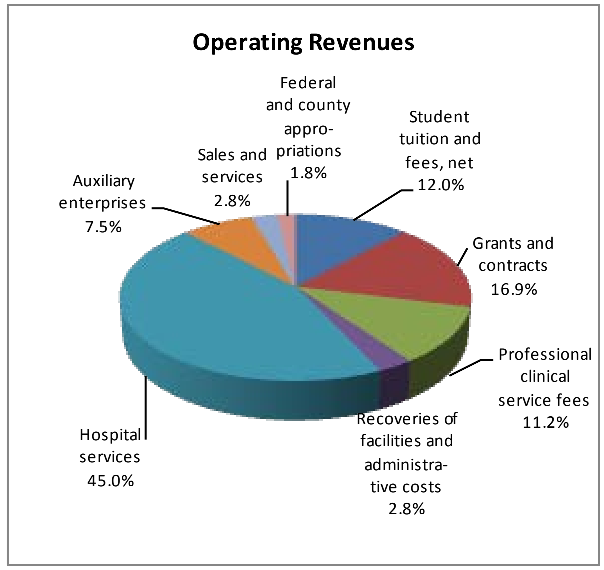
Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 requires state appropriations, gifts, and investment and endowment income to be classified as nonoperating revenues. Accordingly, the University reports a net operating loss prior to the addition of nonoperating revenues. The utilization of long-lived capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Tuition revenue is reduced by external scholarships and institutional aid and is reported net of the scholarship allowance. A summarized comparison of the University's revenues, expenses and changes in net assets for years ended June 30, 2010; June 30, 2009; and June 30, 2008 follows.

Condensed Statements of Revenues, Expenses and Changes in Net Assets
(in thousands)

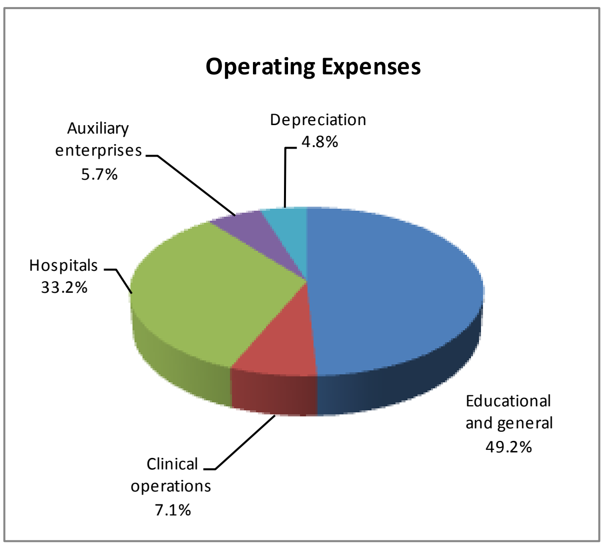
	2010	2009	2008
OPERATING REVENUES			
Student tuition and fees, net of scholarship allowances	$ 208,340	$ 195,244	$ 178,237
Grants and contracts	294,294	275,468	299,842
Hospital services	782,677	701,936	667,531
Professional clinical service fees	194,401	193,391	174,929
Auxiliary enterprises, net of scholarship allowances	130,809	121,655	114,370
Recoveries of facilities and administrative costs	50,847	44,707	44,137
Sales and services	47,932	45,841	48,266
Federal and county appropriations	31,784	31,035	31,062
Other operating revenues	1,508	2,790	1,821
Total operating revenues	1,742,592	1,612,067	1,560,195
OPERATING EXPENSES			
Educational and general, excluding depreciation	1,038,891	989,251	987,010
Clinical operations, excluding depreciation	150,107	158,841	130,194
Hospital, excluding depreciation	702,029	667,994	596,260
Auxiliary enterprises, excluding depreciation	120,419	106,897	102,549
Depreciation	101,832	99,067	93,731
Other operating expenses	1,702	243	317
Total operating expenses	2,114,980	2,022,293	1,910,061
NET LOSS FROM OPERATIONS	(372,388)	(410,226)	(349,866)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	294,137	315,162	327,155
State fiscal stabilization fund	21,067	-	-
Capital appropriations	11,450	3,446	-
Capital grants and gifts	42,992	107,546	13,503
Gifts and non-exchange grants	78,295	72,035	53,935
Investment income (loss)	95,428	(169,113)	(49,382)
Interest on capital asset-related debt	(19,024)	(15,862)	(14,098)
Additions to permanent endowments	21,062	9,990	34,611
Other, net	3,877	3,518	3,076
Total nonoperating revenues (expenses)	549,284	326,722	368,800
Total increase (decrease) in net assets	176,896	(83,504)	18,934
Net assets, beginning of year	2,213,081	2,296,585	2,277,651
Net assets, end of year	$2,389,977	$2,213,081	$2,296,585

Total operating revenues were $1.74 billion for the year ended June 30, 2010, an increase of $130.5 million (eight percent). The primary components of operating revenues were student tuition and fees of $208.3 million; grants, contracts and recoveries of facilities and administrative costs of $345.1 million; hospital services of $782.7 million; and professional clinical fee income of $194.4 million.

The major increase was in hospital services revenue of $80.7 million, primarily caused by increases in rates and volume. Other significant increases in operating revenues related to net student tuition and fees of $13.1 million due to tuition and fee rate increases and federal grants of $16.8 million resulting from the American Recovery and Reinvestment Act (ARRA) of 2009; and recoveries of facilities and administrative costs of $6.1 million due to the increase in grants. In addition, Athletic revenue increased $6.8 million mainly due to TV/broadcasting income from the SEC related to a new contract for television broadcasting rights.



Operating expenses totaled $2.11 billion, an increase of $92.7 million (five percent). Of this amount, $1.04 billion (excluding depreciation) was expended for educational and general programs, including instruction, research and public service. Hospital System expenses, excluding depreciation, amounted to $702.0 million and clinical operations expenses, excluding depreciation, were $150.1 million. Depreciation expense for the year amounted to $101.8 million.



The most significant increase was in Hospital System expenses, excluding depreciation, of $34.0 million (five percent). Instruction and research expenses increased $13.8 million and $12.9 million respectively. Instruction expenses increased primarily due to new faculty and house staff positions and research expenses increased mainly because of the federal ARRA funding. Depreciation expenses increased $2.8 million (three percent) due primarily to the addition of capital assets.

The net loss from operations for the year was $372.4 million. Nonoperating and other revenues, net of expenses, totaled $549.3 million and included: state appropriations of $294.1 million – a decrease of $21.0 million; state fiscal stabilization funds of $21.1 million that are new this year; investment income of $95.4 million – an increase of $264.5 million; gifts and non-exchange grants of $78.3 million – an increase of $6.3 million; and capital gifts and grants of $43.0 million – a decrease of $64.6 million.

2009 Versus 2008. Total operating revenues were $1.61 billion for the year ended June 30, 2009, including: student tuition and fees of $195.2 million (12 percent); grants, contracts, and recoveries of facilities and administrative costs of $320.2 million (20 percent); professional clinical service fees of $193.4 million (12 percent); and hospital services of $701.9 million (44 percent). Operating revenues for fiscal year 2009 increased $51.9 million or 3 percent over fiscal year 2008, primarily due to increases in hospital services revenues of $34.4 million; student tuition and fees of $17.0 million; and professional clinical service fees of $18.5 million.

Operating expenses totaled $2.02 billion in fiscal year 2009. Of this amount, $989.3 million, or 49 percent excluding depreciation, was expended for educational and general programs, including instruction, research and public service. Hospital expenses, excluding depreciation, totaled $668.0 million, or 33 percent of the total expenses, and clinical operations expenses, excluding depreciation, were $158.8 million (8 percent). Depreciation amounted to $99.1 million (5 percent). Operating expenses for fiscal year 2009 increased $112.2 million (6 percent) over fiscal year 2008 primarily due to increases in hospital expenses, excluding depreciation, of $71.7 million (12 percent). Of this increase, $53.8 million was the result from the operations of Chandler Hospital and $17.9 million was the result from the operations of Good Samaritan Hospital. Additionally, clinical operation expenses increased $28.6 million for personnel, supplies and equipment, as well as new clinics that opened during the fiscal year. Depreciation expense increased $5.3 million or six percent, due primarily to the addition of related capital assets.

The net loss from operations for the 2009 fiscal year totaled $410.2 million. Nonoperating and other revenues, net of expenses, totaled $326.7 million, resulting in a decrease in net assets of $83.5 million for the year. Nonoperating revenue included state appropriations of $315.2 million, which decreased $12.0 million from June 30, 2008 to June 30, 2009, and investment losses of $169.1 million.

Statement of Cash Flows

The Statement of Cash Flows details how cash has increased or decreased during the fiscal year ended June 30, 2010, with comparative financial information for the fiscal year ended June 30, 2009. The sources and uses of cash are arranged in the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

Cash flows associated with the University's expendable net assets appear in the operating and noncapital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt, and debt repayments. Purchases and sales of investments are reflected in investing activities.

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments made by the University during the year that will allow financial statement readers to assess the University's ability to generate future net cash flows and to meet obligations as they become due; and to assess the possible need for external financing.

A comparative summary of the University's statement of cash flows for years ended June 30, 2010; June 30, 2009; and June 30, 2008 follows:

Condensed Statement of Cash Flows (in thousands)

	2010	2009	2008
CASH PROVIDED (USED) BY:			
Operating activities	$ (257,232)	$ (307,813)	$ (304,072)
Noncapital financing activities	436,216	401,342	424,806
Capital and related financing activities	(191,256)	(226,694)	(56,828)
Investing activities	64,000	(3,819)	(771)
Net increase (decrease) in cash and cash equivalents	51,728	(136,984)	63,135
Cash and cash equivalents, beginning of year	441,554	578,538	515,403
Cash and cash equivalents, end of year	$ 493,282	$ 441,554	$ 578,538

The University's cash and cash equivalents increased $51.7 million in fiscal year 2010. Total cash provided by operating and noncapital financing activities was $179.0 million, an increase of $85.5 million compared to fiscal year 2009. Total cash used by capital financing activities was $191.3 million, reflecting both capital funding sources (debt proceeds) and uses (purchases of capital assets and debt service). Total cash provided by investing activities was $64.0 million.

Major sources of cash received from operating activities were student tuition and fees of $206.9 million; hospital services of $780.4 million; grants, contracts, and recoveries of facilities and administrative costs of $331.6 million; and professional clinical service fees of $195.2 million. Major uses of cash for operating activities were payments to employees for salaries and benefits of $1.30 billion and to vendors and contractors of $664.9 million.

Noncapital financing activities include state appropriations from the Commonwealth of Kentucky of $294.1 million; state fiscal stabilization funds of $21.1 million; and gifts of $100.4 million.

Capital and related financing activities include proceeds of capital debt of $125.4 million; capital appropriations of $11.4 million and capital grants and gifts of $36.8 million. Cash of $283.5 million was expended for construction and acquisition of capital assets and $80.4 million was expended for principal and interest payments on debt.

Investing activities include proceeds from sales and maturities of investments of $1.27 billion and interest and dividends on investments of $22.4 million. Cash of $1.23 billion was used to purchase investments.

2009 Versus 2008. Cash balances were lower when comparing fiscal year 2009 with fiscal year 2008. The $137.0 million net decrease in cash was created primarily due to the use of cash for capital related activities.

Capital Asset and Debt Administration

Capital Assets

Capital assets, net of accumulated depreciation, totaled $1.77 billion at June 30, 2010, an increase of $202.3 million. Capital assets as of June 30, 2010 and significant changes in capital assets during the years ended June 30, 2008; June 30, 2009; and June 30, 2010 follow (in millions):

	Balance June 30, 2008	Net Additions FY 08-09	Balance June 30, 2009	Net Additions FY 09-10	Balance June 30, 2010
Land and land improvements	$ 134	$ 4	$ 138	$ 5	$ 143
Buildings, fixed equipment and infrastructure	1,422	95	1,517	150	1,667
Equipment, vehicles and capitalized software	533	37	570	19	589
Library materials and art	146	6	152	3	155
Construction in progress	176	165	341	103	444
Accumulated depreciation	(1,066)	(80)	(1,146)	(78)	(1,224)
Total	$ 1,345	$ 227	$ 1,572	$ 202	$ 1,774

At June 30, 2010, the University had capital construction projects in progress totaling approximately $642.8 million in scope. Major projects include the new Patient Care Facility, the Livestock Disease and Diagnostic Center expansion and the Digital Village. The estimated cost to complete the projects in progress is approximately $194.1 million.

Debt

At June 30, 2010, capital debt amounted to $754.2 million, summarized by trust indenture and type as follows (in millions):

	2010	2009	2008
General Receipts bonds and notes	$ 481.5	$ 390.9	$ 361.5
Consolidated Educational Buildings Revenue Bonds	93.6	104.8	115.7
Commonwealth Library Project (W.T. Young Library) Bonds	-	-	37.8
Capital lease obligations	153.2	154.5	156.1
Notes payable	25.9	26.8	5.5
Total	$ 754.2	$ 677.0	$ 676.6

Debt increased $77.2 million during the year primarily due to the issuance of bonds for the Patient Care Facility construction project reduced by principal payments for the University's debt obligations.

Economic Factors That Will Affect the Future

Executive management believes the University is well-positioned to maintain its strong financial condition and to continue providing excellent service to students, patients, the community and the Commonwealth of Kentucky. The University's strong financial condition, as evidenced by the receipt of credit ratings of Aa3 and AA- from Moody's Investors Service and Standard & Poor's Ratings Services, respectively, will provide a high degree of flexibility in obtaining funds on competitive terms. This flexibility, along with ongoing efforts toward revenue diversification and cost containment, will enable the University to obtain the necessary resources to sustain excellence. The following are known facts and circumstances that will affect future financial results:

- The 2010 General Assembly passed the 2010-12 biennial budget, House Bill 1 (HB1), on May 28 during an Extraordinary Session. HB1 reflects a net 1.4 percent reduction in state support for the University in fiscal year 2010-11 and an additional 1.0 percent reduction in fiscal year 2011-12. The Commonwealth of Kentucky continues to rely on federal stimulus funds to lessen the impact of the poor economy. In fiscal year 2009-10, the University's state support was a combination of $294.1 million in state appropriations and $21.1 million in federal State Fiscal Stabilization Funds (SFSF). The University's fiscal year 2010-11 state support will be a combination of $289.3 million in state appropriations and $17.2 million in SFSF, resulting in a $8.7 million net decrease in state support when compared to fiscal year 2009-10. The federal government has not appropriated any SFSF beyond fiscal year 2010-11. State support will constitute 12.4 percent of the University's fiscal year 2010-11 operating budget. State appropriations include a new $392,000 earmark for the Livestock Disease Diagnostic Center.
- Tuition rates for fiscal year 2010-11 will generally increase 6 percent. The tuition rate increases, along with adjustments for projected enrollment, are expected to generate additional operating revenues of approximately $17.2 million.
- As of June 30, 2010, grants and contracts of approximately $434.8 million have been awarded to the University but not expended. These contracts will provide grant revenue in future periods.
- The new Patient Care Facility building with an estimated construction cost of $532.3 million has been authorized by the General Assembly and approved by the Board of Trustees. The facility is currently under construction. General Receipts notes and bonds in the amount of $366.3 million have been issued for this project with the remainder of the funding being provided by UK HealthCare Hospital System cash reserves.
- Healthcare reform will initiate significant reforms to the United States healthcare system, including potential material changes to the delivery of healthcare services and the reimbursement paid for such services by the government or other third party payers. The long-term impact is unknown, as the long period between passage and its implementation lends to some level of uncertainty. UK Healthcare will develop and execute strategies in an effort to mitigate the negative impacts and leverage opportunities.
- The University concluded its Campaign for the University of Kentucky in Fiscal Year 2009, exceeding the goal of $1 billion. Campaign pledges in the amount of $45.0 million are due to be received in future years.
- The University will continue its long-term endowment investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate programs funded by the endowment from temporary market volatility.

Economic challenges will continue to have an impact on the future. However, management believes the University of Kentucky will be able to sustain its sound financial position and continue its progress toward becoming one of America's Top 20 public research institutions.

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 448,966,561	$ 378,008,688
Notes, loans and accounts receivable, net	224,138,106	209,201,081
Investments	6,403,909	3,834,071
Inventories and other assets	33,021,254	37,096,674
Total current assets	712,529,830	628,140,514
Noncurrent Assets		
Restricted cash and cash equivalents	44,315,115	63,545,515
Endowment investments	793,504,612	701,762,044
Other long-term investments	149,858,302	211,939,888
Notes, loans and accounts receivable, net	51,445,826	51,754,493
Other noncurrent assets	19,131,945	17,612,357
Capital assets, net	1,773,855,035	1,571,530,212
Total noncurrent assets	2,832,110,835	2,618,144,509
Total assets	3,544,640,665	3,246,285,023
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	191,318,211	170,105,665
Deferred revenue	66,208,449	68,755,940
Long-term liabilities - current portion	88,836,073	74,221,448
Total current liabilities	346,362,733	313,083,053
Noncurrent Liabilities		
Accounts payable and accrued liabilities	2,659,211	-
Deferred revenue	6,386,753	6,305,546
Long-term liabilities	799,255,015	713,815,756
Total noncurrent liabilities	808,300,979	720,121,302
Total liabilities	1,154,663,712	1,033,204,355
NET ASSETS		
Invested in capital assets, net of related debt	1,047,224,752	909,736,433
Restricted		
Nonexpendable		
Scholarships and fellowships	111,378,171	106,739,359
Research	248,537,423	232,694,344
Instruction	75,169,267	72,176,410
Academic support	83,158,845	82,065,465
Other	8,047,206	6,505,828
Total restricted nonexpendable	526,290,912	500,181,406
Expendable		
Scholarships and fellowships	36,135,641	24,546,938
Research	16,777,031	4,571,413
Instruction	26,809,577	22,003,363
Academic support	16,305,815	7,963,705
Loans	9,525,382	10,100,004
Capital projects	53,148,633	64,035,043
Debt service	6,374,378	3,321,353
Auxiliary	10,152,630	14,595,966
Other	26,395,475	25,294,820
Total restricted expendable	201,624,562	176,432,605
Total restricted	727,915,474	676,614,011
Unrestricted	614,836,727	626,730,224
Total net assets	$ 2,389,976,953	$ 2,213,080,668

See notes to financial statements.

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Student tuition and fees	$ 281,848,249	$ 261,101,412
Less: Scholarship allowances	(73,508,067)	(65,857,400)
Net tuition and fees	208,340,182	195,244,012
Federal grants and contracts	174,296,740	157,468,186
State and local grants and contracts	93,601,452	90,655,458
Nongovernmental grants and contracts	26,395,526	27,344,046
Recoveries of facilities and administrative costs	50,846,951	44,707,250
Sales and services	47,931,711	45,841,548
Federal appropriations	15,390,146	16,584,047
County appropriations	16,393,806	14,451,243
Professional clinical service fees	194,401,273	193,390,926
Hospital services	782,677,345	701,936,084
Auxiliary enterprises:		
Housing and dining	46,991,171	45,021,377
Less: Scholarship allowances	(6,613,333)	(5,738,615)
Net housing and dining	40,377,838	39,282,762
Athletics	63,652,329	56,856,918
Other auxiliaries	26,778,335	25,514,674
Other operating revenues	1,507,919	2,790,076
Total operating revenues	1,742,591,553	1,612,067,230
OPERATING EXPENSES		
Educational and general:		
Instruction	254,119,456	240,313,163
Research	264,249,956	251,361,721
Public service	224,560,414	218,489,297
Libraries	18,960,776	18,661,730
Academic support	77,799,583	73,702,860
Student services	28,970,261	26,881,506
Institutional support	81,139,377	77,059,329
Operations and maintenance of plant	62,056,210	58,556,828
Student financial aid	27,035,362	24,224,600
Depreciation	64,363,521	65,247,100
Total educational and general	1,103,254,916	1,054,498,134
Clinical operations (including depreciation of $2,201,317 in 2010 and $2,182,905 in 2009)	152,307,905	161,023,668
Hospital and clinics (including depreciation of $31,694,200 in 2010 and $28,026,771 in 2009)	733,722,931	696,020,757
Auxiliary enterprises:		
Housing and dining (including depreciation of $3,017,143 in 2010 and $3,067,994 in 2009)	39,980,463	38,941,416
Athletics (including depreciation of $555,336 in 2010 and $541,996 in 2009)	67,556,434	56,936,410
Other auxiliaries	16,454,920	14,629,789
Other operating expenses	1,701,831	243,034
Total operating expenses	2,114,979,400	2,022,293,208
Net loss from operations	(372,387,847)	(410,225,978)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	294,137,000	315,161,856
State fiscal stabilization fund	21,066,800	-
Gifts and non-exchange grants	78,295,024	72,035,090
Investment income (loss)	95,428,396	(169,112,621)
Interest on capital asset-related debt	(19,023,897)	(15,862,134)
Other nonoperating revenues and expenses, net	5,387,226	6,205,488
Net nonoperating revenues (expenses)	475,290,549	208,427,679
Net income (loss) before other revenues, expenses, gains or losses	102,902,702	(201,798,299)
Capital appropriations	11,449,731	3,445,500
Capital grants and gifts	42,992,255	107,546,249
Additions to permanent endowments, including Research Challenge Trust Funds of $11,061,130 in 2010	21,062,098	9,990,091
Other, net	(1,510,501)	(2,687,655)
Total other revenues (expenses)	73,993,583	118,294,185
INCREASE (DECREASE) IN NET ASSETS	176,896,285	(83,504,114)
NET ASSETS, beginning of year	2,213,080,668	2,296,584,782
NET ASSETS, end of year	$ 2,389,976,953	$ 2,213,080,668

See notes to financial statements.

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 206,948,224	$ 196,484,801
Grants and contracts	282,370,019	287,815,457
Recoveries of facilities and administrative costs	49,226,934	47,362,845
Sales and services	53,314,627	48,985,262
Federal appropriations	12,696,791	17,254,543
County appropriations	16,474,893	15,502,364
Payments to vendors and contractors	(664,910,795)	(675,411,210)
Student financial aid	(27,022,654)	(24,199,537)
Salaries, wages and benefits	(1,300,914,479)	(1,251,596,509)
Professional clinic service fees	195,183,493	192,191,168
Hospital services	780,351,705	710,548,886
Auxiliary enterprise receipts:		
Housing and Dining	40,418,904	39,164,301
Athletics	64,643,389	58,014,172
Other auxiliaries	26,588,782	25,213,008
Loans issued to students	(16,561,479)	(20,764,879)
Collection of loans to students	18,576,095	21,396,140
Self insurance receipts	53,111,462	45,589,764
Self insurance payments	(49,029,345)	(44,727,061)
Other operating receipts (payments), net	1,301,033	3,363,260
Net cash provided (used) by operating activities	(257,232,401)	(307,813,225)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	294,137,000	315,161,856
State fiscal stabilization fund	21,066,800	-
Gifts and grants received for other than capital purposes:		
Gifts received for endowment purposes	21,062,212	10,009,607
Gifts received for other purposes	79,332,516	70,028,627
Agency and loan program receipts	149,302,263	137,758,878
Agency and loan program payments	(149,302,184)	(139,696,126)
Other noncapital financing receipts (payments), net	20,617,513	8,079,644
Net cash provided (used) by noncapital financing activities	436,216,120	401,342,486
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	11,449,731	3,445,500
Capital grants and gifts	36,786,956	96,858,703
Purchases of capital assets	(283,536,343)	(293,361,014)
Proceeds from capital debt	125,379,208	68,325,514
Payments to refunding bond agents	-	(38,090,250)
Principal paid on capital debt and leases	(49,663,657)	(38,490,768)
Interest paid on capital debt and leases	(30,776,476)	(24,208,510)
Other capital and related financing receipts (payments), net	(895,820)	(1,173,157)
Net cash provided (used) by capital and related financing activities	(191,256,401)	(226,693,982)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,268,373,472	1,384,472,749
Interest and dividends on investments	22,385,738	46,797,312
Purchase of investments	(1,226,759,055)	(1,435,089,340)
Net cash provided (used) by investing activities	64,000,155	(3,819,279)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,727,473	(136,984,000)
CASH AND CASH EQUIVALENTS, beginning of year	441,554,203	578,538,203
CASH AND CASH EQUIVALENTS, end of year	$ 493,281,676	$ 441,554,203
Reconciliation of net loss from operations to net cash used by operating activities:		
Net loss from operations	$ (372,387,847)	$ (410,225,978)
Adjustments to reconcile net loss from operations to net cash used by operating activities:		
Depreciation expense	101,831,517	99,066,766
Change in assets and liabilities:		
Notes, loans and accounts receivable, net	(12,302,021)	22,095,011
Inventories and other assets	3,580,740	(3,393,265)
Accounts payable and accrued liabilities	16,627,592	(23,816,878)
Deferred revenue	(2,466,304)	8,999,902
Long-term liabilities	7,883,922	(538,783)
Net cash provided (used) by operating activities	$ (257,232,401)	$ (307,813,225)

See notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Kentucky (the University) is a component unit of the Commonwealth of Kentucky and is included in the basic financial statements of the Commonwealth. The financial statements of the University include the operations of the University, its for-profit subsidiary (Kentucky Healthcare Enterprise, Inc.) and its affiliated non-profit corporations (entities for which the University is financially accountable as defined by Statement No. 14 and amended by Statement No. 39 of the Governmental Accounting Standards Board (GASB), and which meet the definition of an affiliated corporation under Kentucky Revised Statutes (KRS) section 164A.550) as follows: the University of Kentucky Research Foundation and its for-profit subsidiaries (Kentucky Technology, Inc. and Coldstream Laboratories, Inc.); The Fund for Advancement of Education and Research in the University of Kentucky Medical Center; University of Kentucky Athletic Association; Central Kentucky Management Services, Inc.; University of Kentucky Mining Engineering Foundation, Inc.; University of Kentucky Business Partnership Foundation, Inc.; University of Kentucky Gluck Equine Research Foundation, Inc.; University of Kentucky Humanities Foundation, Inc.; and University of Kentucky Center on Aging Foundation, Inc. The financial statements also include the operations of Kentucky Medical Services Foundation, Inc. (KMSF) and University of Kentucky Faculty Club, Inc, (doing business as the Hilary J. Boone Center), non-profit entities for which the University is financially accountable as defined by GASB, but which are not affiliated corporations under KRS. The financial statements also include the operations of the UK HealthCare Hospital System (the System), an organizational unit of the University. The separate financial statements for the above entities can be found at: www.uky.edu/evpfa/controller/finst.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. GASB establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and financial reporting purposes into the following net assets categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted: *Nonexpendable* – Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the principal of the University's permanent endowment funds.

  Expendable – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- Unrestricted: Net assets whose use by the University is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation is intended to provide a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Pursuant to GASB Statement No. 20, the University has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989 and do not conflict with or contradict GASB pronouncements.

Summary of Significant Accounting Policies

Accrual Basis. The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The University reports as a Business Type Activity (BTA) as defined by GASB Statement No. 35. BTA's are those activities that are financed in whole or part by fees charged to external parties for goods and services.

Cash and Cash Equivalents. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Noncurrent cash and cash equivalents include plant funds allocated for capital projects, debt service reserves and endowment fund cash pending transfer to the custodian for investment. Cash and cash equivalents held by bond trustees and the University's endowment fund managers are included in investments.

Notes, Loans and Accounts Receivable. This classification consists of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff, and loans to students. Also included are patient accounts receivable, amounts due from sponsors for reimbursement of expenses made pursuant to contracts and grants, and pledges that are verifiable, measurable and expected to be collected. Accounts receivable are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories. Inventories are stated principally at the lower of average cost or market.

Pooled Endowment Funds. All endowments are managed in a consolidated investment pool, which consists of more than 2,000 named funds. All contributing endowments participate in the income and appreciation of the pool on a per unit basis commensurate with their contribution to the pool. New endowments purchase units in the pool at the current unit value which is calculated each month based on the fair value of the pool investments divided by the number of pool units outstanding. The market value method of accounting for pooled endowment funds is employed to ensure proper distribution of market price changes, realized gains (losses) on sales, accrued income earned, and distribution of investment earnings for expenditure by participating funds.

In accordance with the Uniform Management of Institutional Funds Act, as adopted by the Commonwealth of Kentucky, the University employs the total return method of investment management for setting investment objectives and determining investment performance. This method recognizes dividends and interest, plus or minus realized and unrealized gains or losses, in determining the total return earned during any particular period. Additionally, this method allows the University to appropriate for spending a prudent amount of realized and unrealized gains in addition to traditional income. In July 2010, the Commonwealth of Kentucky adopted the Uniform Prudent Management of Institutional Funds Act that also allows the total return method of investment management.

For the years ended June 30, 2010 and 2009, the University's endowment spending rule provided for annual distributions of 4.5 percent of the thirty-six month moving average market value of fund units. For the years ended June 30, 2010 and 2009 approximately $24,084,000 and $18,427,000, respectively, was transferred from endowment realized and unrealized gains or losses to support current programs in accordance with the University's endowment spending rule. Additionally, for the years ended June 30, 2010 and 2009, the University assessed eligible endowment accounts with a management fee of 0.5 percent of total asset value.

The Investment Committee of the University's Board of Trustees has approved a spending rate distribution of 4.375 percent and 4.25 percent of a sixty month moving average market value of fund units for the years ended June 30, 2011 and 2012, respectively. Additionally, the Investment Committee has approved a management fee of 0.375 percent and 0.25 percent of total asset value for the years ended June 30, 2011 and 2012, respectively.

Investments. Investments in marketable debt and equity securities are carried at fair value, as determined by the major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets. Other investments, including guaranteed investment contracts, repurchase agreements and certificates of deposit are valued at face value and are fully collateralized.

Capital Assets. Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift.

The University capitalizes interest costs as a component of construction in progress based on the interest cost of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing.

Equipment with a unit cost of $2,000 or more ($1,000 for computers) and having an estimated useful life of greater than one year is capitalized. 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 expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 40 years for buildings, 10 – 25 years for land improvements, building improvements and infrastructure, 10 years for library books, and 5 – 20 years for equipment and vehicles.

The University capitalizes, but does not depreciate, works of art, historical treasures and certain library materials that are held for exhibition, education, research and public service.

Deferred Revenue. Deferred revenue consists primarily of amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received from the federal government through the Commonwealth of Kentucky for Disproportionate Share System (DSH) funds. Deferred revenue also includes amounts received in advance of an event, such as advance athletic ticket sales relating to future fiscal years and unearned summer school revenue. Deferred revenue is recognized in the period to which the grant, event or semester relates. The DSH amounts are recognized as revenue over the term of the federal government fiscal year, October 1 – September 30.

Compensated Absences. The amount of vacation leave earned but not taken by employees at June 30, 2010 is recorded as a liability by the University. Temporary disability leave payable upon termination under the University's payout policy is also recorded as a liability. Compensated absence liabilities are computed using the pay rates in effect at the statement of net assets date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Scholarship Allowances. Student tuition and fees are presented net of scholarship allowances applied to student accounts. Stipends and other payments made directly to students are presented as student financial aid expenses. 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 governmental grants, such as Pell grants and other federal and state programs similar to Pell, are recorded as nonoperating revenues; other governmental and nongovernmental grants are recorded as operating 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.

Hospital and Clinical Services Revenues. Hospital and clinical services revenues are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including contractual allowances and estimated retroactive adjustments under reimbursement programs with third-party payers, less an allowance for doubtful accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The System is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 26 percent and 25 percent, respectively, of the System's net patient services revenues for the year ended June 30, 2010 and approximately 29 percent and 24 percent, respectively, for the year ended June 30, 2009. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The System also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Income Taxes. The University is an agency and instrumentality of the Commonwealth of Kentucky, pursuant to Kentucky Revised Statutes sections 164.100 through 164.280. Accordingly, the University is excluded from federal income taxes as an organization described in Section 115 of the Internal Revenue Code of 1986, as amended. Each of the University's affiliated non-profit organizations has received a determination from the Internal Revenue Service granting exemption from federal income taxation pursuant to the provisions of Internal Revenue Code section 501(c)(3). KMSF and the University of Kentucky Faculty Club are also not-for-profit corporations as described in Section 501 (c)(3) and 501 (c)(7), respectively, of the Internal Revenue Code.

Restricted Asset Spending Policy. The University's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities. The University defines operating activities, as reported on the Statement of Revenues, Expenses and Changes in Net Assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, gifts and investment income, are recorded as nonoperating revenues in accordance with GASB Statement No. 35.

The University has classified operating expenses based upon their functional classification. Operating expenses by natural classification are presented in Note 23. During fiscal years 2010 and 2009, departmental research in nonsponsored accounts of $63,136,000 and $64,084,000, respectively, was recorded as research expense in the Statements of Revenues, Expenses and Changes in Net Assets.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The accompanying financial statements include estimates for items such as bad debt and contractual allowances, self-insurance reserves, accrued expenses and other liability accounts.

Recent Accounting Pronouncements. The GASB has issued certain statements which are applicable to the University for fiscal years ending after June 30, 2010. The University does not expect the adoption of these statements to have a material effect on its financial statements.

2. DEPOSITS AND INVESTMENTS

The fair value of deposits and investments, by type, at June 30, 2010 and 2009 is as follows (in thousands):

	2010	2009
Deposits with banks and the Commonwealth of Kentucky	$ 33,291	$ 75,282
U.S. Treasury fixed income securities	45,696	22,457
Government agency fixed income securities	43,559	96,596
Common and preferred stocks	12,177	7,475
Pooled equity funds	383,165	431,702
Private equity funds	29,276	20,057
Pooled absolute return funds	78,460	15,000
Pooled real return funds	55,749	22,183
Pooled real estate funds	54,466	57,403
Pooled fixed income funds	459,604	437,632
Corporate fixed income securities	36,344	56,514
Guaranteed investment contracts	509	1,741
Repurchase agreements	155,027	20,081
Certificates of deposit	12,795	21,200
Cash and cash equivalents	42,584	73,029
Other	347	739
Total	$ 1,443,049	$ 1,359,091

	2010	2009
Statement of Net Assets classification		
Cash and cash equivalents	$ 448,967	$ 378,009
Current investments	6,404	3,834
Restricted cash and cash equivalents	44,315	63,546
Endowment investments	793,505	701,762
Other long-term investments	149,858	211,940
Total	$ 1,443,049	$ 1,359,091

Deposit and investment policies. The University's Board of Trustees is responsible for establishing deposit and investment policies. Once established, the Board has delegated day-to-day management to the Vice President for Financial Operations and Treasurer of the University. Deposit and investment policies are developed to insure compliance with state laws and regulations as well as to establish and maintain sound financial management practices.

The University follows Kentucky Revised Statutes (KRS 42.500) for the investment of public funds, which list allowable investment instruments including: obligations of the United States or a United States government agency; obligations of any corporation of the United States Government; collateralized certificates of deposit; highly rated uncollateralized certificates of deposit, bankers acceptances and commercial paper; highly rated securities issued by a state or local government; and mutual funds comprised of any of the above allowable investments.

For purposes of investment management, the majority of the University's deposits and investments can be grouped into five significant categories, as follows:

- Overnight investments include deposits, money markets and repurchase agreements with local banks, the Commonwealth of Kentucky and other financial institutions.

- Bond revenue fund investments held by the Treasurer of the Commonwealth of Kentucky as required by the University's bond trust indentures and invested in pooled fixed income funds managed by the Commonwealth of Kentucky.
- Short-term investments managed by the University, including individual securities purchased and held by the University and short-term investments in pooled fixed income funds managed by the Commonwealth of Kentucky.
- Debt service reserve fund investments required by the University's bond trust indentures and held by the bond trustees.
- Endowment investments administered by the University and managed using external investment managers.

The Treasurer manages the overnight and short-term investment programs of the University based on the Overnight and Short-Term Investment Policy approved by the Investment Committee of the University's Board of Trustees. The University's policy for the investment of bond revenue and debt service reserve funds is governed by each respective bond's trust indenture. The Investment Committee of the University's Board of Trustees establishes and maintains the University's Endowment Investment Policy.

Deposit and investment risks. The University's deposits and investments are exposed to various risks, including credit, interest rate and foreign currency risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could affect the investment amounts in the statement of net assets.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the University to experience a loss of principal.

As a means of limiting its exposure to losses arising from credit risk, the University's investment policies limit the exposure of its various investment types as follows:

- Overnight investment (deposits and repurchase agreements) policies minimize credit risk in several ways. Deposits are governed by state law which requires full collateralization. Credit risk on repurchase agreements with local banks is mitigated by the issuing financial institution's pledge of specific U.S. treasury or agency securities, held in the name of the University by the Federal Reserve Bank. Credit risk on repurchase agreements with the Commonwealth of Kentucky is mitigated by the Commonwealth's requirement that providers of overnight repurchase agreements collateralize these investments at 102 percent of face value with U.S. Treasury or agency securities, pledged in the name of the Commonwealth. Money market fund portfolios consist of securities eligible for short-term investments.
- Bond revenue fund investments held in the Commonwealth's investment pools can invest in U.S. treasuries and agencies; commercial paper or asset backed securities rated in the highest category by a nationally recognized rating agency; certificates of deposit, bankers acceptances, state or local government securities and corporate, Yankee and Eurodollar securities rated in one of the three highest categories by a nationally recognized rating agency; shares of mutual funds (up to 10%); and state and local property tax certificates of delinquency secured by interests in real estate.
- Short-term investments managed by the University are limited to U.S. Treasury securities; securities issued by U.S. government agencies or government sponsored entities; money market securities, including: commercial paper rated the highest by a nationally recognized rating agency, collateralized certificates of deposit, and bankers' acceptances for banks rated A or higher; repurchase and reverse repurchase agreements collateralized at 102 percent; municipal obligations rated A1 or higher; and money market mutual funds invested in any of the above noted security types. Short-term investments held in the Commonwealth's investment pools are subject to the same credit quality requirements as denoted above for bond revenue fund investments.
- Investment securities held in bond debt service reserve funds may be invested and reinvested solely in bonds or interest bearing notes of the United States Government.
- Endowment managers are permitted to use derivative instruments to limit credit risk. Additionally, endowment investments held by fixed income managers are generally limited to holdings of high quality fixed income securities. These managers may invest a portion of the portfolio in other below-investment grade bonds, non-U.S. dollar denominated bonds, and emerging market bonds, provided the overall credit quality of the fixed income portfolios is not lower than A-.

At June 30, 2010 and 2009, respectively, the credit quality of the University's fixed income investments is as follows (in thousands):

2010	S&P/Moody's Credit Ratings								
	AAA/Aaa	AA/Aa	A	BBB/Baa	BB/Ba	B	Not rated	Rating Not Applicable	Total
U.S. treasury fixed income								$ 45,696	$ 45,696
Government agency fixed income	$ 43,559							-	43,559
Pooled fixed income	1,873	$ 28					$ 457,703	-	459,604
Corporate fixed income	-	392	$ 1,162	$ 34,789			1	-	36,344
Guaranteed investment contracts	-	-	-	-			509	-	509
Repurchase agreements	-	-	-	-			155,027	-	155,027
Certificates of deposit	-	-	-	-			12,795	-	12,795
Cash and cash equivalents	17,690	-	-	-			24,894	-	42,584
Total fixed income investments	$ 63,122	$ 420	$ 1,162	$ 34,789	$ -	$ -	$ 650,929	$ 45,696	$ 796,118

2009	S&P/Moody's Credit Ratings								
	AAA/Aaa	AA/Aa	A	BBB/Baa	BB/Ba	B	Not rated	Rating Not Applicable	Total
U.S. treasury fixed income								$ 22,457	$ 22,457
Government agency fixed income	$ 96,596							-	96,596
Pooled fixed income	-	$ 1,889					$ 435,743	-	437,632
Corporate fixed income	-	171	$ 2,394	$ 43,954	$ 141	$ 9,340	514	-	56,514
Guaranteed investment contracts	-	-	-	-	-	-	1,741	-	1,741
Repurchase agreements	-	-	-	-	-	-	15,140	4,941	20,081
Certificates of deposit	-	-	-	-	-	-	21,200	-	21,200
Cash and cash equivalents	60,479	-	-	-	-	-	1,614	10,936	73,029
Total fixed income investments	$ 157,075	$ 2,060	$ 2,394	$ 43,954	$ 141	$ 9,340	$ 475,952	$ 38,334	$ 729,250

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in possession of an outside party.

As a means of limiting its exposure to losses arising from custodial credit risk, the University's investment policies limit the exposure of its various investment types as follows:

- Overnight deposits and repurchase agreements are not exposed to custodial credit risk other than repurchase agreements with the Commonwealth of Kentucky which are held in the Commonwealth's name. Money market investments are held in the University's name by the University's custodian.
- Bond revenue fund investments held in the Commonwealth's investment pools are held in the Commonwealth's name by the Commonwealth's custodian.
- Short-term investments held by the Commonwealth for the benefit of the University are invested in the Commonwealth's investment pools and are held in the name of the Commonwealth by the Commonwealth's custodian. Short-term investments managed by the University are held in the University's name by the University's custodian.
- Investment securities held in bond debt service reserve funds are held by the respective bond trustee in a specific trust account for the benefit of the University and bondholders.
- Endowment investments are held in the University's name by the University's custodian.

At June 30, 2010 and 2009, respectively, the following University deposit and investment balances held in the name of the Commonwealth of Kentucky included in the above significant investment types, were exposed to custodial credit risk as follows (in thousands):

	2010					
	State Deposits	Overnight Investments	Bond Revenue Investments	Short-term Investments	Other State Investments	Total
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name	$ 33,291	$148,000				$ 181,291
Uninsured, not registered in the name of the University and held by the counterparty but not in the University's name	-	-	$ 228,975	$ 60,318	$ 73,718	363,011
Total	$ 33,291	$148,000	$ 228,975	$ 60,318	$ 73,718	$ 544,302

	2009				
	State Deposits	Bond Revenue Investments	Short-term Investments	Other State Investments	Total
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name	$ 56,674				$ 56,674
Uninsured, not registered in the name of the University and held by the counterparty but not in the University's name	-	$ 222,937	$ 60,156	$ 84,136	367,229
Total	$ 56,674	$ 222,937	$ 60,156	$ 84,136	$ 423,903

Concentrations of Credit Risk. University investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer.

As a means of limiting its exposure to concentrations of credit risk, the University's investment policies limit concentrations in various investment types as follows:

- Overnight deposits and repurchase agreements are not limited as to the maximum amount that may be invested in one issuer. However, all such investments in excess of Federal Depository Insurance are required to be fully collateralized by U.S. treasury and/or U.S. agency securities or other similar investments as provided by KRS 41.240.
- Bond revenue fund investments and short-term investments held in the Commonwealth's investment pools are limited as follows: U.S. dollar denominated corporate and Yankee securities issued by foreign and domestic issuers shall not exceed 25 percent of an individual pool and $25,000,000 per issuer, inclusive of commercial paper, bankers' acceptances and certificates of deposit; and U. S. dollar denominated sovereign debt shall not exceed five percent of any individual portfolio and $25,000,000 per issuer.
- There is no specific limit on the maximum amount of short-term investments managed by the University that may be invested in one issuer, other than the requirement that the amount of money invested at any one time in commercial paper, bankers' acceptances and municipal obligations shall not exceed 20 percent.
- There is no specific limit on the maximum amount of investment securities held in bond debt service reserve funds that may be invested in one issuer. However, such investments are limited to bonds or interest bearing notes of the U.S. government.

- Endowment fixed income managers are limited to a maximum investment in any one issuer of no more than five percent of total investments.

At June 30, 2010 and 2009, the University has no investments in any one issuer, other than U.S. treasury and/or agency securities, that represent five percent or more of total investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting its exposure to fair value losses arising from increasing interest rates, the University's investment policies limit the maturity of its various investment types as follows:

- Overnight investments, deposits, money markets and repurchase agreements have limited exposure to interest rate risk due to the short-term nature of the investment. The University requires that all deposits and repurchase agreements be available for use on the next business day.
- Bond revenue fund investments and short-term investments held in the Commonwealth's short-term investment pool are limited to a duration that does not exceed 90 days. Such investments in the Commonwealth's intermediate-term investment pool must maintain a modified duration of less than three years.
- Short-term investments managed by the University are generally limited to a maximum maturity of 24 months.
- Investment securities held in bond debt service reserve funds are required to have a maturity no later than two years from the date of the investment.
- Endowment managers are permitted to use derivative instruments to limit interest rate risk. Additionally, endowment investments held by fixed income managers are limited to a duration that is within +/-25 percent of the duration of the Barclays Aggregate Bond Index.

Below is the maturity distribution of the University's fixed income investments at June 30, 2010 (in thousands):

	2010						
	Maturities in Years						
Investment Type	Less than 1	1-3	3-5	5-10	Greater than 10	Managed based on duration	Total
U.S. treasury fixed income	$ 10,659	$ 59		$ 94		$ 34,884	$ 45,696
Government agency fixed income	10,143	10,347	$ 6,770	325		15,974	43,559
Pooled fixed income	-	-	-	-		459,604	459,604
Corporate fixed income	333	317	710	533		34,451	36,344
Guaranteed investment contracts	150	100	259	-		-	509
Repurchase agreements	150,086	-	-	1,008	$ 3,933	-	155,027
Certificates of deposit	12,795	-	-	-	-	-	12,795
Cash and cash equivalents	42,584	-	-	-	-	-	42,584
Total fixed income investments	$226,750	$ 10,823	$ 7,739	$ 1,960	$ 3,933	$544,913	$796,118

Below is the maturity distribution of the University's fixed income investments at June 30, 2009 (in thousands):

Investment Type	2009 Maturities in Years Less than 1	1-3	3-5	5-10	Greater than 10	Managed based on duration	Total
U.S. treasury fixed income	$ 9,659		$ 56	$ 67	$ 17	$ 12,658	$ 22,457
Government agency fixed income	25,480	$ 45,540	23,046	994	-	1,536	96,596
Pooled fixed income	-	-	-	-	-	437,632	437,632
Corporate fixed income	-	338	302	1,096	-	54,778	56,514
Guaranteed investment contracts	1,198	100	443	-	-	-	1,741
Repurchase agreements	15,140	-	-	1,008	3,933	-	20,081
Certificates of deposit	17,200	4,000	-	-	-	-	21,200
Cash and cash equivalents	73,029	-	-	-	-	-	73,029
Total fixed income investments	$141,706	$ 49,978	$ 23,847	$ 3,165	$ 3,950	$ 506,604	$729,250

At June 30, 2010 and 2009, the University had the following investments managed based on duration (in thousands):

Investment Type	2010 Fair Value	2010 Modified Duration (Years)	2009 Fair Value	2009 Modified Duration (Years)
U.S. treasury fixed income securities				
Pooled endowment fund	$ 34,884	0.91	$ 12,658	0.79
Government agency fixed income securities				
Pooled endowment fund	15,974	0.43	1,536	0.10
Pooled fixed income funds				
Pooled endowment fund	94,690	4.97	68,513	4.96
Other endowment investments	1,873	4.94	1,889	3.95
Commonwealth of Kentucky short-term pool	289,287	0.10	285,967	0.65
Commonwealth of Kentucky intermediate pool	73,725	0.82	81,263	1.10
KTI	29	4.20		
Corporate fixed income securities				
Pooled endowment fund	34,451	1.49	54,778	3.36
Total	$ 544,913		$ 506,604	

Foreign Currency Risk. Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit.

The University's exposure to foreign currency risk derives from certain endowment investments. The University's endowment investment policy allows fixed income managers to invest a portion of their portfolios in non-U.S. securities. Additionally, the investment policy allows various pooled fund managers to invest in accordance with the guidelines established in each individual fund's prospectus, which allows for investment in non-U.S. securities. The University's investments in the various pooled funds are denominated in U.S. dollars, with exception of two private equity funds denominated in Euros, with a fair value of $3,896,000 and $2,773,000 at June 30, 2010 and 2009, respectively. Endowment managers are permitted to use derivative instruments to limit foreign currency risk.

3. NOTES, LOANS AND ACCOUNTS RECEIVABLE, NET

Notes, loans and accounts receivable as of June 30, 2010 and 2009, respectively, follows (in thousands):

	2010		
	Gross Receivable	Allowance	Net Receivable
Hospital patient accounts	$ 124,761	$ (20,708)	$ 104,053
Hospital third-party payer settlements	87	-	87
KMSF patient accounts	24,914	(3,311)	21,603
Dentistry patient accounts	2,507	(733)	1,774
Student loans	27,446	(2,380)	25,066
Reimbursement receivable - grants and contracts	48,746	(548)	48,198
Reimbursement receivable - federal appropriations	3,122	-	3,122
Pledges receivable	55,760	(20,456)	35,304
Accrued interest receivable	3,036	-	3,036
Student receivables	13,295	(5,826)	7,469
Other	25,872	-	25,872
Total	$ 329,546	$ (53,962)	$ 275,584
Current portion			$ 224,138
Noncurrent portion			51,446
Total			$ 275,584

	2009		
	Gross Receivable	Allowance	Net Receivable
Hospital patient accounts	$ 109,863	$ (15,113)	$ 94,750
Hospital third-party payer settlements	5,006	-	5,006
KMSF patient accounts	27,462	(3,082)	24,380
Dentistry patient accounts	3,716	(1,176)	2,540
Student loans	28,040	(2,346)	25,694
Reimbursement receivable - grants and contracts	45,375	(344)	45,031
Reimbursement receivable - federal appropriations	429	-	429
Pledges receivable	55,056	(21,183)	33,873
Accrued interest receivable	3,759	-	3,759
Student receivables	10,580	(5,024)	5,556
Other	19,938	-	19,938
Total	$ 309,224	$ (48,268)	$ 260,956
Current portion			$ 209,201
Noncurrent portion			51,755
Total			$ 260,956

4. CAPITAL ASSETS, NET

Capital assets as of June 30, 2010 and capital asset activity for the year ended June 30, 2010 are summarized below (in thousands):

	June 30, 2009	Additions	Deletions	June 30, 2010
Land	$ 63,436	$ 447		$ 63,883
Land improvements - nonexhaustible	21,445	3,461		24,906
Land improvements - exhaustible	53,278	1,268		54,546
Buildings	1,391,014	145,017	$ 1,748	1,534,283
Fixed equipment - communications	59,935	5,196	-	65,131
Infrastructure	65,775	1,497	-	67,272
Equipment	460,748	42,914	31,569	472,093
Vehicles	20,465	1,366	876	20,955
Library materials	136,084	3,696	535	139,245
Nondepreciable library materials	6,482	54	-	6,536
Capitalized software	89,196	6,951	-	96,147
Art	9,014	517	-	9,531
Construction in progress	340,556	221,571	118,565	443,562
	2,717,428	433,955	153,293	2,998,090
Accumulated Depreciation				
Land improvements - exhaustible	46,351	1,290	12	47,629
Buildings	588,118	38,477	186	626,409
Fixed equipment - communications	34,943	4,014	-	38,957
Infrastructure	16,614	2,401	-	19,015
Equipment	300,097	41,384	22,436	319,045
Vehicles	16,766	1,670	861	17,575
Library materials	114,005	4,648	-	118,653
Capitalized software	29,004	7,948	-	36,952
	1,145,898	101,832	23,495	1,224,235
Capital assets, net	$ 1,571,530	$ 332,123	$ 129,798	$ 1,773,855

Capital assets as of June 30, 2009 and capital asset activity for the year ended June 30, 2009 are summarized below (in thousands):

	June 30, 2008	Additions	Deletions	June 30, 2009
Land	$ 60,251	$ 3,185		$ 63,436
Land improvements - nonexhaustible	20,737	708		21,445
Land improvements - exhaustible	52,896	382		53,278
Buildings	1,314,833	76,281	$ 100	1,391,014
Fixed equipment - communications	53,987	5,948	-	59,935
Infrastructure	52,936	12,839	-	65,775
Equipment	429,062	61,677	29,991	460,748
Vehicles	20,821	1,249	1,605	20,465
Library materials	132,247	4,070	233	136,084
Nondepreciable library materials	6,430	52	-	6,482
Capitalized software	83,054	6,142	-	89,196
Art	7,574	1,440	-	9,014
Construction in progress	176,674	181,372	17,490	340,556
	2,411,502	355,345	49,419	2,717,428
Accumulated Depreciation				
Land improvements - exhaustible	45,023	1,328	-	46,351
Buildings	552,312	35,808	2	588,118
Fixed equipment - communications	31,106	3,837	-	34,943
Infrastructure	14,240	2,374	-	16,614
Equipment	278,833	39,004	17,740	300,097
Vehicles	16,470	1,799	1,503	16,766
Library materials	108,447	5,558	-	114,005
Capitalized software	19,645	9,359	-	29,004
	1,066,076	99,067	19,245	1,145,898
Capital assets, net	$ 1,345,426	$ 256,278	$ 30,174	$ 1,571,530

At June 30, 2010, the University had construction projects in progress totaling approximately $642.8 million in scope. The estimated cost to complete these projects was approximately $194.1 million. Such construction was principally financed by proceeds from the University's general receipts bonds, capital appropriations from the Commonwealth of Kentucky and cash reserves.

Interest costs incurred during construction, net of related investment income, are capitalized. Total interest capitalized was $12,975,000 for 2010 and $8,094,000 for 2009.

During fiscal year 2010, the University utilized capital leases to acquire various items of equipment costing approximately $8.8 million. Additionally, the University has capital lease agreements to finance renovations to Commonwealth Stadium and the construction of the Wethington Building and the UK Rural Health Center building in Hazard, Kentucky. The University also has utilized capital leases to fund the purchase and implementation of its new administrative computing systems and for the lease purchase of land and buildings associated with its purchase of Good Samaritan Hospital. The net book value for capitalized leased land, buildings and equipment is $144.9 million and $160.8 million at June 30, 2010 and 2009, respectively.

Non-cash capital asset and related financing activities are summarized below (in thousands):

	2010	2009
Capital lease additions	$ 775	$ 44,479
Gifts of capital assets	3,075	5,551
Capital asset additions in accounts payable	34,302	29,055
Capitalized interest, net of investment income	12,975	8,094
Amortized bond discount, premium and cost of issues	6	148
Capital asset disposal, net	5,621	3,562
Capital asset trade in	957	840
Capital lease termination	-	68
Total	$ 57,711	$ 91,797

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2010 and 2009, respectively, follow (in thousands):

	2010	2009
Payable to vendors and contractors	$ 107,473	$ 86,070
Accrued expenses, including vacation and sick leave	56,164	54,558
Employee withholdings and deposits payable to third parties	30,340	29,478
Total	$ 193,977	$ 170,106
Current portion	$ 191,318	$ 170,106
Noncurrent portion	2,659	-
Total	$ 193,977	$ 170,106

6. DEFERRED REVENUE

Deferred revenue as of June 30, 2010 and 2009, respectively, follows (in thousands):

	2010	2009
Unearned summer school revenue	$ 6,750	$ 6,198
Unearned hospital revenue	12,710	11,685
Unearned grants and contracts revenue	33,357	41,164
Prepaid athletic ticket sales	14,301	13,289
Other	5,477	2,725
Total	$ 72,595	$ 75,061
Current portion	$ 66,208	$ 68,755
Noncurrent portion	6,387	6,306
Total	$ 72,595	$ 75,061

Noncurrent deferred revenue activity for the years ended June 30, 2010 and 2009 is summarized below (in thousands):

	June 30, 2008	Additions	Reductions	June 30, 2009	Additions	Reductions	June 30, 2010
Noncurrent deferred revenue	$ 5,972	$ 334	$ -	$ 6,306	$ 81	$ -	$ 6,387

7. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2010 and long-term liability activity for the year ended June 30, 2010 are summarized below (in thousands):

	June 30, 2009	Additions	Reductions	June 30, 2010	Current Portion	Non-Current Portion
Bonds, notes and capital leases						
General receipts notes	$ 328,450		$ 7,400	$ 321,050	$ 12,745	$ 308,305
General receipts bonds	62,470	$ 100,605	2,560	160,515	2,830	157,685
Educational buildings bonds	104,840	-	11,245	93,595	10,835	82,760
Capital leases and other						
long-term obligations	154,488	26,275	27,604	153,159	28,094	125,065
Notes payable	26,789	-	933	25,856	4,271	21,585
Total bonds, notes and capital leases	677,037	126,880	49,742	754,175	58,775	695,400
Other liabilities						
Medical malpractice	26,781	15,654	10,761	31,674	10,084	21,590
Long term disability	16	395	-	411	411	-
Annuities payable	4,607	275	13	4,869	465	4,404
Health insurance	10,109	33,192	33,205	10,096	10,096	-
Retiree health liability	-	358	-	358	358	-
Automobile and property self insurance	273	815	-	1,088	1,088	-
Other postemployment benefits trust	11,148	15,490	-	26,638	-	26,638
Federal loan programs	22,034	374	631	21,777	-	21,777
Workers compensation	20,000	4,629	4,229	20,400	5,891	14,509
Compensated absences	4,730	599	-	5,329	507	4,822
Supplemental disability	12	-	12	-	-	-
Arbitrage rebate	425	23	118	330	30	300
Unamortized bond premium	10,421	-	624	9,797	624	9,173
Unemployment compensation	270	1,325	1,088	507	507	-
Other	174	468	-	642	-	642
Total other liabilities	111,000	73,597	50,681	133,916	30,061	103,855
Total	$ 788,037	$ 200,477	$ 100,423	$ 888,091	$ 88,836	$ 799,255

Long-term liabilities as of June 30, 2009, and long-term liability activity for the year ended June 30, 2009, are summarized as follows (in thousands):

	June 30, 2008	Additions	Reductions	June 30, 2009	Current Portion	Noncurrent Portion
Bonds, notes and capital leases						
General receipts notes	$ 331,320		$ 2,870	$ 328,450	$ 7,400	$ 321,050
General receipts bonds	30,200	$ 33,350	1,080	62,470	2,560	59,910
Educational buildings bonds	115,705	-	10,865	104,840	11,245	93,595
Library bonds	37,770	-	37,770	-	-	-
Capital leases and other long-term obligations	156,103	56,680	58,295	154,488	25,718	128,770
Notes payable	5,510	21,899	620	26,789	4,883	21,906
Total bonds, notes and capital leases	676,608	111,929	111,500	677,037	51,806	625,231
Other liabilities						
Medical malpractice	31,853	7,785	12,857	26,781	4,277	22,504
Long-term disability	-	16	-	16	16	-
Annuities payable	6,271	85	1,749	4,607	423	4,184
Health insurance	12,296	31,471	33,658	10,109	10,109	-
Automobile and property self insurance	-	273	-	273	273	-
Other postemployment benefits trust	6,620	7,531	3,003	11,148	-	11,148
Federal loan programs	21,547	1,135	648	22,034	-	22,034
Workers compensation	15,076	9,013	4,089	20,000	5,872	14,128
Compensated absences	3,345	1,385	-	4,730	490	4,240
Supplemental disability	114	-	102	12	12	-
Arbitrage rebate	823	76	474	425	49	376
Unamortized bond premium	9,929	1,116	624	10,421	624	9,797
Outstanding check liability	288	-	288	-	-	-
Unemployment compensation	418	609	757	270	270	-
Other	-	174	-	174	-	174
Total other liabilities	108,580	60,669	58,249	111,000	22,415	88,585
Total	$ 785,188	$ 172,598	$ 169,749	$ 788,037	$ 74,221	$ 713,816

Annuities payable consists of the present value of future payments due under charitable remainder annuity trusts, charitable remainder unitrusts, lead trusts, irrevocable trusts and charitable gift annuities, discounted at 3.4 percent.

Bond discounts and premiums are amortized over the life of the bond using a method that approximates the effective interest method.

Bonds payable consist of general receipts bonds, general receipts notes and Consolidated Educational Building Revenue bonds (CEBRB) in the original amount of $665,910,000 dated June 1, 1998 through November 24, 2009, which bear interest at 2.25% to 4.66%. The bonds are payable in annual installments through November 1, 2039. The University is required to make semi-annual deposits of varying amounts to the debt service funds held by the trustees. The bonds are secured by the net revenues of the University and the assets restricted under the bond indenture agreements. Capital leases are due in periodic installments through November 20, 2029 and bear interest at 2.55% to 4.32%

The indenture agreements require that certain funds be established with the trustee and with the Commonwealth of Kentucky. In addition, CEBRB bonds require a debt service reserve equal to the highest annual aggregate debt service payment due during the remaining lives of the bonds. Currently this amount is $14,648,000.

On November 24, 2009, $100,605,000 of University of Kentucky General Receipts Bonds Series 2009 B were issued at a net interest cost of 3.59%. These bonds were issued as Build America Bonds as authorized under the American Recovery and Reinvestment Act of 2009. The University will receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the bonds.

Principal maturities and interest on bonds, notes and capital leases for the next five years and in subsequent five-year periods as of June 30, 2010, are as follows (in thousands):

	Principal	Interest	Total
2011	$ 58,775	$ 34,478	$ 93,253
2012	52,972	31,476	84,448
2013	51,309	28,425	79,734
2014	62,034	26,302	88,336
2015	37,370	24,300	61,670
2016-2020	177,030	98,572	275,602
2021-2025	167,350	58,039	225,389
2026-2030	93,510	23,551	117,061
2031-2035	24,425	11,963	36,388
2036-2040	29,400	4,314	33,714
Total	$ 754,175	$ 341,420	$1,095,595

At June 30, 2010, assets with a fair market value of approximately $67,328,000 have been placed on deposit with trustees to totally defease bonds with a par amount of $65,455,000. The liability for these fully defeased bonds is not included in the financial statements.

8. COMPONENTS OF RESTRICTED EXPENDABLE NET ASSETS

Restricted expendable net assets are subject to externally imposed stipulations or conditions that must be followed and cannot be used for support of general operations of the University. As of June 30, 2010 and June 30, 2009, respectively, restricted expendable net assets were composed of the following (in thousands):

	2010	2009
Appreciation (depreciation) on permanent endowments	$ (14,568)	$ (47,017)
Term endowments	5,323	5,309
Quasi-endowments initially funded with restricted assets	35,140	36,360
Funds restricted for capital projects and debt service	59,523	67,356
Funds restricted for noncapital purposes	106,681	104,325
Loan funds (primarily University funds required for federal match)	9,525	10,100
Total	$ 201,624	$ 176,433

9. DESIGNATIONS OF UNRESTRICTED NET ASSETS

Unrestricted net assets are designated for specific purposes by action of the Board of Trustees or management or may otherwise be limited by contractual agreements. Commitments for the use of unrestricted net assets as of June 30, 2010 and June 30, 2009, respectively, are as follows (in thousands):

	2010	2009
Working capital requirements	$ 71,181	$ 47,263
Budget appropriations for future year fiscal operations	91,810	95,664
Designated for capital projects	17,291	24,204
Designated for renewal and replacement of capital assets	20,564	14,589
Hospital System	341,004	382,002
Affiliated corporations and component units	72,987	63,008
Total	$ 614,837	$ 626,730

10. PLEDGED REVENUES

Under the University's General Receipts Trust Indenture, substantially all of the unrestricted operating and nonoperating revenues of the University are pledged to secure the payment of debt. For the years ended June 30, 2010 and June 30, 2009, respectively, pledged revenues are as follows (in thousands):

	2010	2009
Student tuition and fees	$ 208,340	$ 195,244
Nongovernmental grants and contracts	1,149	810
Recoveries of facilities and administrative costs	50,847	44,707
Sales and services	35,843	43,450
Hospital services	782,677	701,936
Auxiliary enterprises - housing and dining	40,378	39,283
Auxiliary enterprises - other	26,778	25,515
Other operating revenue	1,076	593
State appropriations	294,137	315,162
Gifts and grants	3,263	2,471
Investment income	6,724	11,564
	$ 1,451,212	$ 1,380,735

11. INVESTMENT INCOME

Components of investment income (loss) for the years ended June 30, 2010 and June 30, 2009 are as follows (in thousands):

	2010	2009
Interest and dividends earned on endowment investments	$ 15,668	$ 29,426
Realized and unrealized gains and losses on endowment investments	72,243	(212,117)
Interest and dividends on cash and non-endowment investments	8,907	15,275
Realized and unrealized gains and losses on non-endowment investments	(3,190)	(3,562)
Investment income from external trusts	1,800	1,865
Total	$ 95,428	$ (169,113)

12. FUNDS HELD IN TRUST BY OTHERS

The University is the income beneficiary of various trusts that are held and controlled by external trustees. For the years ended June 30, 2010 and 2009, the University received income from these trusts of approximately $1,800,000 and $1,865,000, respectively. The market value of the external trust assets as of June 30, 2010 and June 30, 2009 was approximately $46,358,000 and $44,729,000, respectively. As the University does not have ownership of the trust assets held by external trustees, the trusts are recorded at a nominal value of $1 each.

13. PLEDGES AND DEFERRED GIFTS

At June 30, 2010, pledges are expected to be collected primarily over the next ten years, as follows (in thousands):

	2010	2009
Operating purposes	$ 16,527	$ 18,552
Capital projects	46,431	45,224
Total	62,958	63,776
Less discounts and allowances	(27,654)	(29,903)
Total	$ 35,304	$ 33,873

In accordance with GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions,” the University is required to record operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are actually received. For the years ended June 30, 2010 and 2009, the University recorded the discounted value of operating and capital pledges using a rate of four percent and five percent, respectively.

Deferred gifts through insurance, known bequests and irrevocable trusts in which the University has a remainder interest are estimated to be approximately $99,467,000 at June 30, 2010. The University records these amounts as revenue when the cash is received.

14. GRANTS AND CONTRACTS AWARDED

At June 30, 2010, grants and contracts of approximately $434,822,000 have been awarded to the University and the University of Kentucky Research Foundation but not expended. These amounts will be recognized in future periods.

15. PENSION PLANS

Regular full-time employees, including faculty, are participants in the University of Kentucky Retirement Plan, a defined contribution plan. The University of Kentucky Retirement Plan consists of five groups as follows:

Group I	Established July 1, 1964, for faculty and certain administrative officials.
Group II	Established July 1, 1971, for staff members in the clerical, technical and service categories.
Group III	Established July 1, 1972, for staff members in the managerial, professional and scientific categories.
Group IV	Established January 1, 1973, for staff members having U.S. Civil Service retirement entitlement.
Group V	Established July 1, 1987, for staff members covered under the Federal Employees Retirement System that replaced Civil Service (those whose employment began during the period from January 1, 1984 to March 31, 1987). Staff members whose employment began after March 31, 1987 are under one of the above University of Kentucky Retirement Plans.

Participation in the University of Kentucky Retirement Plan is mandatory for all regular full-time employees in groups I, II and III who are age 30 or older. Participation is voluntary for regular full-time employees under the age of 30 and for those employees in groups IV and V. Participants in groups I, II, III and IV contribute 5 percent and the University contributes 10 percent of the participant's eligible compensation to the retirement plan. Participants in group V contribute 1 percent and the University contributes 2 percent of the participant's eligible compensation to the retirement plan.

The University has authorized two retirement plan carriers, as follows:

Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)
Fidelity Investments Institutional Services Company

Under the fully funded University of Kentucky Retirement Plan, the University and plan participants make contributions to provide retirement benefits to employees in individually owned contracts. All payments are vested immediately for employees hired prior to January 1, 2010. For employees hired after January 1, 2010, employer contributions are vested after five years. The University's contributions and costs for 2010 and 2009 were approximately $76,006,000 and $73,391,000, respectively. Employees contributed approximately $37,505,000 in 2010 and $36,233,000 in 2009. The University's total payroll costs were approximately $985,224,000 and $965,364,000, respectively, for the years ended June 30, 2010 and 2009. The payroll for employees covered by the retirement plan was approximately $760,061,000 and $733,911,000 for the years ended 2010 and 2009, respectively.

In addition to retirement benefits provided from the group retirement plan, the University provides supplemental retirement income benefits to certain eligible employees in each of the retirement groups (see Note 16).

16. MINIMUM ANNUAL RETIREMENT BENEFITS AND SUPPLEMENTAL RETIREMENT INCOME

Employees in retirement groups I, II and III, referred to in Note 15 above, who were age 40 or older prior to the date of establishment of each group plan, and who were employed by the University prior to that date, qualify for the minimum annual retirement benefit provisions of the retirement plan. Benefits for these eligible employees are based upon a percentage, determined through years of service, of the participant's annual salary in the last year of employment prior to retirement. Retirement benefits as determined are funded by each individual retiree's accumulation in the group retirement plan, with the balance, if necessary, provided by the University as supplemental retirement income. No active employees were eligible for this benefit for the years ended June 30, 2010 and 2009.

The Legislature of the Commonwealth of Kentucky appropriates funds to the University which the University has used for payment of supplemental retirement income benefits since adoption of the group retirement plans, and is expected to continue this practice. However, the Constitution of the Commonwealth of Kentucky prohibits the commitment of future revenues beyond the end of the current biennium. The University does not recognize the liability for supplemental retirement income benefits during the service life of covered employees, but recognizes its costs when funds are appropriated by the Legislature and payments are made. The University intends to continue paying supplemental retirement income benefits. Supplemental retirement benefit payments were approximately $2,358,000 and $2,611,000 for the years ended June 30, 2010 and 2009, respectively.

The latest actuarial valuation was prepared as of July 1, 2010, by TIAA CREF. The actuarial present value of accumulated supplemental retirement income benefits as determined by this valuation, utilizing an assumed rate of return of 7 percent, was $10,412,000.

17. HEALTH INSURANCE BENEFITS FOR RETIREES

The University administers a single-employer defined benefit healthcare plan including medical and prescription drug benefits. The plan provides lifetime healthcare insurance benefits for eligible retirees and their surviving spouses. Employees are eligible for the University retiree health benefits upon retirement after (a) completing 15 years of continuous service and (b) age plus years of service equal at least 75 years (“rule of 75”). Employees hired on or after January 1, 2006 are eligible to participate in the retiree healthcare plan on an “access only” basis upon retirement, but must pay 100% of the cost of the selected plan. Employees hired prior to January 1, 2006 are eligible for the University subsidy based on their hire date and surviving spouses receive one-half of the health credit their spouse was entitled to if they were covered by the health plan at the time of the retiree’s death. No health credit is provided to a spouse of a living retiree. Human Resources Policies and Procedures define retiree health benefits and can be amended by the President of the University as delegated by the University’s Board of Trustees. Employees who were hired before August 1, 1965 are also eligible for $5,000 of life insurance coverage upon retirement.

The retiree health plan does not issue a publicly available financial report, but is included in this report of the University using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measureable. Investments are reported at fair market value and based on published prices and quotations from major investment brokers at current exchange rates, as available.

The contribution requirements of plan members and the University are established and may be amended by the President of the University. For employees hired before January 1, 2006, the University provides a pre-65 credit of up to 90% of the “true retiree” cost of the least expensive pre-65 medical plan. For post-65 benefits, the University provides a credit equal to 90% of the “true retiree” cost of the post-65 medical plan. For fiscal year 2010, the University contributed $22.6 million to the plan. Plan members receiving benefits contributed 14.2 percent of the premium costs, an average for combined single and family coverage. In fiscal year 2010, total member contributions were approximately $3.3 million.

The University has established a trust fund to segregate plan assets, and currently plans to contribute amounts to the trust fund sufficient to fully fund the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The University will continue to finance retiree benefits by pre-funding benefits and contributing the ARC into a segregated, protected trust fund and will amortize the initial unfunded accrued liability (UAL) over a thirty-year closed period. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $23.3 million is 4.1 percent of annual covered payroll. There are no long-term contracts for contributions to the plan. The following table presents the other postemployment benefits (OPEB) cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2010 (in thousands):

Annual required contribution	$ 23,305
Interest on net OPEB obligation	(29)
Adjustment to annual required contribution	24
Contributions made	(22,584)
Increase in net OPEB obligation (asset)	716
Net OPEB obligation (asset) - Beginning of year	(362)
Net OPEB obligation (asset) - End of year	$ 354

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2010, 2009 and 2008, were as follows (in thousands):

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 13,649	100.0%	$ -
6/30/2009	$ 14,059	102.6%	$ (362)
6/30/2010	$ 23,300	96.9%	$ 354

As of July 1, 2010, the actuarial accrued liability (AAL) for benefits was $253.3 million, with an actuarial value of assets of $26.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of $226.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $562.9 million and the ratio of the UAAL to the covered payroll was 40.3 percent at June 30, 2010. The University implemented the University of Kentucky Other Postemployment Benefits (OPEB) Trust in July 2007, after the July 1, 2007 actuarial valuation date. As of June 30, 2010, net trust fund assets totaled $26.6 million.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The projection of benefits for financial reporting purposes is based on the substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects for legal or contractual funding limitations on the pattern of cost sharing between the employer and plan member in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an 8 percent discount rate based on the University's funding policy (ARC funding) based on the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The projected annual healthcare trend rate is 8.5 percent for the pre-65 members and 7.75 percent for the post-65 members initially, reduced in decrements to an ultimate rate of 5 percent after seven years. The expected long-term payroll growth rate was assumed to be 3 percent per year. The initial UAAL is being amortized as a level percent of pay amount on a closed basis. The remaining amortization period at July 2009 was 28 years.

18. LONG-TERM DISABILITY BENEFIT PLAN

The University is self insured for a long-term disability income program and has established a trust for the purpose of paying claims and establishing necessary reserves. Regular employees with a full-time equivalent of .75 or greater who have completed 12 months of service are automatically enrolled in the plan. To be covered, an employee must be actively at work on the first day of the month after the employee completes one full year of service. An employee approved for long-term disability receives benefits based on the employee's basic regular monthly salary at the time of the onset of the disabling condition. Primary income benefits provide payment of 60% of the basic regular monthly salary less any disability received from government programs and/or another employer for the same condition. Basic salary for medical faculty is defined as the tenure base salary. Other sources of income used in the benefit formula include Social Security, worker's compensation or other similar government programs, veterans' or other governmental disability payments, or other employer-sponsored disability benefits.

Employees approved for long-term disability receive 100% of their basic salary for the first six months and 60% thereafter. Benefits end when members recover, die, terminate employment or retire. In most cases, claimants retire at age 65. The plan also includes provisions for health insurance that allow participants who were enrolled in a health plan at the time their disability benefit began to continue health coverage (University subsidy limited to 29 months for claimants approved on or after October 1, 2006), life insurance benefit ($10,000 before July 1, 2007 or one times salary on or after July 1, 2007) and retirement contributions equal to 10 percent of pre-disability salary per year for applications filed on or after October 1, 2006 and 15 percent of pre-disability salary per year for applications filed before October 1, 2006.

The long-term disability plan does not issue a publicly available financial report, but is included in this report of the University using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measureable. Investments are reported at fair market value and based on published prices and quotations from major investment brokers at current exchange rates, as available. The coverage of the long-term disability benefits is established and may be amended by the President of the University.

The University currently plans to contribute amounts to the trust fund sufficient to fully fund the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The University will continue to finance long-term disabilities by pre-funding benefits and contributing to the ARC into a segregated, protected trust fund and will amortize the initial unfunded accrued liability (UAL) over a thirty year closed period. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $2.8 million is 0.6 percent of annual covered payroll. There are no long-term contracts for contributions to the plan. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2010 (in thousands):

Annual required contribution	$ 2,761
Interest on net OPEB obligation	(8)
Adjustment to annual required contribution	6
Contributions made	(2,366)
Increase in net OPEB obligation (asset)	393
Net OPEB obligation (liability) - Beginning of year	7
Net OPEB obligation (liability) - End of year	$ 400

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2010, 2009 and 2008 were as follows (in thousands):

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 2,208	100.0%	$ -
6/30/2009	$ 2,238	99.7%	$ 7
6/30/2010	$ 2,759	85.8%	$ 400

As of July 1, 2010, the actuarial accrued liability (AAL) for benefits was $24.8 million and the actuarial value of assets was $8.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $16.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $453.4 million and the ratio of the UAAL to the covered payroll was 3.7 percent at June 30, 2010.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Major factors affecting all long-term disability benefits are the rate at which people become disabled and how quickly they are expected to recover from disability. These rates will improve or deteriorate over time, for example with the state of the economy, with technological development and heath related events. Other factors that could also impact the liability include salary inflation, changes in utilization patterns, changes to government programs and technological advances, such as new drugs or equipment. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The projection of benefits for financial reporting purposes is based on the substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an 8 percent discount rate based on the University's funding policy (ARC funding) based on the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The projected elimination period is six months; termination (mortality and recovery from disability) and gender and age-related disability incidence rates are based on the 1987 Commissioner's Group Long Term Disability Table. Payments are assumed to be made until the later of (a) age 65 or (b) five years after date of disability. The projected long-term income benefit is based on actual net benefit currently being paid with social security offset. For people who have been disabled for less than 24 months and are currently not entitled to a social security offset, it was assumed that the offset will eventually be approved according to the following table:

Months Since Disability	Proportion
<12	5%
12-17	40%
18-23	40%
24+	80%

The future salary increase for active members was assumed to be 3 percent per year. The UAAL is being amortized as a level percent of pay amount on a closed basis. The remaining amortization period at July 1, 2009 was 28 years.

19. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by (1) the State Fire and Tornado Insurance Fund (the Fund), (2) Sovereign Immunity and the State Board of Claims, or (3) in the case of risks not covered by the Fund and Sovereign Immunity, commercial insurance, participation in insurance risk retention groups or self-insurance.

The Fund covers losses to property from fire, wind, earthquake, flood and most other causes of loss between \$250,000 and \$500,000 per occurrence. Losses in excess of \$500,000 are insured by commercial carriers up to \$500 million per occurrence with buildings insured at replacement cost and contents on an actual cash value basis. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the Board of Claims Act, under which the University's liability for certain negligence claims is limited to \$200,000 for any one person or \$350,000 for all persons damaged by a single act of negligence. Claims against educators' errors and omissions and wrongful acts are insured through a reciprocal risk retention group. There have been no significant reductions in insurance coverage from 2009 to 2010. Settlements have not exceeded insurance coverage during the past three years.

The University and its agents are insured against medical malpractice by a combination of Sovereign Immunity, self-insurance, commercial liability insurance and an excess coverage fund established by the Commonwealth of Kentucky. An actuarial valuation is performed to determine the self insurance funding requirements and the fund liability, which has been discounted using an interest rate of 6 percent. The malpractice liability as of June 30, 2009 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be recorded if it is probable that a loss has occurred and the amount of loss can be reasonably estimated. The liability includes an estimate for claims that have been incurred but not reported as of June 30, 2010.

The University also self-insures certain employee benefits, including health insurance, worker's compensation and unemployment claims to the extent not covered by insurance. The University has recorded an estimate for asserted claims at June 30, 2010.

20. CONTINGENCIES

The University is a defendant in various lawsuits. The nature of the educational and health care industries is such that, from time to time, claims will be presented on account of alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational and health care services at a large institution. However, University officials are of the opinion, based on advice of in-house legal counsel, that the effect of the ultimate outcome of all litigation will not be material to the future operations or financial position of the University.

21. RESEARCH CHALLENGE TRUST FUND

The Research Challenge Trust Fund (RCTF) was created by the Kentucky General Assembly with the passage of the Postsecondary Education Improvement Act of 1997 (House Bill 1). The objectives of the RCTF, as stated in the Bill, include support of efforts by the University of Kentucky to attain status as a top-20 public research university. The RCTF Endowment Match Program provides state funds on a dollar-for-dollar match basis. This program, also known as “Bucks for Brains,” supports endowed chairs, professorships and graduate fellowships, and the research and graduate mission of the University.

With the passage of the 2008-2010 budget of the Commonwealth, the 2008 General Assembly authorized \$50 million in General Fund supported bonds in 2008-2009 for the Research Challenge Trust Fund (RCTF) to support the Endowment Match Program and a newly created Research Capital Match Program. In accordance with KRS 164.7917, these funds will be allocated two-thirds to the University of Kentucky (\$33.3 million) and one-third to the University of Louisville (\$16.7 million). At its June 9, 2009 Board Meeting, the University of Kentucky Board of Trustees approved the allocation of UK’s Research Challenge Trust Fund appropriation as follows: \$21,957,000 to the Research Capital Match Program and \$11,406,000 to the Endowment Match Program.

The status of the RCTF endowed funds as of June 30, 2010, is summarized as follows (in thousands):

	Kentucky General Assembly Funding	University of Kentucky Share of Funding	State Funds Received to Date	Matching Pledges Receivable
1998 Biennium	$ 100,000	$ 66,667	$ 66,667	
2000 Biennium	100,000	68,857	68,857	
2002 Biennium	100,000	66,667	66,667	$ 17,913
2008 Biennium: Capital Projects	21,957	21,957	9,450	8,313
2008 Biennium: RCTF	28,073	11,406	7,824	3,237
Total	$ 350,030	$ 235,554	$ 219,465	$ 29,463

Interest income of approximately $2.2 million earned on the state matching funds is included in the University's share of the 2000 biennium funding. Requests to the State for RCTF Endowment Match Program funds totaling $340,000 have been submitted and are outstanding as of June 30, 2010.

The University expects to fully realize all outstanding matching pledges; however, it may be obligated to return any state funds and accrued interest income related to pledges not received within five years of the initial pledge dates if unable to replace the unpaid pledges with other eligible gifts.

A payment schedule of the outstanding pledges is shown below (in thousands):

	2002 Biennium	2008 Biennium: Capital Projects	2008 Biennium: RCTF
Pledges due in fiscal year 2010 or prior	$ 72		$ 167
Pledges due in fiscal year 2011	7,112	$ 2,099	539
Pledges due in fiscal year 2012	2,678	2,099	872
Pledges due in fiscal year 2013	8,051	2,079	1,079
Pledges due in fiscal year 2014	-	2,036	548
Pledges due in fiscal year 2015	-	-	32
Total	$ 17,913	$ 8,313	$ 3,237

22. CANCER RESEARCH MATCHING FUND

The Kentucky General Assembly created the Cancer Research Institutions Matching Fund, which is funded by a one-cent surtax levied on each 20 cigarettes sold in Kentucky. Tax revenues are made available equally to the University of Kentucky and the University of Louisville when matched dollar-for-dollar by private sources.

A summary of the receipts and expenses related to the fund as of June 30, 2010 and June 30, 2009, respectively, follows (in thousands):

	2010	2009
Funds from private sources approved for match	$ 1,756	$ 3,710
Cigarette excise tax funds distributed	2,573	2,550
Total cancer research matching fund revenues	$ 4,329	$ 6,260
Cancer research matching fund expenses	$ 11,895	$ 9,644

23. NATURAL CLASSIFICATION

The University's operating expenses by natural classification were as follows for the years ended June 30, 2010 and June 30, 2009, respectively (in thousands):

	2010	2009
Salaries and wages	$ 994,491	$ 965,840
Employee benefits	308,178	271,590
Supplies and services	528,906	502,607
Depreciation	101,831	99,067
Student scholarships and financial aid	41,877	38,304
Purchased utilities	47,011	44,922
Other, various	92,685	99,963
Total	$ 2,114,979	$ 2,022,293

24. CURRENT ECONOMIC CONDITIONS

The current protracted economic decline continues to present the University with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments, governmental support and investment income. The financial statements have been prepared using values and information currently available to the University.

Current economic conditions have made it challenging for many donors to continue to contribute to not-for-profit organizations. A significant decline in the fair value of investments, as well as contribution revenue could have an adverse impact on the University's future operating results. As the Commonwealth continues to struggle with the impact of these economic conditions at the state level, governmental support will continue to decline as well.

On March 23, 2010, President Obama signed into law the healthcare reform bill, the Patient Protection and Affordable Care Act (PPACA). This legislation plus the Health Care and Education Reconciliation Act of 2010, makes sweeping changes to the US health care system. The actual implementation of these Acts will happen over many years but UK Healthcare will begin to see the impact of the potential changes in the near future. The majority of the measures are designed to change the care delivery system but it also includes changes to insurance markets and pricing transparency.

In addition, the rising unemployment rate has made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on UK Healthcare's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values; allowances for contribution and patient receivables; and the valuation of intangibles that could negatively impact the University's ability to meet debt covenants or maintain sufficient liquidity.

25. RECLASSIFICATIONS

Certain reclassifications to fiscal year 2009 comparative amounts have been made to conform to the fiscal year 2010 financial statement classifications. Certain transactions previously reported as scholarships and fellowships, research, academic support, capital project and other restricted expendable net assets are now being reported as instruction, capital project and auxiliary net assets in the Statements of Net Assets. Certain transactions previously reported as sales and services revenue and institutional support expense in the Statements of Revenues, Expenses and Changes in Net Assets are now being eliminated. Additionally, certain transactions previously reported as principal paid on capital debt and leases and other capital and related financing receipts (payments), net are now being reported as interest paid on capital debt and leases in the Statements of Cash Flow. Such classifications had no effect on the change in net assets.

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION

1. HEALTH INSURANCE BENEFITS FOR RETIREES

The University of Kentucky's (the University) Other Postemployment Benefit Plan (OPEB Plan) is administered through the University's OPEB Trust Fund as an irrevocable trust. Assets of the trust fund are dedicated to providing post-retirement health insurance coverage to current and eligible future university retirees. Only employees hired prior to January 1, 2006 are eligible to receive post-retirement health insurance benefits.

The following schedules present the University's actuarially determined funding progress and required contributions for the University's Other Postemployment Benefits Trust using the projected unit credit actuarial cost method:

Schedule of Funding Progress by Valuation Date
(In thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$ 7,251	$ 141,171	$ 133,920	5.1%	$ 614,928	21.8%
July 1, 2008	$ 11,148	$ 150,220	$ 139,072	7.4%	$ 590,446	23.6%
July 1, 2009	$ 26,638	$ 253,318	$ 226,680	10.5%	$ 562,887	40.3%

Schedule of Employer Contributions
(In thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2008	$ 13,649	100.0%
June 30, 2009	$ 14,059	102.6%
June 30, 2010	$ 23,305	96.9%

2. LONG-TERM DISABILITY BENEFIT PLAN

The University is self insured for a long-term disability income program and has established a trust for the purpose of paying claims and establishing necessary reserves. Regular employees with a full-time equivalent of .75 or greater who have completed 12 months of service are automatically enrolled in the plan.

The following schedules present the University's actuarially determined funding progress and required contributions for the University's long-term disability benefit trust fund using the projected unit credit actuarial cost method:

Schedule of Funding Progress by Valuation Date
(In thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$ 7,601	$ 21,583	$ 13,982	35.2%	$ 444,981	3.1%
July 1, 2008	$ 6,551	$ 22,044	$ 15,493	29.7%	$ 473,835	3.3%
July 1, 2009	$ 8,132	$ 24,838	$ 16,706	32.7%	$ 453,429	3.7%

Schedule of Employer Contributions
(In thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2008	$ 2,208	100.0%
June 30, 2009	$ 2,240	99.7%
June 30, 2010	$ 2,761	85.7%

Summary of Significant Accounting Policies

Accrual Basis. The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The University reports as a Business Type Activity (BTA) as defined by GASB Statement No. 35. BTA's are those activities that are financed in whole or part by fees charged to external parties for goods and services.

Cash and Cash Equivalents. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Noncurrent cash and cash equivalents include plant funds allocated for capital projects, debt service reserves and endowment fund cash pending transfer to the custodian for investment. Cash and cash equivalents held by bond trustees and the University's endowment fund managers are included in investments.

Notes, Loans and Accounts Receivable. This classification consists of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff, and loans to students. Also included are patient accounts receivable, amounts due from sponsors for reimbursement of expenses made pursuant to contracts and grants, and pledges that are verifiable, measurable and expected to be collected. Accounts receivable are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories. Inventories are stated principally at the lower of average cost or market.

Pooled Endowment Funds. All endowments are managed in a consolidated investment pool, which consists of more than 2,000 named funds. All contributing endowments participate in the income and appreciation of the pool on a per unit basis commensurate with their contribution to the pool. New endowments purchase units in the pool at the current unit value which is calculated each month based on the fair value of the pool investments divided by the number of pool units outstanding. The market value method of accounting for pooled endowment funds is employed to ensure proper distribution of market price changes, realized gains (losses) on sales, accrued income earned, and distribution of investment earnings for expenditure by participating funds.

In accordance with the Uniform Management of Institutional Funds Act, as adopted by the Commonwealth of Kentucky, the University employs the total return method of investment management for setting investment objectives and determining investment performance. This method recognizes dividends and interest, plus or minus realized and unrealized gains or losses, in determining the total return earned during any particular period. Additionally, this method allows the University to appropriate for spending a prudent amount of realized and unrealized gains in addition to traditional income. In July 2010, the Commonwealth of Kentucky adopted the Uniform Prudent Management of Institutional Funds Act that also allows the total return method of investment management.

For the years ended June 30, 2010 and 2009, the University's endowment spending rule provided for annual distributions of 4.5 percent of the thirty-six month moving average market value of fund units. For the years ended June 30, 2010 and 2009 approximately $24,084,000 and $18,427,000, respectively, was transferred from endowment realized and unrealized gains or losses to support current programs in accordance with the University's endowment spending rule. Additionally, for the years ended June 30, 2010 and 2009, the University assessed eligible endowment accounts with a management fee of 0.5 percent of total asset value.

The Investment Committee of the University's Board of Trustees has approved a spending rate distribution of 4.375 percent and 4.25 percent of a sixty month moving average market value of fund units for the years ended June 30, 2011 and 2012, respectively. Additionally, the Investment Committee has approved a management fee of 0.375 percent and 0.25 percent of total asset value for the years ended June 30, 2011 and 2012, respectively.

Investments. Investments in marketable debt and equity securities are carried at fair value, as determined by the major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets. Other investments, including guaranteed investment contracts, repurchase agreements and certificates of deposit are valued at face value and are fully collateralized.

Capital Assets. Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift.

The University capitalizes interest costs as a component of construction in progress based on the interest cost of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing.

Equipment with a unit cost of $2,000 or more ($1,000 for computers) and having an estimated useful life of greater than one year is capitalized. 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 expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 40 years for buildings, 10 – 25 years for land improvements, building improvements and infrastructure, 10 years for library books, and 5 – 20 years for equipment and vehicles.

The University capitalizes, but does not depreciate, works of art, historical treasures and certain library materials that are held for exhibition, education, research and public service.

Deferred Revenue. Deferred revenue consists primarily of amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received from the federal government through the Commonwealth of Kentucky for Disproportionate Share System (DSH) funds. Deferred revenue also includes amounts received in advance of an event, such as advance athletic ticket sales relating to future fiscal years and unearned summer school revenue. Deferred revenue is recognized in the period to which the grant, event or semester relates. The DSH amounts are recognized as revenue over the term of the federal government fiscal year, October 1 – September 30.

Compensated Absences. The amount of vacation leave earned but not taken by employees at June 30, 2010 is recorded as a liability by the University. Temporary disability leave payable upon termination under the University's payout policy is also recorded as a liability. Compensated absence liabilities are computed using the pay rates in effect at the statement of net assets date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Scholarship Allowances. Student tuition and fees are presented net of scholarship allowances applied to student accounts. Stipends and other payments made directly to students are presented as student financial aid expenses. 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 governmental grants, such as Pell grants and other federal and state programs similar to Pell, are recorded as nonoperating revenues; other governmental and nongovernmental grants are recorded as operating 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.

Hospital and Clinical Services Revenues. Hospital and clinical services revenues are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including contractual allowances and estimated retroactive adjustments under reimbursement programs with third-party payers, less an allowance for doubtful accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The System is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 26 percent and 25 percent, respectively, of the System's net patient services revenues for the year ended June 30, 2010 and approximately 29 percent and 24 percent, respectively, for the year ended June 30, 2009. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The System also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Income Taxes. The University is an agency and instrumentality of the Commonwealth of Kentucky, pursuant to Kentucky Revised Statutes sections 164.100 through 164.280. Accordingly, the University is excluded from federal income taxes as an organization described in Section 115 of the Internal Revenue Code of 1986, as amended. Each of the University's affiliated non-profit organizations has received a determination from the Internal Revenue Service granting exemption from federal income taxation pursuant to the provisions of Internal Revenue Code section 501(c)(3). KMSF and the University of Kentucky Faculty Club are also not-for-profit corporations as described in Section 501 (c)(3) and 501 (c)(7), respectively, of the Internal Revenue Code.

Restricted Asset Spending Policy. The University's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities. The University defines operating activities, as reported on the Statement of Revenues, Expenses and Changes in Net Assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, gifts and investment income, are recorded as nonoperating revenues in accordance with GASB Statement No. 35.

The University has classified operating expenses based upon their functional classification. Operating expenses by natural classification are presented in Note 23. During fiscal years 2010 and 2009, departmental research in nonsponsored accounts of $63,136,000 and $64,084,000, respectively, was recorded as research expense in the Statements of Revenues, Expenses and Changes in Net Assets.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The accompanying financial statements include estimates for items such as bad debt and contractual allowances, self-insurance reserves, accrued expenses and other liability accounts.

Recent Accounting Pronouncements. The GASB has issued certain statements which are applicable to the University for fiscal years ending after June 30, 2010. The University does not expect the adoption of these statements to have a material effect on its financial statements.

2. DEPOSITS AND INVESTMENTS

The fair value of deposits and investments, by type, at June 30, 2010 and 2009 is as follows (in thousands):

	2010	2009
Deposits with banks and the Commonwealth of Kentucky	$ 33,291	$ 75,282
U.S. Treasury fixed income securities	45,696	22,457
Government agency fixed income securities	43,559	96,596
Common and preferred stocks	12,177	7,475
Pooled equity funds	383,165	431,702
Private equity funds	29,276	20,057
Pooled absolute return funds	78,460	15,000
Pooled real return funds	55,749	22,183
Pooled real estate funds	54,466	57,403
Pooled fixed income funds	459,604	437,632
Corporate fixed income securities	36,344	56,514
Guaranteed investment contracts	509	1,741
Repurchase agreements	155,027	20,081
Certificates of deposit	12,795	21,200
Cash and cash equivalents	42,584	73,029
Other	347	739
Total	$ 1,443,049	$ 1,359,091

	2010	2009
Statement of Net Assets classification		
Cash and cash equivalents	$ 448,967	$ 378,009
Current investments	6,404	3,834
Restricted cash and cash equivalents	44,315	63,546
Endowment investments	793,505	701,762
Other long-term investments	149,858	211,940
Total	$ 1,443,049	$ 1,359,091

Deposit and investment policies. The University's Board of Trustees is responsible for establishing deposit and investment policies. Once established, the Board has delegated day-to-day management to the Vice President for Financial Operations and Treasurer of the University. Deposit and investment policies are developed to insure compliance with state laws and regulations as well as to establish and maintain sound financial management practices.

The University follows Kentucky Revised Statutes (KRS 42.500) for the investment of public funds, which list allowable investment instruments including: obligations of the United States or a United States government agency; obligations of any corporation of the United States Government; collateralized certificates of deposit; highly rated uncollateralized certificates of deposit, bankers acceptances and commercial paper; highly rated securities issued by a state or local government; and mutual funds comprised of any of the above allowable investments.

For purposes of investment management, the majority of the University's deposits and investments can be grouped into five significant categories, as follows:

- Overnight investments include deposits, money markets and repurchase agreements with local banks, the Commonwealth of Kentucky and other financial institutions.

- Bond revenue fund investments held by the Treasurer of the Commonwealth of Kentucky as required by the University's bond trust indentures and invested in pooled fixed income funds managed by the Commonwealth of Kentucky.
- Short-term investments managed by the University, including individual securities purchased and held by the University and short-term investments in pooled fixed income funds managed by the Commonwealth of Kentucky.
- Debt service reserve fund investments required by the University's bond trust indentures and held by the bond trustees.
- Endowment investments administered by the University and managed using external investment managers.

The Treasurer manages the overnight and short-term investment programs of the University based on the Overnight and Short-Term Investment Policy approved by the Investment Committee of the University's Board of Trustees. The University's policy for the investment of bond revenue and debt service reserve funds is governed by each respective bond's trust indenture. The Investment Committee of the University's Board of Trustees establishes and maintains the University's Endowment Investment Policy.

Deposit and investment risks. The University's deposits and investments are exposed to various risks, including credit, interest rate and foreign currency risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could affect the investment amounts in the statement of net assets.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the University to experience a loss of principal.

As a means of limiting its exposure to losses arising from credit risk, the University's investment policies limit the exposure of its various investment types as follows:

- Overnight investment (deposits and repurchase agreements) policies minimize credit risk in several ways. Deposits are governed by state law which requires full collateralization. Credit risk on repurchase agreements with local banks is mitigated by the issuing financial institution's pledge of specific U.S. treasury or agency securities, held in the name of the University by the Federal Reserve Bank. Credit risk on repurchase agreements with the Commonwealth of Kentucky is mitigated by the Commonwealth's requirement that providers of overnight repurchase agreements collateralize these investments at 102 percent of face value with U.S. Treasury or agency securities, pledged in the name of the Commonwealth. Money market fund portfolios consist of securities eligible for short-term investments.
- Bond revenue fund investments held in the Commonwealth's investment pools can invest in U.S. treasuries and agencies; commercial paper or asset backed securities rated in the highest category by a nationally recognized rating agency; certificates of deposit, bankers acceptances, state or local government securities and corporate, Yankee and Eurodollar securities rated in one of the three highest categories by a nationally recognized rating agency; shares of mutual funds (up to 10%); and state and local property tax certificates of delinquency secured by interests in real estate.
- Short-term investments managed by the University are limited to U.S. Treasury securities; securities issued by U.S. government agencies or government sponsored entities; money market securities, including: commercial paper rated the highest by a nationally recognized rating agency, collateralized certificates of deposit, and bankers' acceptances for banks rated A or higher; repurchase and reverse repurchase agreements collateralized at 102 percent; municipal obligations rated A1 or higher; and money market mutual funds invested in any of the above noted security types. Short-term investments held in the Commonwealth's investment pools are subject to the same credit quality requirements as denoted above for bond revenue fund investments.
- Investment securities held in bond debt service reserve funds may be invested and reinvested solely in bonds or interest bearing notes of the United States Government.
- Endowment managers are permitted to use derivative instruments to limit credit risk. Additionally, endowment investments held by fixed income managers are generally limited to holdings of high quality fixed income securities. These managers may invest a portion of the portfolio in other below-investment grade bonds, non-U.S. dollar denominated bonds, and emerging market bonds, provided the overall credit quality of the fixed income portfolios is not lower than A-.

At June 30, 2010 and 2009, respectively, the credit quality of the University's fixed income investments is as follows (in thousands):

	2010								
	S&P/Moody's Credit Ratings								
	AAA/Aaa	AA/Aa	A	BBB/Baa	BB/Ba	B	Not rated	Rating Not Applicable	Total
U.S. treasury fixed income								$ 45,696	$ 45,696
Government agency fixed income	$ 43,559							-	43,559
Pooled fixed income	1,873	$ 28					$ 457,703	-	459,604
Corporate fixed income	-	392	$ 1,162	$ 34,789			1	-	36,344
Guaranteed investment contracts	-	-	-	-			509	-	509
Repurchase agreements	-	-	-	-			155,027	-	155,027
Certificates of deposit	-	-	-	-			12,795	-	12,795
Cash and cash equivalents	17,690	-	-	-			24,894	-	42,584
Total fixed income investments	$ 63,122	$ 420	$ 1,162	$ 34,789	$ -	$ -	$ 650,929	$ 45,696	$ 796,118

	2009								
	S&P/Moody's Credit Ratings								
	AAA/Aaa	AA/Aa	A	BBB/Baa	BB/Ba	B	Not rated	Rating Not Applicable	Total
U.S. treasury fixed income								$ 22,457	$ 22,457
Government agency fixed income	$ 96,596							-	96,596
Pooled fixed income	-	$ 1,889					$ 435,743	-	437,632
Corporate fixed income	-	171	$ 2,394	$ 43,954	$ 141	$ 9,340	514	-	56,514
Guaranteed investment contracts	-	-	-	-	-	-	1,741	-	1,741
Repurchase agreements	-	-	-	-	-	-	15,140	4,941	20,081
Certificates of deposit	-	-	-	-	-	-	21,200	-	21,200
Cash and cash equivalents	60,479	-	-	-	-	-	1,614	10,936	73,029
Total fixed income investments	$ 157,075	$ 2,060	$ 2,394	$ 43,954	$ 141	$ 9,340	$ 475,952	$ 38,334	$ 729,250

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in possession of an outside party.

As a means of limiting its exposure to losses arising from custodial credit risk, the University's investment policies limit the exposure of its various investment types as follows:

- Overnight deposits and repurchase agreements are not exposed to custodial credit risk other than repurchase agreements with the Commonwealth of Kentucky which are held in the Commonwealth's name. Money market investments are held in the University's name by the University's custodian.
- Bond revenue fund investments held in the Commonwealth's investment pools are held in the Commonwealth's name by the Commonwealth's custodian.
- Short-term investments held by the Commonwealth for the benefit of the University are invested in the Commonwealth's investment pools and are held in the name of the Commonwealth by the Commonwealth's custodian. Short-term investments managed by the University are held in the University's name by the University's custodian.
- Investment securities held in bond debt service reserve funds are held by the respective bond trustee in a specific trust account for the benefit of the University and bondholders.
- Endowment investments are held in the University's name by the University's custodian.

At June 30, 2010 and 2009, respectively, the following University deposit and investment balances held in the name of the Commonwealth of Kentucky included in the above significant investment types, were exposed to custodial credit risk as follows (in thousands):

	2010					
	State Deposits	Overnight Investments	Bond Revenue Investments	Short-term Investments	Other State Investments	Total
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name	$ 33,291	$ 148,000				$ 181,291
Uninsured, not registered in the name of the University and held by the counterparty but not in the University's name	-	-	$ 228,975	$ 60,318	$ 73,718	363,011
Total	$ 33,291	$ 148,000	$ 228,975	$ 60,318	$ 73,718	$ 544,302

	2009				
	State Deposits	Bond Revenue Investments	Short-term Investments	Other State Investments	Total
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name	$ 56,674				$ 56,674
Uninsured, not registered in the name of the University and held by the counterparty but not in the University's name	-	$ 222,937	$ 60,156	$ 84,136	367,229
Total	$ 56,674	$ 222,937	$ 60,156	$ 84,136	$ 423,903

Concentrations of Credit Risk. University investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer.

As a means of limiting its exposure to concentrations of credit risk, the University's investment policies limit concentrations in various investment types as follows:

- Overnight deposits and repurchase agreements are not limited as to the maximum amount that may be invested in one issuer. However, all such investments in excess of Federal Depository Insurance are required to be fully collateralized by U.S. treasury and/or U.S. agency securities or other similar investments as provided by KRS 41.240.
- Bond revenue fund investments and short-term investments held in the Commonwealth's investment pools are limited as follows: U.S. dollar denominated corporate and Yankee securities issued by foreign and domestic issuers shall not exceed 25 percent of an individual pool and $25,000,000 per issuer, inclusive of commercial paper, bankers' acceptances and certificates of deposit; and U. S. dollar denominated sovereign debt shall not exceed five percent of any individual portfolio and $25,000,000 per issuer.
- There is no specific limit on the maximum amount of short-term investments managed by the University that may be invested in one issuer, other than the requirement that the amount of money invested at any one time in commercial paper, bankers' acceptances and municipal obligations shall not exceed 20 percent.
- There is no specific limit on the maximum amount of investment securities held in bond debt service reserve funds that may be invested in one issuer. However, such investments are limited to bonds or interest bearing notes of the U.S. government.

- Endowment fixed income managers are limited to a maximum investment in any one issuer of no more than five percent of total investments.

At June 30, 2010 and 2009, the University has no investments in any one issuer, other than U.S. treasury and/or agency securities, that represent five percent or more of total investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting its exposure to fair value losses arising from increasing interest rates, the University's investment policies limit the maturity of its various investment types as follows:

- Overnight investments, deposits, money markets and repurchase agreements have limited exposure to interest rate risk due to the short-term nature of the investment. The University requires that all deposits and repurchase agreements be available for use on the next business day.
- Bond revenue fund investments and short-term investments held in the Commonwealth's short-term investment pool are limited to a duration that does not exceed 90 days. Such investments in the Commonwealth's intermediate-term investment pool must maintain a modified duration of less than three years.
- Short-term investments managed by the University are generally limited to a maximum maturity of 24 months.
- Investment securities held in bond debt service reserve funds are required to have a maturity no later than two years from the date of the investment.
- Endowment managers are permitted to use derivative instruments to limit interest rate risk. Additionally, endowment investments held by fixed income managers are limited to a duration that is within +/-25 percent of the duration of the Barclays Aggregate Bond Index.

Below is the maturity distribution of the University's fixed income investments at June 30, 2010 (in thousands):

	2010						
	Maturities in Years						
Investment Type	Less than 1	1-3	3-5	5-10	Greater than 10	Managed based on duration	Total
U.S. treasury fixed income	$ 10,659	$ 59		$ 94		$ 34,884	$ 45,696
Government agency fixed income	10,143	10,347	$ 6,770	325		15,974	43,559
Pooled fixed income	-	-	-	-		459,604	459,604
Corporate fixed income	333	317	710	533		34,451	36,344
Guaranteed investment contracts	150	100	259	-		-	509
Repurchase agreements	150,086	-	-	1,008	$ 3,933	-	155,027
Certificates of deposit	12,795	-	-	-	-	-	12,795
Cash and cash equivalents	42,584	-	-	-	-	-	42,584
Total fixed income investments	$ 226,750	$ 10,823	$ 7,739	$ 1,960	$ 3,933	$ 544,913	$ 796,118

Below is the maturity distribution of the University's fixed income investments at June 30, 2009 (in thousands):

	2009						
	Maturities in Years						
Investment Type	Less than 1	1-3	3-5	5-10	Greater than 10	Managed based on duration	Total
U.S. treasury fixed income	$ 9,659		$ 56	$ 67	$ 17	$ 12,658	$ 22,457
Government agency fixed income	25,480	$ 45,540	23,046	994	-	1,536	96,596
Pooled fixed income	-	-	-	-	-	437,632	437,632
Corporate fixed income	-	338	302	1,096	-	54,778	56,514
Guaranteed investment contracts	1,198	100	443	-	-	-	1,741
Repurchase agreements	15,140	-	-	1,008	3,933	-	20,081
Certificates of deposit	17,200	4,000	-	-	-	-	21,200
Cash and cash equivalents	73,029	-	-	-	-	-	73,029
Total fixed income investments	$ 141,706	$ 49,978	$ 23,847	$ 3,165	$ 3,950	$ 506,604	$ 729,250

At June 30, 2010 and 2009, the University had the following investments managed based on duration (in thousands):

	2010		2009	
Investment Type	Fair Value	Modified Duration (Years)	Fair Value	Modified Duration (Years)
U.S. treasury fixed income securities				
Pooled endowment fund	$ 34,884	0.91	$ 12,658	0.79
Government agency fixed income securities				
Pooled endowment fund	15,974	0.43	1,536	0.10
Pooled fixed income funds				
Pooled endowment fund	94,690	4.97	68,513	4.96
Other endowment investments	1,873	4.94	1,889	3.95
Commonwealth of Kentucky short-term pool	289,287	0.10	285,967	0.65
Commonwealth of Kentucky intermediate pool	73,725	0.82	81,263	1.10
KTI	29	4.20		
Corporate fixed income securities				
Pooled endowment fund	34,451	1.49	54,778	3.36
Total	$ 544,913		$ 506,604	

Foreign Currency Risk. Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit.

The University's exposure to foreign currency risk derives from certain endowment investments. The University's endowment investment policy allows fixed income managers to invest a portion of their portfolios in non-U.S. securities. Additionally, the investment policy allows various pooled fund managers to invest in accordance with the guidelines established in each individual fund's prospectus, which allows for investment in non-U.S. securities. The University's investments in the various pooled funds are denominated in U.S. dollars, with exception of two private equity funds denominated in Euros, with a fair value of $3,896,000 and $2,773,000 at June 30, 2010 and 2009, respectively. Endowment managers are permitted to use derivative instruments to limit foreign currency risk.

3. NOTES, LOANS AND ACCOUNTS RECEIVABLE, NET

Notes, loans and accounts receivable as of June 30, 2010 and 2009, respectively, follows (in thousands):

	2010		
	Gross Receivable	Allowance	Net Receivable
Hospital patient accounts	$ 124,761	$ (20,708)	$ 104,053
Hospital third-party payer settlements	87	-	87
KMSF patient accounts	24,914	(3,311)	21,603
Dentistry patient accounts	2,507	(733)	1,774
Student loans	27,446	(2,380)	25,066
Reimbursement receivable - grants and contracts	48,746	(548)	48,198
Reimbursement receivable - federal appropriations	3,122	-	3,122
Pledges receivable	55,760	(20,456)	35,304
Accrued interest receivable	3,036	-	3,036
Student receivables	13,295	(5,826)	7,469
Other	25,872	-	25,872
Total	$ 329,546	$ (53,962)	$ 275,584
Current portion			$ 224,138
Noncurrent portion			51,446
Total			$ 275,584

	2009		
	Gross Receivable	Allowance	Net Receivable
Hospital patient accounts	$ 109,863	$ (15,113)	$ 94,750
Hospital third-party payer settlements	5,006	-	5,006
KMSF patient accounts	27,462	(3,082)	24,380
Dentistry patient accounts	3,716	(1,176)	2,540
Student loans	28,040	(2,346)	25,694
Reimbursement receivable - grants and contracts	45,375	(344)	45,031
Reimbursement receivable - federal appropriations	429	-	429
Pledges receivable	55,056	(21,183)	33,873
Accrued interest receivable	3,759	-	3,759
Student receivables	10,580	(5,024)	5,556
Other	19,938	-	19,938
Total	$ 309,224	$ (48,268)	$ 260,956
Current portion			$ 209,201
Noncurrent portion			51,755
Total			$ 260,956

4. CAPITAL ASSETS, NET

Capital assets as of June 30, 2010 and capital asset activity for the year ended June 30, 2010 are summarized below (in thousands):

	June 30, 2009	Additions	Deletions	June 30, 2010
Land	$ 63,436	$ 447		$ 63,883
Land improvements - nonexhaustible	21,445	3,461		24,906
Land improvements - exhaustible	53,278	1,268		54,546
Buildings	1,391,014	145,017	$ 1,748	1,534,283
Fixed equipment - communications	59,935	5,196	-	65,131
Infrastructure	65,775	1,497	-	67,272
Equipment	460,748	42,914	31,569	472,093
Vehicles	20,465	1,366	876	20,955
Library materials	136,084	3,696	535	139,245
Nondepreciable library materials	6,482	54	-	6,536
Capitalized software	89,196	6,951	-	96,147
Art	9,014	517	-	9,531
Construction in progress	340,556	221,571	118,565	443,562
	2,717,428	433,955	153,293	2,998,090
Accumulated Depreciation				
Land improvements - exhaustible	46,351	1,290	12	47,629
Buildings	588,118	38,477	186	626,409
Fixed equipment - communications	34,943	4,014	-	38,957
Infrastructure	16,614	2,401	-	19,015
Equipment	300,097	41,384	22,436	319,045
Vehicles	16,766	1,670	861	17,575
Library materials	114,005	4,648	-	118,653
Capitalized software	29,004	7,948	-	36,952
	1,145,898	101,832	23,495	1,224,235
Capital assets, net	$ 1,571,530	$ 332,123	$ 129,798	$ 1,773,855

Capital assets as of June 30, 2009 and capital asset activity for the year ended June 30, 2009 are summarized below (in thousands):

	June 30, 2008	Additions	Deletions	June 30, 2009
Land	$ 60,251	$ 3,185		$ 63,436
Land improvements - nonexhaustible	20,737	708		21,445
Land improvements - exhaustible	52,896	382		53,278
Buildings	1,314,833	76,281	$ 100	1,391,014
Fixed equipment - communications	53,987	5,948	-	59,935
Infrastructure	52,936	12,839	-	65,775
Equipment	429,062	61,677	29,991	460,748
Vehicles	20,821	1,249	1,605	20,465
Library materials	132,247	4,070	233	136,084
Nondepreciable library materials	6,430	52	-	6,482
Capitalized software	83,054	6,142	-	89,196
Art	7,574	1,440	-	9,014
Construction in progress	176,674	181,372	17,490	340,556
	2,411,502	355,345	49,419	2,717,428
Accumulated Depreciation				
Land improvements - exhaustible	45,023	1,328	-	46,351
Buildings	552,312	35,808	2	588,118
Fixed equipment - communications	31,106	3,837	-	34,943
Infrastructure	14,240	2,374	-	16,614
Equipment	278,833	39,004	17,740	300,097
Vehicles	16,470	1,799	1,503	16,766
Library materials	108,447	5,558	-	114,005
Capitalized software	19,645	9,359	-	29,004
	1,066,076	99,067	19,245	1,145,898
Capital assets, net	$ 1,345,426	$ 256,278	$ 30,174	$ 1,571,530

At June 30, 2010, the University had construction projects in progress totaling approximately $642.8 million in scope. The estimated cost to complete these projects was approximately $194.1 million. Such construction was principally financed by proceeds from the University's general receipts bonds, capital appropriations from the Commonwealth of Kentucky and cash reserves.

Interest costs incurred during construction, net of related investment income, are capitalized. Total interest capitalized was $12,975,000 for 2010 and $8,094,000 for 2009.

During fiscal year 2010, the University utilized capital leases to acquire various items of equipment costing approximately $8.8 million. Additionally, the University has capital lease agreements to finance renovations to Commonwealth Stadium and the construction of the Wethington Building and the UK Rural Health Center building in Hazard, Kentucky. The University also has utilized capital leases to fund the purchase and implementation of its new administrative computing systems and for the lease purchase of land and buildings associated with its purchase of Good Samaritan Hospital. The net book value for capitalized leased land, buildings and equipment is $144.9 million and $160.8 million at June 30, 2010 and 2009, respectively.

Non-cash capital asset and related financing activities are summarized below (in thousands):

	2010	2009
Capital lease additions	$ 775	$ 44,479
Gifts of capital assets	3,075	5,551
Capital asset additions in accounts payable	34,302	29,055
Capitalized interest, net of investment income	12,975	8,094
Amortized bond discount, premium and cost of issues	6	148
Capital asset disposal, net	5,621	3,562
Capital asset trade in	957	840
Capital lease termination	-	68
Total	$ 57,711	$ 91,797

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2010 and 2009, respectively, follow (in thousands):

	2010	2009
Payable to vendors and contractors	$ 107,473	$ 86,070
Accrued expenses, including vacation and sick leave	56,164	54,558
Employee withholdings and deposits payable to third parties	30,340	29,478
Total	$ 193,977	$ 170,106
Current portion	$ 191,318	$ 170,106
Noncurrent portion	2,659	-
Total	$ 193,977	$ 170,106

6. DEFERRED REVENUE

Deferred revenue as of June 30, 2010 and 2009, respectively, follows (in thousands):

	2010	2009
Unearned summer school revenue	$ 6,750	$ 6,198
Unearned hospital revenue	12,710	11,685
Unearned grants and contracts revenue	33,357	41,164
Prepaid athletic ticket sales	14,301	13,289
Other	5,477	2,725
Total	$ 72,595	$ 75,061
Current portion	$ 66,208	$ 68,755
Noncurrent portion	6,387	6,306
Total	$ 72,595	$ 75,061

Noncurrent deferred revenue activity for the years ended June 30, 2010 and 2009 is summarized below (in thousands):

	June 30, 2008	Additions	Reductions	June 30, 2009	Additions	Reductions	June 30, 2010
Noncurrent deferred revenue	$ 5,972	$ 334	$ -	$ 6,306	$ 81	$ -	$ 6,387

7. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2010 and long-term liability activity for the year ended June 30, 2010 are summarized below (in thousands):

	June 30, 2009	Additions	Reductions	June 30, 2010	Current Portion	Non-Current Portion
Bonds, notes and capital leases						
General receipts notes	$ 328,450		$ 7,400	$ 321,050	$ 12,745	$ 308,305
General receipts bonds	62,470	$ 100,605	2,560	160,515	2,830	157,685
Educational buildings bonds	104,840	-	11,245	93,595	10,835	82,760
Capital leases and other long-term obligations	154,488	26,275	27,604	153,159	28,094	125,065
Notes payable	26,789	-	933	25,856	4,271	21,585
Total bonds, notes and capital leases	677,037	126,880	49,742	754,175	58,775	695,400
Other liabilities						
Medical malpractice	26,781	15,654	10,761	31,674	10,084	21,590
Long term disability	16	395	-	411	411	-
Annuities payable	4,607	275	13	4,869	465	4,404
Health insurance	10,109	33,192	33,205	10,096	10,096	-
Retiree health liability	-	358	-	358	358	-
Automobile and property self insurance	273	815	-	1,088	1,088	-
Other postemployment benefits trust	11,148	15,490	-	26,638	-	26,638
Federal loan programs	22,034	374	631	21,777	-	21,777
Workers compensation	20,000	4,629	4,229	20,400	5,891	14,509
Compensated absences	4,730	599	-	5,329	507	4,822
Supplemental disability	12	-	12	-	-	-
Arbitrage rebate	425	23	118	330	30	300
Unamortized bond premium	10,421	-	624	9,797	624	9,173
Unemployment compensation	270	1,325	1,088	507	507	-
Other	174	468	-	642	-	642
Total other liabilities	111,000	73,597	50,681	133,916	30,061	103,855
Total	$ 788,037	$ 200,477	$ 100,423	$ 888,091	$ 88,836	$ 799,255

Long-term liabilities as of June 30, 2009, and long-term liability activity for the year ended June 30, 2009, are summarized as follows (in thousands):

	June 30, 2008	Additions	Reductions	June 30, 2009	Current Portion	Noncurrent Portion
Bonds, notes and capital leases						
General receipts notes	$ 331,320		$ 2,870	$ 328,450	$ 7,400	$ 321,050
General receipts bonds	30,200	$ 33,350	1,080	62,470	2,560	59,910
Educational buildings bonds	115,705	-	10,865	104,840	11,245	93,595
Library bonds	37,770	-	37,770	-	-	-
Capital leases and other long-term obligations	156,103	56,680	58,295	154,488	25,718	128,770
Notes payable	5,510	21,899	620	26,789	4,883	21,906
Total bonds, notes and capital leases	676,608	111,929	111,500	677,037	51,806	625,231
Other liabilities						
Medical malpractice	31,853	7,785	12,857	26,781	4,277	22,504
Long-term disability	-	16	-	16	16	-
Annuities payable	6,271	85	1,749	4,607	423	4,184
Health insurance	12,296	31,471	33,658	10,109	10,109	-
Automobile and property self insurance	-	273	-	273	273	-
Other postemployment benefits trust	6,620	7,531	3,003	11,148	-	11,148
Federal loan programs	21,547	1,135	648	22,034	-	22,034
Workers compensation	15,076	9,013	4,089	20,000	5,872	14,128
Compensated absences	3,345	1,385	-	4,730	490	4,240
Supplemental disability	114	-	102	12	12	-
Arbitrage rebate	823	76	474	425	49	376
Unamortized bond premium	9,929	1,116	624	10,421	624	9,797
Outstanding check liability	288	-	288	-	-	-
Unemployment compensation	418	609	757	270	270	-
Other	-	174	-	174	-	174
Total other liabilities	108,580	60,669	58,249	111,000	22,415	88,585
Total	$ 785,188	$ 172,598	$ 169,749	$ 788,037	$ 74,221	$ 713,816

Annuities payable consists of the present value of future payments due under charitable remainder annuity trusts, charitable remainder unitrusts, lead trusts, irrevocable trusts and charitable gift annuities, discounted at 3.4 percent.

Bond discounts and premiums are amortized over the life of the bond using a method that approximates the effective interest method.

Bonds payable consist of general receipts bonds, general receipts notes and Consolidated Educational Building Revenue bonds (CEBRB) in the original amount of $665,910,000 dated June 1, 1998 through November 24, 2009, which bear interest at 2.25% to 4.66%. The bonds are payable in annual installments through November 1, 2039. The University is required to make semi-annual deposits of varying amounts to the debt service funds held by the trustees. The bonds are secured by the net revenues of the University and the assets restricted under the bond indenture agreements. Capital leases are due in periodic installments through November 20, 2029 and bear interest at 2.55% to 4.32%

The indenture agreements require that certain funds be established with the trustee and with the Commonwealth of Kentucky. In addition, CEBRB bonds require a debt service reserve equal to the highest annual aggregate debt service payment due during the remaining lives of the bonds. Currently this amount is $14,648,000.

On November 24, 2009, $100,605,000 of University of Kentucky General Receipts Bonds Series 2009 B were issued at a net interest cost of 3.59%. These bonds were issued as Build America Bonds as authorized under the American Recovery and Reinvestment Act of 2009. The University will receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the bonds.

Principal maturities and interest on bonds, notes and capital leases for the next five years and in subsequent five-year periods as of June 30, 2010, are as follows (in thousands):

	Principal	Interest	Total
2011	$ 58,775	$ 34,478	$ 93,253
2012	52,972	31,476	84,448
2013	51,309	28,425	79,734
2014	62,034	26,302	88,336
2015	37,370	24,300	61,670
2016-2020	177,030	98,572	275,602
2021-2025	167,350	58,039	225,389
2026-2030	93,510	23,551	117,061
2031-2035	24,425	11,963	36,388
2036-2040	29,400	4,314	33,714
Total	$ 754,175	$ 341,420	$1,095,595

At June 30, 2010, assets with a fair market value of approximately $67,328,000 have been placed on deposit with trustees to totally defease bonds with a par amount of $65,455,000. The liability for these fully defeased bonds is not included in the financial statements.

8. COMPONENTS OF RESTRICTED EXPENDABLE NET ASSETS

Restricted expendable net assets are subject to externally imposed stipulations or conditions that must be followed and cannot be used for support of general operations of the University. As of June 30, 2010 and June 30, 2009, respectively, restricted expendable net assets were composed of the following (in thousands):

	2010	2009
Appreciation (depreciation) on permanent endowments	$ (14,568)	$ (47,017)
Term endowments	5,323	5,309
Quasi-endowments initially funded with restricted assets	35,140	36,360
Funds restricted for capital projects and debt service	59,523	67,356
Funds restricted for noncapital purposes	106,681	104,325
Loan funds (primarily University funds required for federal match)	9,525	10,100
Total	$ 201,624	$ 176,433

9. DESIGNATIONS OF UNRESTRICTED NET ASSETS

Unrestricted net assets are designated for specific purposes by action of the Board of Trustees or management or may otherwise be limited by contractual agreements. Commitments for the use of unrestricted net assets as of June 30, 2010 and June 30, 2009, respectively, are as follows (in thousands):

	2010	2009
Working capital requirements	$ 71,181	$ 47,263
Budget appropriations for future year fiscal operations	91,810	95,664
Designated for capital projects	17,291	24,204
Designated for renewal and replacement of capital assets	20,564	14,589
Hospital System	341,004	382,002
Affiliated corporations and component units	72,987	63,008
Total	$ 614,837	$ 626,730

10. PLEDGED REVENUES

Under the University's General Receipts Trust Indenture, substantially all of the unrestricted operating and nonoperating revenues of the University are pledged to secure the payment of debt. For the years ended June 30, 2010 and June 30, 2009, respectively, pledged revenues are as follows (in thousands):

	2010	2009
Student tuition and fees	$ 208,340	$ 195,244
Nongovernmental grants and contracts	1,149	810
Recoveries of facilities and administrative costs	50,847	44,707
Sales and services	35,843	43,450
Hospital services	782,677	701,936
Auxiliary enterprises - housing and dining	40,378	39,283
Auxiliary enterprises - other	26,778	25,515
Other operating revenue	1,076	593
State appropriations	294,137	315,162
Gifts and grants	3,263	2,471
Investment income	6,724	11,564
	$ 1,451,212	$ 1,380,735

11. INVESTMENT INCOME

Components of investment income (loss) for the years ended June 30, 2010 and June 30, 2009 are as follows (in thousands):

	2010	2009
Interest and dividends earned on endowment investments	$ 15,668	$ 29,426
Realized and unrealized gains and losses on endowment investments	72,243	(212,117)
Interest and dividends on cash and non-endowment investments	8,907	15,275
Realized and unrealized gains and losses on non-endowment investments	(3,190)	(3,562)
Investment income from external trusts	1,800	1,865
Total	$ 95,428	$ (169,113)

12. FUNDS HELD IN TRUST BY OTHERS

The University is the income beneficiary of various trusts that are held and controlled by external trustees. For the years ended June 30, 2010 and 2009, the University received income from these trusts of approximately $1,800,000 and $1,865,000, respectively. The market value of the external trust assets as of June 30, 2010 and June 30, 2009 was approximately $46,358,000 and $44,729,000, respectively. As the University does not have ownership of the trust assets held by external trustees, the trusts are recorded at a nominal value of $1 each.

13. PLEDGES AND DEFERRED GIFTS

At June 30, 2010, pledges are expected to be collected primarily over the next ten years, as follows (in thousands):

	2010	2009
Operating purposes	$ 16,527	$ 18,552
Capital projects	46,431	45,224
Total	62,958	63,776
Less discounts and allowances	(27,654)	(29,903)
Total	$ 35,304	$ 33,873

In accordance with GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions,” the University is required to record operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are actually received. For the years ended June 30, 2010 and 2009, the University recorded the discounted value of operating and capital pledges using a rate of four percent and five percent, respectively.

Deferred gifts through insurance, known bequests and irrevocable trusts in which the University has a remainder interest are estimated to be approximately $99,467,000 at June 30, 2010. The University records these amounts as revenue when the cash is received.

14. GRANTS AND CONTRACTS AWARDED

At June 30, 2010, grants and contracts of approximately $434,822,000 have been awarded to the University and the University of Kentucky Research Foundation but not expended. These amounts will be recognized in future periods.

15. PENSION PLANS

Regular full-time employees, including faculty, are participants in the University of Kentucky Retirement Plan, a defined contribution plan. The University of Kentucky Retirement Plan consists of five groups as follows:

Group I	Established July 1, 1964, for faculty and certain administrative officials.
Group II	Established July 1, 1971, for staff members in the clerical, technical and service categories.
Group III	Established July 1, 1972, for staff members in the managerial, professional and scientific categories.
Group IV	Established January 1, 1973, for staff members having U.S. Civil Service retirement entitlement.
Group V	Established July 1, 1987, for staff members covered under the Federal Employees Retirement System that replaced Civil Service (those whose employment began during the period from January 1, 1984 to March 31, 1987). Staff members whose employment began after March 31, 1987 are under one of the above University of Kentucky Retirement Plans.

Participation in the University of Kentucky Retirement Plan is mandatory for all regular full-time employees in groups I, II and III who are age 30 or older. Participation is voluntary for regular full-time employees under the age of 30 and for those employees in groups IV and V. Participants in groups I, II, III and IV contribute 5 percent and the University contributes 10 percent of the participant's eligible compensation to the retirement plan. Participants in group V contribute 1 percent and the University contributes 2 percent of the participant's eligible compensation to the retirement plan.

The University has authorized two retirement plan carriers, as follows:

Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)
Fidelity Investments Institutional Services Company

Under the fully funded University of Kentucky Retirement Plan, the University and plan participants make contributions to provide retirement benefits to employees in individually owned contracts. All payments are vested immediately for employees hired prior to January 1, 2010. For employees hired after January 1, 2010, employer contributions are vested after five years. The University's contributions and costs for 2010 and 2009 were approximately $76,006,000 and $73,391,000, respectively. Employees contributed approximately $37,505,000 in 2010 and $36,233,000 in 2009. The University's total payroll costs were approximately $985,224,000 and $965,364,000, respectively, for the years ended June 30, 2010 and 2009. The payroll for employees covered by the retirement plan was approximately $760,061,000 and $733,911,000 for the years ended 2010 and 2009, respectively.

In addition to retirement benefits provided from the group retirement plan, the University provides supplemental retirement income benefits to certain eligible employees in each of the retirement groups (see Note 16).

16. MINIMUM ANNUAL RETIREMENT BENEFITS AND SUPPLEMENTAL RETIREMENT INCOME

Employees in retirement groups I, II and III, referred to in Note 15 above, who were age 40 or older prior to the date of establishment of each group plan, and who were employed by the University prior to that date, qualify for the minimum annual retirement benefit provisions of the retirement plan. Benefits for these eligible employees are based upon a percentage, determined through years of service, of the participant's annual salary in the last year of employment prior to retirement. Retirement benefits as determined are funded by each individual retiree's accumulation in the group retirement plan, with the balance, if necessary, provided by the University as supplemental retirement income. No active employees were eligible for this benefit for the years ended June 30, 2010 and 2009.

The Legislature of the Commonwealth of Kentucky appropriates funds to the University which the University has used for payment of supplemental retirement income benefits since adoption of the group retirement plans, and is expected to continue this practice. However, the Constitution of the Commonwealth of Kentucky prohibits the commitment of future revenues beyond the end of the current biennium. The University does not recognize the liability for supplemental retirement income benefits during the service life of covered employees, but recognizes its costs when funds are appropriated by the Legislature and payments are made. The University intends to continue paying supplemental retirement income benefits. Supplemental retirement benefit payments were approximately $2,358,000 and $2,611,000 for the years ended June 30, 2010 and 2009, respectively.

The latest actuarial valuation was prepared as of July 1, 2010, by TIAA CREF. The actuarial present value of accumulated supplemental retirement income benefits as determined by this valuation, utilizing an assumed rate of return of 7 percent, was $10,412,000.

17. HEALTH INSURANCE BENEFITS FOR RETIREES

The University administers a single-employer defined benefit healthcare plan including medical and prescription drug benefits. The plan provides lifetime healthcare insurance benefits for eligible retirees and their surviving spouses. Employees are eligible for the University retiree health benefits upon retirement after (a) completing 15 years of continuous service and (b) age plus years of service equal at least 75 years ("rule of 75"). Employees hired on or after January 1, 2006 are eligible to participate in the retiree healthcare plan on an "access only" basis upon retirement, but must pay 100% of the cost of the selected plan. Employees hired prior to January 1, 2006 are eligible for the University subsidy based on their hire date and surviving spouses receive one-half of the health credit their spouse was entitled to if they were covered by the health plan at the time of the retiree's death. No health credit is provided to a spouse of a living retiree. Human Resources Policies and Procedures define retiree health benefits and can be amended by the President of the University as delegated by the University's Board of Trustees. Employees who were hired before August 1, 1965 are also eligible for $5,000 of life insurance coverage upon retirement.

The retiree health plan does not issue a publicly available financial report, but is included in this report of the University using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measureable. Investments are reported at fair market value and based on published prices and quotations from major investment brokers at current exchange rates, as available.

The contribution requirements of plan members and the University are established and may be amended by the President of the University. For employees hired before January 1, 2006, the University provides a pre-65 credit of up to 90% of the "true retiree" cost of the least expensive pre-65 medical plan. For post-65 benefits, the University provides a credit equal to 90% of the "true retiree" cost of the post-65 medical plan. For fiscal year 2010, the University contributed $22.6 million to the plan. Plan members receiving benefits contributed 14.2 percent of the premium costs, an average for combined single and family coverage. In fiscal year 2010, total member contributions were approximately $3.3 million.

The University has established a trust fund to segregate plan assets, and currently plans to contribute amounts to the trust fund sufficient to fully fund the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The University will continue to finance retiree benefits by pre-funding benefits and contributing the ARC into a segregated, protected trust fund and will amortize the initial unfunded accrued liability (UAL) over a thirty-year closed period. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $23.3 million is 4.1 percent of annual covered payroll. There are no long-term contracts for contributions to the plan. The following table presents the other postemployment benefits (OPEB) cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2010 (in thousands):

Annual required contribution	$	23,305
Interest on net OPEB obligation		(29)
Adjustment to annual required contribution		24
Contributions made		(22,584)
Increase in net OPEB obligation (asset)		716
Net OPEB obligation (asset) - Beginning of year		(362)
Net OPEB obligation (asset) - End of year	$	354

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2010, 2009 and 2008, were as follows (in thousands):

Fiscal Year Ended		Annual OPEB cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
6/30/2008	$	13,649	100.0%	$	-
6/30/2009	$	14,059	102.6%	$	(362)
6/30/2010	$	23,300	96.9%	$	354

As of July 1, 2010, the actuarial accrued liability (AAL) for benefits was $253.3 million, with an actuarial value of assets of $26.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of $226.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $562.9 million and the ratio of the UAAL to the covered payroll was 40.3 percent at June 30, 2010. The University implemented the University of Kentucky Other Postemployment Benefits (OPEB) Trust in July 2007, after the July 1, 2007 actuarial valuation date. As of June 30, 2010, net trust fund assets totaled $26.6 million.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The projection of benefits for financial reporting purposes is based on the substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects for legal or contractual funding limitations on the pattern of cost sharing between the employer and plan member in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an 8 percent discount rate based on the University's funding policy (ARC funding) based on the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The projected annual healthcare trend rate is 8.5 percent for the pre-65 members and 7.75 percent for the post-65 members initially, reduced in decrements to an ultimate rate of 5 percent after seven years. The expected long-term payroll growth rate was assumed to be 3 percent per year. The initial UAAL is being amortized as a level percent of pay amount on a closed basis. The remaining amortization period at July 2009 was 28 years.

18. LONG-TERM DISABILITY BENEFIT PLAN

The University is self insured for a long-term disability income program and has established a trust for the purpose of paying claims and establishing necessary reserves. Regular employees with a full-time equivalent of .75 or greater who have completed 12 months of service are automatically enrolled in the plan. To be covered, an employee must be actively at work on the first day of the month after the employee completes one full year of service. An employee approved for long-term disability receives benefits based on the employee's basic regular monthly salary at the time of the onset of the disabling condition. Primary income benefits provide payment of 60% of the basic regular monthly salary less any disability received from government programs and/or another employer for the same condition. Basic salary for medical faculty is defined as the tenure base salary. Other sources of income used in the benefit formula include Social Security, worker's compensation or other similar government programs, veterans' or other governmental disability payments, or other employer-sponsored disability benefits.

Employees approved for long-term disability receive 100% of their basic salary for the first six months and 60% thereafter. Benefits end when members recover, die, terminate employment or retire. In most cases, claimants retire at age 65. The plan also includes provisions for health insurance that allow participants who were enrolled in a health plan at the time their disability benefit began to continue health coverage (University subsidy limited to 29 months for claimants approved on or after October 1, 2006), life insurance benefit ($10,000 before July 1, 2007 or one times salary on or after July 1, 2007) and retirement contributions equal to 10 percent of pre-disability salary per year for applications filed on or after October 1, 2006 and 15 percent of pre-disability salary per year for applications filed before October 1, 2006.

The long-term disability plan does not issue a publicly available financial report, but is included in this report of the University using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measureable. Investments are reported at fair market value and based on published prices and quotations from major investment brokers at current exchange rates, as available. The coverage of the long-term disability benefits is established and may be amended by the President of the University.

The University currently plans to contribute amounts to the trust fund sufficient to fully fund the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The University will continue to finance long-term disabilities by pre-funding benefits and contributing to the ARC into a segregated, protected trust fund and will amortize the initial unfunded accrued liability (UAL) over a thirty year closed period. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of $2.8 million is 0.6 percent of annual covered payroll. There are no long-term contracts for contributions to the plan. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2010 (in thousands):

Annual required contribution	$ 2,761
Interest on net OPEB obligation	(8)
Adjustment to annual required contribution	6
Contributions made	(2,366)
Increase in net OPEB obligation (asset)	393
Net OPEB obligation (liability) - Beginning of year	7
Net OPEB obligation (liability) - End of year	$ 400

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2010, 2009 and 2008 were as follows (in thousands):

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 2,208	100.0%	$ -
6/30/2009	$ 2,238	99.7%	$ 7
6/30/2010	$ 2,759	85.8%	$ 400

As of July 1, 2010, the actuarial accrued liability (AAL) for benefits was $24.8 million and the actuarial value of assets was $8.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $16.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $453.4 million and the ratio of the UAAL to the covered payroll was 3.7 percent at June 30, 2010.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Major factors affecting all long-term disability benefits are the rate at which people become disabled and how quickly they are expected to recover from disability. These rates will improve or deteriorate over time, for example with the state of the economy, with technological development and heath related events. Other factors that could also impact the liability include salary inflation, changes in utilization patterns, changes to government programs and technological advances, such as new drugs or equipment. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The projection of benefits for financial reporting purposes is based on the substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an 8 percent discount rate based on the University's funding policy (ARC funding) based on the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The projected elimination period is six months; termination (mortality and recovery from disability) and gender and age-related disability incidence rates are based on the 1987 Commissioner's Group Long Term Disability Table. Payments are assumed to be made until the later of (a) age 65 or (b) five years after date of disability. The projected long-term income benefit is based on actual net benefit currently being paid with social security offset. For people who have been disabled for less than 24 months and are currently not entitled to a social security offset, it was assumed that the offset will eventually be approved according to the following table:

Months Since Disability	Proportion
<12	5%
12-17	40%
18-23	40%
24+	80%

The future salary increase for active members was assumed to be 3 percent per year. The UAAL is being amortized as a level percent of pay amount on a closed basis. The remaining amortization period at July 1, 2009 was 28 years.

19. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by (1) the State Fire and Tornado Insurance Fund (the Fund), (2) Sovereign Immunity and the State Board of Claims, or (3) in the case of risks not covered by the Fund and Sovereign Immunity, commercial insurance, participation in insurance risk retention groups or self-insurance.

The Fund covers losses to property from fire, wind, earthquake, flood and most other causes of loss between $250,000 and $500,000 per occurrence. Losses in excess of $500,000 are insured by commercial carriers up to $500 million per occurrence with buildings insured at replacement cost and contents on an actual cash value basis. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the Board of Claims Act, under which the University's liability for certain negligence claims is limited to $200,000 for any one person or $350,000 for all persons damaged by a single act of negligence. Claims against educators' errors and omissions and wrongful acts are insured through a reciprocal risk retention group. There have been no significant reductions in insurance coverage from 2009 to 2010. Settlements have not exceeded insurance coverage during the past three years.

The University and its agents are insured against medical malpractice by a combination of Sovereign Immunity, self-insurance, commercial liability insurance and an excess coverage fund established by the Commonwealth of Kentucky. An actuarial valuation is performed to determine the self insurance funding requirements and the fund liability, which has been discounted using an interest rate of 6 percent. The malpractice liability as of June 30, 2009 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be recorded if it is probable that a loss has occurred and the amount of loss can be reasonably estimated. The liability includes an estimate for claims that have been incurred but not reported as of June 30, 2010.

The University also self-insures certain employee benefits, including health insurance, worker's compensation and unemployment claims to the extent not covered by insurance. The University has recorded an estimate for asserted claims at June 30, 2010.

20. CONTINGENCIES

The University is a defendant in various lawsuits. The nature of the educational and health care industries is such that, from time to time, claims will be presented on account of alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational and health care services at a large institution. However, University officials are of the opinion, based on advice of in-house legal counsel, that the effect of the ultimate outcome of all litigation will not be material to the future operations or financial position of the University.

21. RESEARCH CHALLENGE TRUST FUND

The Research Challenge Trust Fund (RCTF) was created by the Kentucky General Assembly with the passage of the Postsecondary Education Improvement Act of 1997 (House Bill 1). The objectives of the RCTF, as stated in the Bill, include support of efforts by the University of Kentucky to attain status as a top-20 public research university. The RCTF Endowment Match Program provides state funds on a dollar-for-dollar match basis. This program, also known as “Bucks for Brains,” supports endowed chairs, professorships and graduate fellowships, and the research and graduate mission of the University.

With the passage of the 2008-2010 budget of the Commonwealth, the 2008 General Assembly authorized $50 million in General Fund supported bonds in 2008-2009 for the Research Challenge Trust Fund (RCTF) to support the Endowment Match Program and a newly created Research Capital Match Program. In accordance with KRS 164.7917, these funds will be allocated two-thirds to the University of Kentucky ($33.3 million) and one-third to the University of Louisville ($16.7 million). At its June 9, 2009 Board Meeting, the University of Kentucky Board of Trustees approved the allocation of UK’s Research Challenge Trust Fund appropriation as follows: $21,957,000 to the Research Capital Match Program and $11,406,000 to the Endowment Match Program.

The status of the RCTF endowed funds as of June 30, 2010, is summarized as follows (in thousands):

	Kentucky General Assembly Funding	University of Kentucky Share of Funding	State Funds Received to Date	Matching Pledges Receivable
1998 Biennium	$ 100,000	$ 66,667	$ 66,667	
2000 Biennium	100,000	68,857	68,857	
2002 Biennium	100,000	66,667	66,667	$ 17,913
2008 Biennium: Capital Projects	21,957	21,957	9,450	8,313
2008 Biennium: RCTF	28,073	11,406	7,824	3,237
Total	$ 350,030	$ 235,554	$ 219,465	$ 29,463

Interest income of approximately $2.2 million earned on the state matching funds is included in the University's share of the 2000 biennium funding. Requests to the State for RCTF Endowment Match Program funds totaling $340,000 have been submitted and are outstanding as of June 30, 2010.

The University expects to fully realize all outstanding matching pledges; however, it may be obligated to return any state funds and accrued interest income related to pledges not received within five years of the initial pledge dates if unable to replace the unpaid pledges with other eligible gifts.

A payment schedule of the outstanding pledges is shown below (in thousands):

	2002 Biennium	2008 Biennium: Capital Projects	2008 Biennium: RCTF
Pledges due in fiscal year 2010 or prior	$ 72		$ 167
Pledges due in fiscal year 2011	7,112	$ 2,099	539
Pledges due in fiscal year 2012	2,678	2,099	872
Pledges due in fiscal year 2013	8,051	2,079	1,079
Pledges due in fiscal year 2014	-	2,036	548
Pledges due in fiscal year 2015	-	-	32
Total	$ 17,913	$ 8,313	$ 3,237

22. CANCER RESEARCH MATCHING FUND

The Kentucky General Assembly created the Cancer Research Institutions Matching Fund, which is funded by a one-cent surtax levied on each 20 cigarettes sold in Kentucky. Tax revenues are made available equally to the University of Kentucky and the University of Louisville when matched dollar-for-dollar by private sources.

A summary of the receipts and expenses related to the fund as of June 30, 2010 and June 30, 2009, respectively, follows (in thousands):

	2010	2009
Funds from private sources approved for match	$ 1,756	$ 3,710
Cigarette excise tax funds distributed	2,573	2,550
Total cancer research matching fund revenues	$ 4,329	$ 6,260
Cancer research matching fund expenses	$ 11,895	$ 9,644

23. NATURAL CLASSIFICATION

The University's operating expenses by natural classification were as follows for the years ended June 30, 2010 and June 30, 2009, respectively (in thousands):

	2010	2009
Salaries and wages	$ 994,491	$ 965,840
Employee benefits	308,178	271,590
Supplies and services	528,906	502,607
Depreciation	101,831	99,067
Student scholarships and financial aid	41,877	38,304
Purchased utilities	47,011	44,922
Other, various	92,685	99,963
Total	$ 2,114,979	$ 2,022,293

24. CURRENT ECONOMIC CONDITIONS

The current protracted economic decline continues to present the University with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments, governmental support and investment income. The financial statements have been prepared using values and information currently available to the University.

Current economic conditions have made it challenging for many donors to continue to contribute to not-for-profit organizations. A significant decline in the fair value of investments, as well as contribution revenue could have an adverse impact on the University's future operating results. As the Commonwealth continues to struggle with the impact of these economic conditions at the state level, governmental support will continue to decline as well.

On March 23, 2010, President Obama signed into law the healthcare reform bill, the Patient Protection and Affordable Care Act (PPACA). This legislation plus the Health Care and Education Reconciliation Act of 2010, makes sweeping changes to the US health care system. The actual implementation of these Acts will happen over many years but UK Healthcare will begin to see the impact of the potential changes in the near future. The majority of the measures are designed to change the care delivery system but it also includes changes to insurance markets and pricing transparency.

In addition, the rising unemployment rate has made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on UK Healthcare's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values; allowances for contribution and patient receivables; and the valuation of intangibles that could negatively impact the University's ability to meet debt covenants or maintain sufficient liquidity.

25. RECLASSIFICATIONS

Certain reclassifications to fiscal year 2009 comparative amounts have been made to conform to the fiscal year 2010 financial statement classifications. Certain transactions previously reported as scholarships and fellowships, research, academic support, capital project and other restricted expendable net assets are now being reported as instruction, capital project and auxiliary net assets in the Statements of Net Assets. Certain transactions previously reported as sales and services revenue and institutional support expense in the Statements of Revenues, Expenses and Changes in Net Assets are now being eliminated. Additionally, certain transactions previously reported as principal paid on capital debt and leases and other capital and related financing receipts (payments), net are now being reported as interest paid on capital debt and leases in the Statements of Cash Flow. Such classifications had no effect on the change in net assets.

REQUIRED SUPPLEMENTARY INFORMATION

1. HEALTH INSURANCE BENEFITS FOR RETIREES

The University of Kentucky's (the University) Other Postemployment Benefit Plan (OPEB Plan) is administered through the University's OPEB Trust Fund as an irrevocable trust. Assets of the trust fund are dedicated to providing post-retirement health insurance coverage to current and eligible future university retirees. Only employees hired prior to January 1, 2006 are eligible to receive post-retirement health insurance benefits.

The following schedules present the University's actuarially determined funding progress and required contributions for the University's Other Postemployment Benefits Trust using the projected unit credit actuarial cost method:

Schedule of Funding Progress by Valuation Date
(In thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$ 7,251	$ 141,171	$ 133,920	5.1%	$ 614,928	21.8%
July 1, 2008	$ 11,148	$ 150,220	$ 139,072	7.4%	$ 590,446	23.6%
July 1, 2009	$ 26,638	$ 253,318	$ 226,680	10.5%	$ 562,887	40.3%

Schedule of Employer Contributions
(In thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2008	$ 13,649	100.0%
June 30, 2009	$ 14,059	102.6%
June 30, 2010	$ 23,305	96.9%

2. LONG-TERM DISABILITY BENEFIT PLAN

The University is self insured for a long-term disability income program and has established a trust for the purpose of paying claims and establishing necessary reserves. Regular employees with a full-time equivalent of .75 or greater who have completed 12 months of service are automatically enrolled in the plan.

The following schedules present the University's actuarially determined funding progress and required contributions for the University's long-term disability benefit trust fund using the projected unit credit actuarial cost method:

Schedule of Funding Progress by Valuation Date
(In thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$ 7,601	$ 21,583	$ 13,982	35.2%	$ 444,981	3.1%
July 1, 2008	$ 6,551	$ 22,044	$ 15,493	29.7%	$ 473,835	3.3%
July 1, 2009	$ 8,132	$ 24,838	$ 16,706	32.7%	$ 453,429	3.7%

Schedule of Employer Contributions
(In thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2008	$ 2,208	100.0%
June 30, 2009	$ 2,240	99.7%
June 30, 2010	$ 2,761	85.7%

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENT OF NET ASSETS SCHEDULE
JUNE 30, 2010
(in thousands)

	UK	Research Foundation	The Fund	Gluck Equine Research Foundation	Athletic Association	Humanities Foundation	Mining Engineering Foundation	Business Partnership Foundation	Center on Aging	Central Kentucky Management Services	Boone Center	Kentucky Medical Services Foundation	Total
ASSETS													
Current Assets													
Cash and cash equivalents	$ 387,034	$ 22,179	$ 10,665	$ 300	$ 24,930	$ 40	$ 5	$ 283	$ 101	$ 430	$ 135	$ 2,865	$ 448,967
Notes, loans and accounts receivable, net	145,529	48,757	2,239	15	318			2			18	27,260	224,138
Investments												6,404	6,404
Inventories and other	25,332	4,037			3,576					14	15	47	33,021
Total current assets	557,895	74,973	12,904	315	28,824	40	5	285	101	444	168	36,576	712,530
Noncurrent Assets													
Restricted cash and cash equivalents	44,273						42						44,315
Endowment investments	768,661	3,383	179	7,070	249	1,090	1,468	11,405					793,505
Other long-term investments	120,048	1,641										28,169	149,858
Notes, loans and accounts receivable, net	50,769		1	40				5				631	51,446
Other noncurrent assets	15,914	2,707										511	19,132
Capital assets, net	1,719,026	12,066			1,918					300	22	40,523	1,773,855
Total noncurrent assets	2,718,691	19,797	180	7,110	2,167	1,090	1,510	11,410	-	300	22	69,834	2,832,111
Total assets	3,276,586	94,770	13,084	7,425	30,991	1,130	1,515	11,695	101	744	190	106,410	3,544,641
LIABILITIES													
Current Liabilities													
Accounts payable and accrued liabilities	162,917	20,050	453		2,508		2	2		444	76	4,867	191,319
Deferred revenue	14,553	37,263	91		14,301								66,208
Long-term liabilities - current portion	83,180	672										4,984	88,836
Total current liabilities	260,650	57,985	544	-	16,809	-	2	2	-	444	76	9,851	346,363
Noncurrent Liabilities													
Accounts payable and accrued liabilities	2,659												2,659
Deferred revenue	6,387												6,387
Long-term liabilities	774,096	2,488			642							22,029	799,255
Total noncurrent liabilities	783,142	2,488	-	-	642	-	-	-	-	-	-	22,029	808,301
Total liabilities	1,043,792	60,473	544	-	17,451	-	2	2	-	444	76	31,880	1,154,664
INTERFUND BALANCES	23,929	(955)	(636)		(115)							(22,223)	-
NET ASSETS													
Invested in capital assets, net of related debt	1,016,910	10,375			1,918					300		17,722	1,047,225
Restricted													
Nonexpendable	512,139	751	31	4,607		617	649	7,497					526,291
Expendable	188,939	3,235	652	2,818	306	513	864	4,196	101				201,624
Total restricted	701,078	3,986	683	7,425	306	1,130	1,513	11,693	101	-	-	-	727,915
Unrestricted	538,735	18,981	11,221		11,201						114	34,585	614,837
Total net assets	$ 2,256,723	$ 33,342	$ 11,904	$ 7,425	$ 13,425	$ 1,130	$ 1,513	$ 11,693	$ 101	$ 300	$ 114	$ 52,307	$ 2,389,977

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010
(in thousands)

	UK	Research Foundation	The Fund	Gluck Equine Research Foundation	Athletic Association	Humanities Foundation	Mining Engineering Foundation	Business Partnership Foundation	Center on Aging	Central Kentucky Management Services	Boone Center	Kentucky Medical Services Foundation	Total
OPERATING REVENUES													
Student tuition and fees, net	$ 208,340												$ 208,340
Federal grants and contracts	1,989	$ 172,308											174,297
State and local grants and contracts	20,973	72,219	$ 410										93,602
Nongovernmental grants and contracts	(1,266)	25,244	2,418										26,396
Recoveries of facilities and administrative costs	248	50,599											50,847
Sales and services	28,452		12,051						$ 25	$ 6,603	$ 801		47,932
Federal appropriations	15,390												15,390
County appropriations	16,394												16,394
Professional clinical service fees												$ 194,401	194,401
Hospital services	782,677												782,677
Auxiliary enterprises:													
Housing and Dining, net	40,378												40,378
Athletics					$ 63,652								63,652
Other auxiliaries	26,778												26,778
Other operating revenues	(6,391)	7,223	103				$ 1				140	432	1,508
Total operating revenues	1,133,962	327,593	14,982	-	63,652	-	1	-	25	6,603	941	194,833	1,742,592
OPERATING EXPENSES													
Educational and general:													
Instruction	240,803	12,562	501			$ 11	79	$ 164					254,120
Research	85,129	178,674	431	$ 4			12						264,250
Public service	106,683	116,886	988				3						224,560
Libraries	18,957		4										18,961
Academic support	71,864	2,618	3,024					294					77,800
Student services	28,857	43	69			1							28,970
Institutional support	73,058	536	879	18					48	6,600			81,139
Operations and maintenance of plant	62,029	27											62,056
Student financial aid	25,089	1,136	612			45		153					27,035
Depreciation	63,387	889								80	8		64,364
Total educational and general	775,856	313,371	6,508	22	-	57	94	611	48	6,680	8	-	1,103,255
Clinical operations (including depreciation of $2,201)												152,308	152,308
Hospital (including depreciation of $31,694)	733,649		74										733,723
Auxiliary enterprises:													
Housing and dining (including depreciation of $3,017)	39,981												39,981
Athletics (including depreciation of $555)	6				67,550								67,556
Other auxiliaries	15,101										1,354		16,455
Other expenses	1,623										79		1,702
Total operating expenses	1,566,216	313,371	6,582	22	67,550	57	94	611	48	6,680	1,441	152,308	2,114,980
Net income (loss) from operations	(432,254)	14,222	8,400	(22)	(3,898)	(57)	(93)	(611)	(23)	(77)	(500)	42,525	(372,388)
NONOPERATING REVENUES (EXPENSES)													
State appropriations	294,137												294,137
State fiscal stabilization fund	21,067												21,067
Gifts and grants	77,213	81	760	104		1		72	64				78,295
Investment income (loss)	91,979	699	45	838	55	129	183	1,353		2		146	95,429
Interest on capital asset-related debt	(17,426)	(227)										(1,371)	(19,024)
Grant to/(from) the University for non-capital purposes	42,655	(3,822)	(10,431)	(856)	9,549	(5)	(8)	(56)			584	(37,610)	-
Other nonoperating revenues and expenses, net	2,054	1,845			1,488								5,387
Net nonoperating revenues (expenses)	511,679	(1,424)	(9,626)	86	11,092	125	175	1,369	64	2	584	(38,835)	475,291
Net income (loss) before other revenues, expenses, gains, or losses	79,425	12,798	(1,226)	64	7,194	68	82	758	41	(75)	84	3,690	102,903
Capital appropriations	11,450												11,450
Capital grants and gifts	36,788	6,811										(607)	42,992
Additions to permanent endowments	21,043					2	1	16					21,062
Grant to/(from) the University for capital purposes	11,382	(7,171)	(693)		(3,512)			(6)					-
Other, net	819	(23)			(13)							(2,294)	(1,511)
Total other revenues	81,482	(383)	(693)	-	(3,525)	2	1	10	-	-	-	(2,901)	73,993
INCREASE (DECREASE) IN NET ASSETS	160,907	12,415	(1,919)	64	3,669	70	83	768	41	(75)	84	789	176,896
NET ASSETS, beginning of year	2,095,816	20,927	13,823	7,361	9,756	1,060	1,430	10,925	60	375	30	51,518	2,213,081
NET ASSETS, end of year	$ 2,256,723	$ 33,342	$ 11,904	$ 7,425	$ 13,425	$ 1,130	$ 1,513	$ 11,693	$ 101	$ 300	$ 114	$ 52,307	$ 2,389,977

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