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DHHS/COST ALLOCATION

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**DEPARTMENT OF HEALTH & HUMAN SERVICES****ORIGINAL****Program Support Center
Financial Management Service
Division of Cost Allocation****Cohen Building-Room 1067
330 Independence Avenue, S.W.
Washington, DC 20201
PHONE: (202)-401-2808
FAX: (202)-810-3379**

May 3, 2007

Mr. Marc A. Mathews, CPA
Controller
University of Kentucky
301 Peterson Service Building
Lexington, KY 40506-0005

Dear Mr. Mathews :

A copy of the facilities and administrative (F&A) cost Rate Agreement is being fax to you for your signature. This agreement reflects an understanding reached between your organization and a member of my staff concerning the rate(s) that may be used to support your claim for F&A and fringe benefit costs on grants and contracts with the Federal Government.

In addition, both parties agree that the differences between the fixed and actual fringe benefit costs for the fiscal year ended June 30, 2006 are:

- Over-recovery of \$2,062,865 applicable to Full-Time Faculty
- Over-recovery of \$3,784,961 applicable to Full-Time Staff.
- Over-recovery of \$314,196 applicable to Part-Time Other.

These amounts are included in your fixed fringe benefit rates for the fiscal year ending June 30, 2007 which are listed in the attached Rate Agreement.

Please have the Agreement signed by an authorized representative of your organization and return it to me, retaining a copy for your files. We will reproduce and distribute the Rate Agreement to the appropriate awarding organizations of the Federal Government for their use.

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Mr. Mathews

May 3, 2007

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A fringe benefit proposal, together with the required supporting information, must be submitted to this office for each fiscal year in which your organization claims fringe benefits under grants and contracts awarded by the Federal Government. Therefore, your next fringe benefit proposal for the fiscal year ending June 30, 2007, will be due in our office by December 31, 2007.

Sincerely,



Darryl W. Mayes
National Director
Division of Cost Allocation

CONCURRENCE:

University of Kentucky

(Institution)


(Signature)HENRY CLAY OWEN
(Name)TREASURER
(Title)5-15-07
(Date)

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ORIGINAL

COLLEGES AND UNIVERSITIES RATE AGREEMENT

EIN #: 1616033693

DATE: May 3, 2007

INSTITUTION:
 University of Kentucky
 Office of Controller & Treasurer
 301 Peterson Service Building
 Lexington KY 40506-0005

FILING REF.: The preceding Agreement was dated May 3, 2006

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

SECTION I: FACILITIES AND ADMINISTRATIVE COST RATES*

RATE TYPES: FIXED FINAL PROV. (PROVISIONAL) PRED. (PREDETERMINED)

TYPE	EFFECTIVE PERIOD		RATE (%)	LOCATIONS	APPLICABLE TO
	FROM	TO			
PRED.	07/01/05	06/30/06	46.3	On-Campus	Organized Res. (A)
PRED.	07/01/06	06/30/08	46.5	On-Campus	Organized Res. (A)
PRED.	07/01/05	06/30/08	26.0	Off-Campus	Organized Res. (A)
PRED.	07/01/05	06/30/08	36.0	On-Campus	Research Agric. (B)
PRED.	07/01/05	06/30/08	20.0	Off-Campus	Research Agric. (B)
PRED.	07/01/05	06/30/08	45.0	On-Campus	Instruction
PRED.	07/01/05	06/30/08	26.0	Off-Campus	Instruction
PRED.	07/01/05	06/30/08	37.0	On-Campus	Other Spons. Act.
PRED.	07/01/05	06/30/08	26.0	Off-Campus	Other Spons. Act.
PROV.	07/01/08	UNTIL AMENDED	Use same rates and conditions as those cited for fiscal year ending June 30, 2008.		

(A) Main Campus and Medical Center only; excludes the School of Agriculture.

(B) Agriculture which includes the Agriculture Experiment Station only; excludes Main Campus and Medical Center.

***BASE:**

Modified total direct costs, consisting of all salaries and wages, fringe benefits, materials, supplies, services, travel and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000.

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INSTITUTION:
University of Kentucky

AGREEMENT DATE: May 3, 2007

SECTION I: FRINGE BENEFITS RATES**

RATE TYPES:		FIXED	FINAL	PROV. (PROVISIONAL)	PRED. (PREDETERMINED)
TYPE	EFFECTIVE PERIOD		RATE (%)	LOCATIONS	APPLICABLE TO
	FROM	TO			
FIXED	07/01/06	06/30/07	3.4	All	Full-Time Faculty
FIXED	07/01/06	06/30/07	3.4	All	Full-Time Staff
FIXED	07/01/06	06/30/07	0.9	All	Part-Time Other (A)
FIXED	07/01/07	06/30/08	3.6	All	Full-Time Faculty
FIXED	07/01/07	06/30/08	3.7	All	Full-Time Staff
FIXED	07/01/07	06/30/08	0.9	All	Part-Time Other (A)
PROV.	07/01/08 UNTIL AMENDED		Use same rates and conditions as those cited for fiscal year ending June 30, 2008.		

(A) Rate applicable to Part-Time Students, Civil Service Employees and House Staff & Post Docs.

**DESCRIPTION OF FRINGE BENEFITS RATE BASE:
Salaries and wages.

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INSTITUTION:
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AGREEMENT DATE: May 3, 2007

SECTION II: SPECIAL REMARKS

TREATMENT OF PAID ABSENCES:

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims are not made for the costs of these paid absences.

OFF-CAMPUS DEFINITION: For all activities performed in facilities not owned by the institution and to which rent is directly allocated to the project(s), the off-campus rate will apply. Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.

TREATMENT OF FRINGE BENEFITS:

The following fringe benefits are specifically identified to each employee and are charged individually as direct cost, they are; FICA, Life Insurance, Health Insurance and TIAA/CREF.

The following fringe benefits are charged via the Fringe Benefit rates listed in Section I, they are; Disability, Workers' Compensation, Employee Education, Supplemental Retirement Income, Post Retirement Benefits, Wellness, Unemployment, Terminal Vacation and Terminal Sick Leave.

Equipment means an article of nonexpendable tangible personal property having a useful life of more than one year, and an acquisition cost of \$2,000 or more per unit.

This Agreement applies to the University of Kentucky and the University of Kentucky Research Foundation.

THIS RATE AGREEMENT UPDATES FRINGE BENEFIT RATES ONLY, ALL OTHER TERMS AND CONDITIONS FOR RATE AGREEMENT DATED 5/03/2006 ARE TO REMAIN IN EFFECT.

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INSTITUTION:
University of Kentucky

AGREEMENT DATE: May 3, 2007

SECTION III: GENERAL

A. LIMITATIONS:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its facilities and administrative cost pools as finally accepted, such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as facilities and administrative costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. ACCOUNTING CHANGES:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from facilities and administrative to direct. Failure to obtain approval may result in cost disallowances.

C. FIXED RATES:

If a fixed rate is in this Agreement, it is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined, an adjustment will be made to a rate of a future year(s) to compensate for the difference between the costs used to establish the fixed rate and actual costs.

D. USE BY OTHER FEDERAL AGENCIES:

The rates in this Agreement were approved in accordance with the authority in Office of Management and Budget Circular A-21 Circular, and should be applied to grants, contracts and other agreements covered by this Circular, subject to any limitations in A above. The organization may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

E. OTHER:

If any Federal contract, grant or other agreement is reimbursing facilities and administrative costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of facilities and administrative costs allocable to these programs.

BY THE INSTITUTION:
University of Kentucky

(INSTITUTION) _____

Henry Clay Owen
(SIGNATURE) _____

HENRY CLAY OWEN
(NAME) _____

TREASURER
(TITLE) _____

5-15-07
(DATE) _____

ON BEHALF OF THE FEDERAL GOVERNMENT:

Department of Health and Human Services
(AGENCY) _____

Darryl W. Mayes
(SIGNATURE) _____

Darryl Mayes
(NAME) _____

Director
(TITLE) _____

Division of Cost Allocation
(TITLE) _____

May 3, 2007
(DATE) _____

0303
(DATE) _____

UIC REPRESENTATIVE: Phat Chau
Telephone: (202) 401-2808