

REPORT OF COMMITTEE.

At the called meeting of the Board of Curators of Kentucky University, held on the 27th and 28th days of December, 1876, the following resolution was unanimously adopted:

"Resolved, That a committee of five be appointed to examine, thoroughly, all of the documents, books, and reports of all the officers, agents, and amenable of Kentucky University since its organization, and ascertain and report the exact financial condition, and the exact financial history of the University, and make such recommendations as may seem necessary to liquidate the debts of the University, increase its income, and secure an efficient operation of all its departments; and to this committee all officers of the University are hereby ordered to give free access to all books and papers in their possession."

"The said committee are directed to confer with such donors or committee of donors as may request conference. They will also confer with the Executive Committee, and, if they think proper, with the Board of Visitors of the State. They will report fully at the next meeting of the Board, and to this committee is referred the communication of Evan T. Warner, W. S. McChesney, and J. W. Patterson, a committee of donors, with directions to confer with them, and furnish them access to the books and accounts of the University."

"The committee is given power to employ such accountants as they may deem necessary, and the Treasurer is directed to pay such accountant upon the written order of the committee."

The undersigned committee, appointed under the foregoing resolution, beg leave to submit the following report:

That in pursuance of the powers conferred on them by the foregoing resolution, they met on the 30th day of January, 1877, all being present except R. R. Sloan, and organized with Andrew Steele as chairman, and W. L. Williams as secretary.

On the part of the committee of donors, Evan T. Warner and W. S. McChesney, were present by invitation, and your committee adopted the following resolution:

"Resolved, That the committee of donors co-operate fully with us in our investigations, in selecting proper persons to make a thorough investigation of the books and papers of Kentucky University, and rendering us all the assistance in their power to this end, but not to vote upon any question."

At a subsequent meeting, the joint committee, after full conference, unanimously selected Mr. B. L. Swope, of the city of Louisville, as the accountant, to make an examination and exhibit of the books of the General Agent and the Treasurers.

Mr. Swope was accordingly employed, and on the 7th day of March, 1877, entered on the discharge of the duties imposed on him, under written instructions from this committee, which instructions are set out in his report to us.

He worked diligently on the books, and finally completed his labors, and made his report to this committee on the 23d day of August, 1877, which report was received and approved by this committee, and is hereto appended and made a part hereof.

The report of Mr. Swope, with accompanying documents B, C, D, E, F, G, H, and I, also a complete set of new books, compiled from the original entries made in the old books, and a book of balances and statistics from the organization of the University to the 31st day of May, 1877, are herewith furnished to the Board for their information.

Your committee, in submitting Mr. Swope's report and books, in order that the Board of Curators may be placed in possession of the facts, state that General Agent and Treasurer Bowman positively declined to have his vouchers examined by the chairman of this committee, or that the chairman should be present and criticise or object to any voucher or vouchers while Mr. Swope was checking them off, and hence Mr. Swope was limited to seeing that the amount of any voucher, or paper purporting to be a voucher, presented by the Treasurer, corresponded with the amount entered on his books. Your committee also state that "the General Agent" and Treasurer, J. B. Bowman, *positively declined* to permit Mr. Swope to *examine and compare* the notes in his possession belonging to the University with the entries made on the Treasurer's books.

Mr. Swope made at least two written applications to him to produce and exhibit these notes for examination and comparison with entries on his books. Hence the Board of Curators will understand that the results arrived at by Mr. Swope, so far as the General Agent and Treasurer, J. B. Bowman's accounts are concerned, are based solely on the original entries made in his books, with simply a correction of such errors as were apparent on the face of the entries—errors of omission, errors in the amounts of vouchers, and errors in addition.

When Mr. Swope's labors were approaching completion, in order that every possible means of testing his work might be employed, and thus correcting errors, should any be found therein, at the instance of a member of this committee, Major E. D. Luxton, who for some years had kept the books, and Prof. Perrin, who, with the assistance of Major Luxton, had, in 1874, made what purported to be an abstract of them, were invited to confer with Mr. Swope, and to examine his work and point out any errors therein, or give any information in their possession that might aid him in his work.

Mr. Swope cheerfully consented to this arrangement, and Prof. Perrin and Major Luxton had numerous interviews with him, and examined his work. The information given by them to Mr. Swope, did not result in any material change of his work, and the result is fully stated in Mr. Swope's report to this committee. Prof. Perrin sent to the committee divers memorandums, which seem to have been chiefly taken from his work, which are herewith transmitted for the information of the Board.

Financial History of Kentucky University.

The resolution of the Board of Curators under which this Committee is acting, requires us "to ascertain and report the exact Financial History of the University."

We proceed now to discharge, to the best of our ability, this duty, after a careful examination of the books of the Treasurers, Mr. Swope's compilation of a new set of books, and various reports made by the Financial officers of the Institution, from its organization to the 31st day of May, 1877. The Financial History is chiefly embraced in the Endowment, the Apparatus, the Agricultural and Mechanical College, and the Real Estate and Building Funds: and the manner in which these several Funds have been managed and controlled, and the income arising therefrom has been disposed of from year to year.

On the 23d day of February, 1837, Bacon College was chartered, and soon

after went into operation at Georgetown. It was established by the Christian Brotherhood of Central Kentucky, and the Board of Trustees were nearly all members of the Christian Church. In 1839 Bacon College was removed to Harrodsburg, and a large and convenient College edifice was afterwards erected. It was from the beginning embarrassed by financial difficulties, and finally suspended operations as a regular College; but an Academy for the instruction of youths was kept open in the College property.

In the year 1856, Major James Taylor, a liberal and public spirited citizen of Mercer county, at the solicitation of J. B. Bowman, with the view to revive the College and to place it on a solid financial foundation, secured subscriptions to the Endowment Fund, from citizens of Mercer county, amounting to \$30,500. John B. Bowman, of Mercer county, is justly entitled to the credit of having secured much the larger part of the subscriptions to the Endowment Fund. He began to solicit in 1856, and prosecuted the work with great energy and signal success.

Pursuant to a call made by the Trustees of Bacon College, a meeting of the donors and friends of the College convened at Harrodsburg, on the 6th day of May, 1857. Mr. Bowman made a report to this meeting of the result of his own and Maj. Taylor's effort to obtain subscriptions, from which the following extracts are taken :

"The result of his (Maj. Taylor's) labors was the raising of \$30,000, to which amount he was himself the largest contributor. To this sum I have subsequently added about \$8,000, which makes \$38,000 in the county of Mercer. The policy adopted in the prosecution of the work was to radiate from the centre to the circumference of a circle, constantly enlarging as I progressed, till it would eventually, we hoped, encompass the whole State. I proceeded to the county of Boyle, small indeed, and containing but few brethren, but those I found forward in this, as they are in all good works. They subscribed the sum of \$14,000, about \$10,000 of which amount was given by the membership of the Danville Church.

"I next canvassed the county of Lincoln, where I secured about \$17,000 from a noble set of brethren, more liberal, perhaps, in proportion to their ability than any others whom I have visited. In the county of Garrard I secured about \$8,000, the Church at Lancaster giving with almost unanimity \$4,000. In the county of Madison I obtained from only a few persons \$6,000, five public spirited, enterprising brethren, giving me in one day, \$1,000 each.

"It is proper to state here that I declined canvassing this county, so rich in members and money, any further for the present, in view of a movement made by the citizens to aid a most worthy brother in another enterprise.

"From the Church at Bloomfield, Nelson county, on a brief visit, I secured \$2,000. In the county of Woodford I obtained about \$17,000, and in the county of Fayette about \$27,000. I cannot speak in too high praise of the unanimity and liberality of the brethren in the two counties last mentioned. Scarcely an individual refused to give when asked, and that, too, just after liberal efforts had been made for the Orphan School, the Educational Society, Bible Revision, &c. The Church at Midway gave me in two days \$5,000, which fact, in view of its numbers, its moderate wealth, and its generous constant fostering care of the Orphan-girl, is truly noble and praiseworthy. But to the Church and neighborhood of South Elkhorn, especially, is due the credit of giving the largest subscription yet made by any community, amounting as it does to nearly \$12,000.

"The above sums, with some scattering subscriptions, together with the promised endowment of the Chair of Sacred History by the noble benefactress, Sister Emily Tubman, of Georgia, (whose good works, though quiet,

are yet known of all,) make the aggregate sum of \$150,000 of donations obtained by the present effort. This, with the funds in hand, which are safely invested (all of which is exclusive of the property of the institution), makes the total amount of about \$160,000. The names of the donors, with the amounts, are hereunto appended.

"We have by this effort partially laid the pecuniary basis for an Institution which we hope is destined to become the support of the Church, and an ornament to the State, and which will meet the highest expectations of those who have so liberally contributed to it.

"It is our purpose to canvass the whole State and give all the brethren the privilege of participating in a work so well begun, with a Board of Trustees composed of brethren of enlarged and liberal views, and with your hearty co-operation, we hope soon to consummate the enterprise.

"It seems to be the unanimous wish of the brethren and friends who have contributed their money to this College that the provisions made for the education of its students should be of the most liberal character. They feel that they are contributing to an institution which promises to meet in all its arrangements the present crisis in our church and society.

"It is therefore assumed that the Board will faithfully carry out the wishes of the donors in these respects by laying broad and deep the foundation of a school for young men—by making it conservative of pure morality, and especially by making ample provision in its educational department for a sound, thorough ministerial education.

"We have, in conclusion, brethren and friends, everything to cheer us in this good work. The wealth and liberality of our numerous brotherhood are more than adequate to the endowment of a University with a half million of capital."

As the resolution of the Board requires us to ascertain and report the exact financial history of the University, we deem it essential to call the special attention of the Board to the important fact (as this fact has been so often of late years controverted) that Mr. Bowman's appeal was to the Christian Churches of Kentucky and their members, and that nearly all the original subscriptions to the Endowment Fund were made by members of the Christian Church.

The foregoing extracts from Mr. Bowman's report made to the first meeting of donors, while the facts were fresh in the memories of all subscribers, establish beyond question that he made his appeal to the Christian Brotherhood of Kentucky, and that they nobly responded with liberal subscriptions to endow the College. The endowment thus subscribed was the *financial foundation* on which the University was erected, and this foundation was increased from time to time until the funds and property of Transylvania were acquired *by contract as a bonus for the removal of the institution to Lexington.*

We now proceed to examine in detail the condition of the Endowment Fund, and to point out the discrepancies between the reports made by General Agent and Treasurer J. B. Bowman, and the actual state of affairs as shown by his own books.

1859.

On the 19th day of September, 1859, the first collegiate session opened. In the announcement for that year, p 24, the Board and public are told, "The Endowment Fund has already reached nearly \$200,000, of most solvent notes, which are rapidly falling due, and about \$70,000 of which is paid in and yielding a large per cent."

This amount seems to be an exaggeration, for by the Treasurer's books the total amount of subscription to this fund, including Bacon College Fund

(\$9,500), was, at this time, \$166,850, exclusive of Mrs. Tubman's promised subscription of \$15,000.

1864.

In the catalogue for 1864, page 32, the general agent says : In the month of April last, with but a slight effort, I raised about \$15,000, receiving some munificent donations from noble hearted brethren of other States. This statement is exaggerated; the Treasurer's books show that the amount subscribed in March, 1864, was \$2,000, and in April, \$10,600; total—\$12,600, instead of about \$15,000.

1865.

In the preamble to the act establishing the Agricultural and Mechanical College, approved February 28, 1865, it is recited that "said Curators have a cash endowment of \$200,000, yielding an annual income of about \$12,000." The truth is, as shown by the Treasurer's books, on the 30th of June, 1865, over four months after that date, there was a cash endowment of only \$141,196.53. The statement, therefore, that the Curators had a cash endowment of \$200,000 is a misstatement to the extent of \$58,803.47.

On the 30th of June, 1865, the total amount of subscriptions to the Endowment Fund was \$176,400, to which, adding the Bacon College Fund of \$9,500, we have a total of \$185,900; and of this amount \$44,703.47 was uncollected, and according to the Treasurer's books \$21,796, remained uncollected on the 1st day of June, 1877; over twelve years after the statement was made.

1866.

Treasurer Bowman, in his annual report in 1866 (see catalogue, page 61), says : "I have collected during the past year \$10,801 of the Endowment Fund of Kentucky University, the most of which was due before the war, and the payment of which had been suspended." The Treasurer's books show that he collected \$6,175, a difference of \$4,626 between his books and his report.

It was early in the fiscal year ending June 30, 1866, that the Transylvania Fund of \$65,500 was received. It was also during this year that the encroachments on the Endowment, which have since run up to an alarming extent, began.

Before entering on this subject, we desire to call the especial attention of the Board to the 14th section of the Charter, from which the following extract is taken:—"And all money thus donated as permanent Endowment Fund, shall be *principal*, and shall be, as the same accrues, invested in good, safe, profitable, and permanent stocks, which shall remain forever intact, and the amount whereof is to be in no respect, or in any manner whatever, diminished; subject, however, as necessity may demand, to investment and re investment in said stocks. The proceeds of such stocks, either in the form of dividends, or interest, or rents, shall be a fund in the hands of the Treasurer, subject to the order of the Board of Curators, and shall be used as the Board may direct, for the purposes of the University."

It will be noted that the Board itself has *no power whatever to use for any purpose whatever* (except for re-investment and refunding Mercer county subscriptions) a single dollar of the principal of the Endowment Fund, and such use thereof would be a clear breach of trust, and render them not only personally liable for the amount so used, but would, by proper proceedings, subject them to removal from office. The Board of Curators has the right to use the *income* arising from the Endowment Fund, and the *income only*.

The Treasurer's books show that during the year ending June 30th, 1866, \$781.16 of the principal of the Endowment Fund was used by the Treasurer.

At the time this encroachment on the Endowment Fund was going on, the following statement was published on page 47 of Annual Catalogue for 1866:—"The actual cash endowment of the University amounts to over \$400,000, and its Real Estate to about \$200,000."

This statement is repeated in catalogue for 1867, p. 62, and catalogue for 1868, p. 67, except that in both of these the Real Estate is put at \$250,000, instead of \$200,000. The statement as to the actual cash Endowment is an exaggeration, as will appear from the following summary, taken from Treasurer Bowman's published account current for that year:

Endowment money invested in stocks	\$176,375 00
A. and M. College Fund	165,000 00
Endowment Fund collected and not invested in stocks	30,920 75
Cash on hand	5,581 78

Total cash Endowment, \$377,877 53

Deducting this amount from \$400,000, leaves a discrepancy of . \$22,122 47

1867.

During the fiscal year ending May 31, 1867, the encroachment on the Endowment Fund was largely increased; but the Treasurer, in his Annual Report, entirely suppresses this fact. In his report for this year, the Treasurer says—See catalogue, page 99:

"I have paid in the last sixteen months \$62,819.82 upon the purchase of Ashland and Woodland, and hope to meet as promptly the other payments, the last of which will be due the 15th of February, 1870."

In this he clearly intended to impress the Board with the belief that he had made these payments legitimately, by the collection of Real Estate notes, and confirms this impression by his account current of this Fund, as follows:

REAL ESTATE AND BUILDING FUND.

To total subscriptions	\$120,850 00
By amount paid on Ashland and Woodland	\$ 62,819 82
By bills receivable	58,030 18—\$120,850 00

The amount expended for Real Estate, as reported by the Treasurer in his general statement and account current as above given, was . . . \$62,819 82
But the amount collected of this fund was only 44,997 21

Leaving a deficit in this, and an encroachment on other funds of \$17,822 61

In the foregoing account the Treasurer fails to set forth, except by implication, how much he has collected of this fund; but certainly makes the impression that the amount uncollected was \$58,030.48, whereas it was really \$75,852.79.

This deficit in the Real Estate account is, according to Mr. Swope's statistics, made up of the following items:

Amount used of the Endowment Fund	\$12,332 66
Interest and General Expense Fund	4,297 94
A. and M. College Fund	1,192 01

\$17,822 61

It will be seen that up to the 1st of June, 1867, the Treasurer had unlaw-

fully used \$12,332.66 of the principal of the Endowment Fund, and to balance his Real Estate and Building Fund account, has largely understated the amount of the uncollected notes of this Fund.

The State Appropriation.

August 22, 1876, the State of Kentucky advanced the University \$20,000, "to aid in putting the Agricultural and Mechanical College into immediate operation."

Treasurer Bowman, in his Annual Report (Catalogue of 1867, page 99), says:—"The \$20,000 which was loaned by the Legislature, has been appropriated to the payment of the Faculty of the College, and to other expenses incidental to organizing it, in accordance with the provisions of the act." According to Mr. Swope's report:—"About \$11,000 of this money was used for buildings, and the remainder for salaries of Professors and Tutors and for farm purposes."

1868.

During the fiscal year ending May 31, 1868, the encroachment on the Endowment Fund rapidly increased. The Board of Curators was not only kept in profound ignorance of the fact, but the Treasurer, in his annual report, deliberately made false and misleading statements on the subject.

Attention is specially called to the following extract from the Treasurer's report, made June, 1868. See catalogue, page 101.

"The Endowment Fund remains the same as last year, except as far as it has been diminished by amounts refunded to citizens of Mercer county, under the act of the Legislature removing the University thence."

This statement is utterly inconsistent with the fact, that on the 28th day of March, 1868, the Treasurer, J. B. Bowman, had sold five 7-30 United States bonds, belonging to the Endowment Fund, for \$5,360 75; and on the 21st of April, 1868, had sold for the sum of \$5,628 six Bourbon county bonds that had been turned over by Transylvania University.

No portion of the amount received for these bonds was ever invested in any other bonds or stocks. It could not have been used to refund to Mercer county donors, for the Treasurer's report shows that during the preceding fiscal year he refunded \$1,217.50 to them. These \$11,000 of bonds have not only entirely disappeared from the list of stock investments, but no other stocks or bonds have been purchased to take their place.

In view of the sale of \$11,000 of Endowment securities, and the unlawful use of the money thereof, how could the Treasurer truthfully report to the Board that the "Endowment Fund remains the same as last year"?

Having made this misstatement he was compelled to resort to some means to sustain it.

How to sell \$11,000 of Endowment bonds, and thus reduce the Fund to that extent, and yet so state the Endowment account as to conceal this and other diminutions of the funds, was the problem to be solved, and the Treasurer solves it in this way.

He had converted \$35,000 of United States bonds, that had cost \$35,575, into forty-four Louisville, Lexington and Cincinnati Branch Railroad bonds, and had also sold two Lexington and Frankfort Railroad bonds for \$2,000, and purchased two Louisville, Lexington and Cincinnati Branch Railroad bonds for \$1,736.66, these he entered in his account current at their face value, \$46,000, instead of their cost value, \$37,311.66, thus gaining the sum of \$8,668.44 in this one entry.

In his account current of the Endowment Fund (p. 104), instead of reporting the bonds and stocks on hand, at their actual cost value, as had been

done in every preceding year, he reports all of them at their *face value*. By this device he swells the amount of stock investments to \$172,400, which is within \$3,975 of the amount reported in 1867, though he *had sold \$11,000 of the stocks and used the proceeds*. It will be clear to any one who reflects a moment, that if stocks are allowed to be entered at their face value, instead of what they actually cost, any defaulting official could, by purchasing depreciated stocks at reduced prices, cover up his defalcation.

While this device covered up much the larger part of the \$11,000 of bonds sold, the Treasurer made still another misstatement to the Board to conceal his use of these bonds, and to balance his account.

This he did by increasing, in his report for 1868, the amount claimed to be loaned under the act of the Legislature, from \$36,663.39, as reported in 1867, to \$45,423.54, thus leading the Board to believe that he had, during this year, *increased* the loans of the Endowment Fund to individuals to the extent of \$8,760.75, when in fact it appears by his books that those loans had been *diminished* about \$1,250. We are unable to account for this deceptive statement, unless it was made for the purpose of forcing a balance of the Endowment Fund account, and covering the sale of \$11,000 of bonds and the use of other portions of the Fund.

We are constrained, by a sense of duty, to call the attention of the Board to the manner in which the investment account has been kept by the Treasurer.

The amount stated by the Treasurer to have been temporarily invested under the act of the Legislature authorizing the Endowment Fund to be loaned to individuals, was on the 1st day of June, 1866, \$30,920.75, and this (1866) is the only year from that date to the time Treasurer Bowman retired from office, in which the amount has been correctly reported to the Board.

An examination and comparison of the Treasurer's books with the Treasurer's reports, will show that he has habitually made use of this item from the year 1867 until 1874, as a convenient means of forcing balances of the Endowment Fund account. The amount loaned to individuals has been largely exaggerated every year since 1866, thus leading the Board to believe that the Endowment Fund was loaned in large amounts, when in fact the greater part of the Endowment money reported as invested in notes had been collected and unlawfully used by the Treasurer.

For instance, in 1867 the Treasurer reports the amounts temporarily invested in notes at \$36,663.39, when in fact the amount so invested was only \$18,840.78, being a misstatement to the amount of \$17,822.61. In 1870 the amount is stated at \$44,484.48; but the amount actually loaned was \$11,231.63, a misstatement to the amount of \$33,252.85.

These false and deceptive statements were made year after year from 1867 to 1872, when (Catalogue of 1872, p. 91) the amount is stated at \$48,036.65, while the amount actually loaned was \$3,662.88, being a misstatement to the amount of \$44,373.77.

At the annual meeting of the Board of Curators in 1872, an effort was made to have the Treasurer report to the Board the names of the parties to whom this large amount of money was loaned, and the securities held therefor.

This was vigorously opposed by the Treasurer and his friends in the Board, and the effort to force the production of the notes, or at least a list of them, for the inspection of the Board, was defeated.

The statement was, however, then made to the Board that the \$48,036.65 was loaned to solvent individuals, and well secured, except, perhaps, about \$300, and that no one person had more than \$10,000 borrowed. In fact, however, there were only \$3,662.88 of notes held at that date by the Treasurer for

Endowment money loaned to individuals, and the remainder of the \$48,036.35 was Endowment money unlawfully used by the Treasurer himself.

Your attention is specially invited to the Treasurer's deceptive method of keeping this account. In 1866 and 1867 the name of each individual borrower, and the date and amount are given. But as these notes were collected and the money unlawfully used by the Treasurer, entry is made of "bills receivable" in gross for large amounts, without specifying the borrower. These entries are made at the close of each fiscal year.

Thus, May 31, 1868, we have on the Treasurer's books "bills receivable" debited with the gross amount, \$19,122.61, and May 25, 1869, debited in the same manner, the amount of \$9,589.30, making a total of \$28,711.91, and in June 1, 1869, just one week after the last debit entry, we find a credit entry of precisely the same amount, namely, \$28,711.91.

Again, near the close of the fiscal year ending May 31, 1871, we find a debit entry in gross of "bills receivable," \$44,885.24, followed by a corresponding credit entry of precisely the same amount.

If these were bona fide entries, the first entry represents a loan of \$44,885.24 to some person or persons, and the credit entry of precisely the same amount indicates that the whole loan was repaid within two weeks.

It can not fail to strike every one as very remarkable that an institution, whose policy is to invest its Endowment Fund in long and safe securities, should make loans of large amounts at or near the close of almost every fiscal year, to be collected within two or three weeks, and then remain idle and uninvested until near the close of the next fiscal year.

It is also incredible that parties should be found who were willing to borrow, near the close of each fiscal year, such large sums, to be repaid in so short a time.

This process of balancing this account in the books by a fictitious entry of "bills receivable," was not employed in 1870, and hence that year the enormous discrepancy of \$33,252.85 appears between the amount of notes reported by the Treasurer as held by him for money loaned, and the amount really loaned, and for which he in fact held notes.

His books show he held notes against individuals on the 1st June, 1871, for only \$11,231.63, while he reports to the Board that the amount of notes held was \$44,484.48, a difference between his own books and his own official report to the Board of \$33,252.85.

On the 1st of June, 1868, the encroachment on the Endowment had reached \$32,749.50, according to the statistics compiled by Mr. Swope from the Treasurer's books. This amount had been unlawfully used by the Treasurer up to that date, and it was to cover this deficiency in the Endowment Fund that the misleading statements of the Treasurer to the Board herein referred to, were made.

The Treasurer, in his report for 1868 (p. 101), says: "The obligations of the office have been far heavier than at any other period in the history of the institution; yet we have been enabled to meet them all without embarrassment, and there is not one outstanding that can not be duly met."

This language was certainly encouraging, and must have led the Board to believe that the institution was in a healthy and prosperous condition, and entirely unembarrassed in its finances. The facts were exactly the reverse, and it was a bold statement to be uttered by a Treasurer who had not only exhausted all the income of the University, but had actually used \$32,749.50 of the principal of the Endowment Fund.

Referring to the Real Estate and Building Fund the Treasurer in his report, page 101, says: "The only obligations of this fund, so far, are my individual notes given for the purchase of Ashland and Woodland," &c.

It is not possible to reconcile this statement with the fact that \$27,882.76

of the Endowment Fund at that date had been used by the Treasurer to pay his individual notes given for the payment of Ashland and Woodland. The fact that this large amount of the Endowment Fund has been thus improperly used by the Treasurer is carefully concealed from the Board. This is accomplished in balancing the Real Estate and Building Fund account by reporting the uncollected subscription notes at \$69,605.55; when in fact they really amounted to \$97,448.31. See catalogue, page 104.

In this account the notes in the Treasurer's hands for subscription to this Fund are reported at \$27,882.76 less than the true amount, and in the Endowment Fund account the amount invested in notes is reported at \$27,882.76 more than the true amount. It will thus be seen how balances were forced by the Treasurer and a deficiency in one account covered by a corresponding increase in another.

1869-70.

The Treasurer, in his published reports for 1869 and for 1870, fails to render (as he had done in preceding years), a detailed tabular statement of the various funds and accounts, although the report of 1869 says that *such statement is appended*.

On account of this failure we cannot, as heretofore, compare such tabular statements with the actual entries in the books of the Treasurer. The statistics for these years, collected by Mr. Swope from the books of the Treasurer, will, however, inform us fully as to the changes in the different funds and in the cash account.

From this source we learn that in 1869, not only had the principal of the Endowment Fund been largely used, but that \$3,302.53 of income arising from investments was used by the Treasurer to pay for the real estate, thus diminishing the funds set apart to pay the Professors and the general expenses of the University.

It is also to be noted that while making the Board believe that the financial condition of the University was good, the Treasurer was actually borrowing money. He obtained \$1,500 from G. W. Elley, March 1st, 1869. Moreover, we did not find this sum charged in the cash receipts, though the interest paid thereon is duly charged. On page 87, of catalogue for 1869, J. B. Bowman as Regent, in speaking of the 450 acres of real estate and the erection thereon of over \$30,000 worth of buildings, says, "all this property I have secured in the last four years by proper Legislative enactments, and by the liberality of about two hundred donors of all parties, religious and political, and have turned it over to your Board, subject to the will and intentions of the donors, and without any incumbrance on it except the last payment upon Ashland of \$20,000, which will be due in 1870, and which is provided for by subscriptions falling due. This has all been done without burdening the Board or any one but myself with any pecuniary responsibility."

If it were possible by the use of language to assure the Board that all was right in the finances of the real estate, and that the real estate was without any incumbrance except the last payment on Ashland, and that this was provided for by subscriptions falling due, this report certainly contained that assurance, and yet at that very time there was a deficit in the Real Estate and Building Fund of \$30,605.10.

On page 100 of this year's report is the statement—"Not a dollar of these sacred funds which have ever come into my hands has been lost, but the whole of it can be turned over at any time in good solvent stocks and securities."

Had the Treasurer at this time been called on to verify his affirmation concerning these "good solvent stocks and securities," what could he have

turned over as representing the \$11,000 of United States bonds and Bourbon county bonds sold in 1868, and never reinvested, or the large amount of endowment money thus far used by him for real estate and other purposes?

1871.

The Treasurer's report for this year, though purporting to give "a detailed history of the various funds of the University" contains, like those of former years, no intimation of unlawful use of the Endowment Fund. The encroachment on this "sacredly secured fund," as it is styled in the report of this year, had been considerably increased during the preceding year. Although the Treasurer in this report resumes his original and correct method of entering the investments at their *cost* value, yet he fails to give correctly the cost by neglecting to take account of the net gain arising from sales and reinvestments made in 1868.

Thus the cost of all the investments is now given by him at \$167,686.65, while the true sum is \$165,122.91, the difference, \$2,563.75, being the exact amount of the net gain referred to.

As usual, however, the item, "amounts invested in notes," as it is now expressed, instead of the former designation, "amount loaned under act of Legislature," is stated at an amount (\$48,566.87) sufficient to balance the Endowment account, while the actual amount loaned to individuals was, as appears from his books, only \$3,781.63.

On page 14 is the following:—"With this exhibit of the entire assets of the Institution, with its Endowment *Fund* SACREDLY SECURED, and its *magnificent Real Estate* ALL PAID FOR, UNENCUMBERED, and turned over to you, and amounting in the aggregate to about \$800,000, without a single obligation ever having been contracted on your part," &c

At this time the "sacredly secured Endowment Fund" had been encroached upon to the extent of \$51,130.62; and this "unencumbered Real Estate" was virtually the security for the re-payment of the portion of the debt due from the Real Estate and Building Fund, namely \$23,073.24.

On the same page the Treasurer reports the collection of \$25,000 from the United States for rents and damages to the Medical College and Transylvania property during the war, and the entering up \$22,000 of this amount to the Real Estate and Building Fund. *& \$3,000 to apparatus fund.*

He states that a part of this was temporarily used in completing the last payment on Ashland, which fell due before the subscriptions for that purpose matured, and recommends that the money be applied to the erection of a good building at Woodland.

As the deficit in the Real Estate and Building Fund at this time amounted to \$23,073.24, it was more than sufficient to absorb the whole of the \$22,000 entered up to this fund, leaving not a dollar to be used for building purposes.

On page 25, in the preamble to resolutions passed unanimously by the Curators, it is stated that J. B. Bowman has, through the LIBERALITY and PROMPTNESS of the DONORS, made the LAST PAYMENT on Ashland and Woodland, and thus secured those magnificent estates in FEE SIMPLE to the Institution.

From this it is clear that down to this time the Curators, misled by the reports of the Treasurer, had not learned that the Real Estate, to so great an extent, had been paid for out of the Endowment Fund; but they supposed that, by the promptness of the donors to the Real Estate and Building Fund, a sufficient amount of it had been secured by the TREASURER to meet all demands against it.

1873.

Treasurer Bowman, in his Annual Report, made June, 1873, again gives

a history of the different funds of the University, and in his introduction to this history calls the attention of the Board to the sacred character of the trusts they have assumed, and especially to the inviolability of the Endowment Fund, and Transylvania Fund, and the sacred trusts under which they are held. This language was well calculated to disarm the Board of all suspicion that these sacred Funds had already been largely used by the Treasurer.

On page 126, under the heading of "The Transylvania Fund," the Treasurer says:—"A statement of the transfer of the Funds of that Institution to this Board was given in my report as Treasurer, for the year 1866. A copy of the same was made by W. A. Dudley, Treasurer, and put on record in the Fayette County Clerk's office. The sum of \$65,500 of Endowment was turned over to us in the way of stock securities, which we still hold." Referring to the list of stocks turned over, given on page 61 of the catalogue of 1866, we find among them—

Six Bourbon County Bonds	\$6,000
Eight Covington and Lexington 7 per cent R. R. Bonds	8,000

The Treasurer, in the above extract, says:—"We still hold these stock securities" The facts really are, that the Treasurer, on the 21st day of April, 1868, sold the six Bourbon County Bonds belonging to the sacred funds of Old Transylvania, for \$5,628, and there has been no reimbursement of this money to the Transylvania Fund, no reinvestment in other bonds or stocks; and yet, in his report to the Board, made in 1873, over five years after this sale, the Treasurer says: We "*still hold*" them. Let him produce these bonds, or others in which they were reinvested, or stand convicted before this Board and the donors, of having unlawfully used this "sacred fund," and of having made deliberate misstatements in reference thereto.

Again: At this time, when, according to Treasurer Bowman, "We still hold 'these stock securities,'" other Transylvania Funds, namely, \$8,000 of Covington and Lexington 7 per cent R. R. Bonds, were held by the banking-house of D. A. Sayre & Co., hypothecated to them by J. B. Bowman, Regent and Treasurer, in 1873. This hypothecation was without the authority of either the Board of Curators or the Executive Committee; nor have we been able to find any report of the transaction to either body.

As with regard to the \$1,500 borrowed from G. W. Elley, March 1st, 1869, so also with regard to the sum of \$6,500, borrowed from D. A. Sayre & Co., we find no entry of the same in the cash receipts, though the interest paid on it from time to time is duly charged.

1874.

At the annual meeting of the Board of Curators, in June 1874, J. B. Bowman tendered his resignation as Treasurer. The resignation was not acted on, as his term of office was on the point of expiring. His successor was elected, but he did not enter on the duties of the office until about the 1st of August, and Mr. Bowman continued to act as Treasurer in the interim.

As Mr. Bowman had been the Treasurer from the organization of the institution, it is proper that a brief statement of the different funds should be given in order that the Board may understand the condition in which he left them at the close of the fiscal year; also on the 1st of August, 1874, when his successor entered on the duties of his office.

The statistics, as compiled from the Treasurer's books by Mr. Swope, show that:

The amount received on Endowment Fund to 31st of May, 1874,	
was	\$228,342 92

The amount invested in securities was \$164,922 91
 The amount refunded to Mercer county 18,023 57-- 182,946 48

Leaving a balance of \$45,396 44

which should be the amount of cash in the hands of the Treasurer belonging to the Endowment Fund. At this same date there should have been in the hands of the Treasurer cash belonging to the Apparatus Fund, \$1,414.25.

At this date (May 31) there had been expended of Real Estate

and Building Fund, over receipts	\$ 5,013 70
Ditto of A. & M. College	12,085 72
Ditto of Mechanical Department	31,756 88
Ditto of General Expense Account	1,260 83
Ditto of Commercial College	3,085 68

On the 1st of August, 1874, the Endowment Fund stood thus:

Amount received on Endowment	229,189 44
Less Amount in securities	\$153,472 91
Less Refunded Mercer County	18,023 57--
	171,496 48

Cash Balance that should be in hands of Treasurer \$57,692 96

The change in the amount of securities was caused by the sale of ten 10-40 U. S. bonds, sold July 1st, for \$11,450.

The cash to the credit of the Apparatus Fund, on 1st of August, was \$1,412.50.

On 1st of August there had been expended of Real Estate and

Building Fund, over receipts	\$18,834 60
Ditto A. & M. College	9,354 78
Ditto Mechanical Department	19,401 69
Ditto Interest and General Expense Account	6,044 49
Ditto Commercial College	3,239 68

The increase of the Real Estate and Building Fund, and the decrease in the Mechanical Department balance, were occasioned mainly by a transfer made on the books by Treasurer Bowman, of about \$14,500 from one account to the other.

The expenditures in conducting the farm from 1866 to 1874 are	\$57,567 05
The income from farm for same time was	41,707 01

Total loss on farm to June 1st, 1874 \$15,860 04

The loss for the year 1874 was \$2,550.40, and for the year before about the same.

The amount in the hands of General Collecting Agent, J. B. Bowman, August 1st, 1874, according to the statistics compiled by Mr. Swope from the Treasurer's books, was \$10,468.58. The amount of cash turned over by him to Treasurer Goodloe was only \$481.64.

The books of Treasurer Bowman were retained by him, and not turned over either to the Executive Committee or to the new Treasurer. New books for Treasurer Goodloe were opened by Mr. Perrin, in which were entered, from data furnished by Mr. Bowman, his transactions as acting Treasurer, from the 1st of June until about the 1st of August, when Gen. Goodloe entered on the duties of the office. While these transactions appear on the books as those of Treasurer Goodloe, they really are those of Mr. Bowman.

The encroachments on the Endowment Fund continued, and one of the last acts of Treasurer Bowman, before he turned over the bonds, stocks, and

securities to the Executive Committee, was, to sell 10 U. S. 10.40 Bonds, for which he received \$11,450, every cent of which he kept. Mr. Bowman had no authority whatever, either from the Board of Curators or Executive Committee, that we have been able to find, authorizing him to make this sale. It was not made for reinvestment, or for any other lawful purpose. Had there been authority for the sale, which there was not, there was no warrant whatever for the use made of the money by the Treasurer.

1877.

The very complete statistics given in the final balance made by Mr. Swope of the books of the Treasurers, and the summaries contained in his reports, render unnecessary any but a brief recapitulation of important facts.

The amount uncollected of the different Funds, May 31, 1877, is as follows:

Endowment Fund	\$21,796 00
Apparatus Fund	1,873 54
Real Estate and Building Fund	48,224 37

Of this latter amount, \$16,923 60 is the unpaid portion of Mr. Yost's subscription.

The indebtedness of the Institution to the Professors and other creditors, on the 31st of May, 1877, was	\$ 40,840 98
There was due the Apparatus Fund	741 25

	\$41,582 23
The Endowment Fund was short	62,954 17

Total debt and encroachment on the Endowment and Apparatus Fund	\$104,536 40
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There was left of Endowment Fund securities	\$128,472 91
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Of which 400 shares of Commercial Bank Stock, which cost	\$41,574 00
is paying no dividend, and has not for some years past, and probably will never pay regular dividends again. Deduct this amount, and it leaves of Invested Securities, at their cost value, that are paying dividends	86 898 91
Cash on hand to be invested	18,617 92

Total available Endowment on hand	\$105,516 83
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If we repay to the Transylvania Fund the amount it has been unlawfully and improperly diminished by the acts of Treasurer Bowman, then this Fund will be, as it originally was, \$65,500. Deducting this from the total available Endowment on hand, leaves available of the original Endowment of Kentucky University, the sum of \$40,016.83.

These diminished figures will make heart-sick many true and devoted Christian men and women, who contributed liberally of their means to build up an Institution which they fondly hoped was, in the language of Mr. Bowman, "destined to become the support of the Church and an ornament to the State."

The statistics show that the Endowment Fund has been encroached on to the extent of \$62,954 17. It has, we think, been demonstrated in the preceding pages, that the use of this sacred Fund was not only *not reported* to the Board by Treasurer Bowman, but was *studiously concealed* from their knowledge, and false and misleading statements made, and balances of his accounts forced to cover up its misapplication by him. No Endowment securities have been sold since he went out of office, and the Fund has not

** plus that recovered from the U. S. Government*

been diminished except to refund to Mercer county subscribers, and to redeem the \$8,000 of bonds hypothecated to D. A. Sayre & Co. by J. B. Bowman, as Regent and Treasurer, without the authority of the Board or of the Executive Committee.

Not only has the available Endowment been reduced, but on the 1st day of June, 1877, there was due the Professors the sum of \$36,264 81
Amount to banks and other creditors 4,576 17

Making a floating debt of \$40,840 98

Besides this, the city of Lexington claimed one-half of the net amount of the \$25,000 received from the United States, and has recovered judgment against the University for \$12,000. A number of Professors and other creditors have sued and obtained judgments against the Institution, and its Real Estate has been held to be subject to sale to satisfy their demands, and the question is now pending before the Court of Appeals.

There were some unpaid Railroad Coupons on hand, and hypothecated to the banks, which, since the close of the fiscal year 1877, have been collected and applied to the payment of the floating debt, the amount of which will no doubt appear in the Treasurer's report for the current year.

For the information of the Board, we compile from the statistics the following table, showing the amount of money that has been used in excess of the entire regular income of the Institution :

There has been used of Endowment Fund	\$ 62,954 17
Of Apparatus Fund	741 25
Of collections on Real Estate and Building Fund	184,205 39
Amount received from United States	25,000 00
Debts due Professors and others	\$40,840 98
Less unpaid coupons, estimated at	10,000 00
	30,840 98
Part of money advanced by the State, about	11,000 00
	\$314,741 79

Excess of expenditures over income \$314,741 79

For this vast expenditure there is nothing to show, except an inconsiderable amount of personal property and the Ashland and Woodland estate of about 433 acres of land, with the buildings, improvements, &c, thereon.

The "magnificent farm" owned by the Institution, and estimated by Regent Bowman in 1871 to be worth \$250,000, instead of being, as it should have been, a source of large revenue to the Institution, has year after year brought it in debt. The total expenditures from 1866 to June 1st, 1867, on the farm (not including buildings), have exceeded the total income by \$18,315.81. The estate is free from taxation, and it seems incredible that over \$18,000 should have been sunk in working it. It would readily command a rent of \$3,000 to \$4,000 per annum after reserving all the land and buildings necessary for the use of the Agricultural and Mechanical College, and if rented out would have brought in a revenue of from \$35,000 to \$40,000, instead of entailing a loss of over \$18,000. The Board of Curators on two or more occasions ordered the farm to be rented, and the order would have been carried out but for the persistent opposition of Regent Bowman. A portion of it was rented out by the Executive Committee in February, 1877, but against the urgent protests of the Regent. He has had the use of the mansion and appurtenances for a residence, free of rent, since 1866, by resolution of the Board. Not only has he occupied it as a family residence, but he has kept a large number of boarders a large part of the time, and has drawn from the farm and garden a considerable portion of the supplies for his family and

boarders. This has been denied, but is true beyond question, as will appear from the affidavits submitted with this report.

Mr. Swope compiled his books from Treasurer Bowman's own books, item by item. Let it be remembered that the results reached by Mr. Swope are from the entries made by the Treasurer himself or his own book-keeper, or from errors discovered and corrected. The results are, therefore, as favorable as the Treasurer could make them; yet, from his own books, a competent and disinterested accountant makes Treasurer Bowman a debtor to the Institution for the sum of \$10,819.55, subject to a deduction of such notes for money of the Endowment Fund, loaned by him, as he may produce. These notes are only claimed to amount to \$3,271 19, and even if all were produced, he would still be a debtor for over \$7,500. Every opportunity was given Mr. Bowman to produce these notes, but he failed to do so. Delay was made to give Prof. Perrin and Maj. Luxton (the former Secretary to the Treasurer) an opportunity to explain. But no satisfactory explanation could be given, and after carefully examining and re-examining the Treasurer's books, Mr. Swope reported the Treasurer debtor to the Endowment Fund, \$10,819.55.

Treasurer Bowman positively declined to permit Mr. Swope to examine and compare with the books the subscription notes to the different funds. If his own books corresponded with the notes still uncollected, and in his possession, what objection could he have had to comply with the order of the Board and of the committee, requiring the submission of all books and papers to the Accountant.

Convinced, as we are, of the accuracy of the results arrived at by Mr. Swope, from the data before him, we recommend that an immediate settlement be required of Mr. Bowman on the basis of Mr. Swope's report.

We are constrained to state that we have been greatly embarrassed in preparing this report on account of the original books of the Treasurer—which were surrendered temporarily to Mr. Bowman, on a pledge of the party sent to obtain them that they would be returned—not having been returned as promised. We have called attention to some of the discrepancies between Mr. Bowman's books and his reports; there are many others, a detailed statement of which would swell the volume of this report beyond the limits contemplated.

We here take occasion to call the attention of the Board to the 7th section of the charter requiring the Treasurer, when his term of office expires, "to deliver up to the Executive Committee, or their order, all the books and papers pertaining to his office," and "to pay over to them all money or other thing of value which may come into his hands as Treasurer."

We also call the attention of the Board to the provisions of the amendment to the charter approved February 5, 1868, and accepted by the Board, on the motion of Regent Bowman, at the annual meeting, June 10, 1874. This act, after providing that the bond of the Treasurer should be reduced from \$100,000 to \$25,000, also provides "that all funds, certificates of stocks, bonds, promissory notes, or other evidences of debt belonging to said University, shall be taken charge of and safely kept by the Executive Committee, subject to the order of the Board of Curators; and there shall be no disposal or transfer of the same, except by an order of the Board, and with the endorsement of the President of the Board of Curators and the Chairman of the Executive Committee, and countersigned by the secretary of said committee."

The Board of Curators, at the same meeting, accepted this amendment to the charter, and ordered that all the securities held by the Executive Committee should be divided into two parcels and deposited in the vaults of different banks.

We recommend that Mr. Bowman be required to turn over to the Executive Committee all books and papers pertaining to his office, including all "promissory notes or other evidences of debt" belonging to the University; and that the committee be required, after taking a list of the same, to deposit the notes with the stocks and bonds of the University.

In this connection we call the attention of the Board to the fact that there had been refunded to donors in Mercer county, up to 1st of June, 1874, the sum of \$18,023.57, and for much the larger part of this amount tuition coupons were surrendered by these donors to Treasurer Bowman. There had been redeemed by him, to June 1, 1874, tuition coupons amounting to \$72,900 (whether including or excluding those of Mercer county, we cannot say). The coupons subsequently redeemed by Treasurer Goodloe were, when he resigned, turned over, canceled, to the Secretary of the Executive Committee, and his receipt taken therefor. We recommend that ex-Treasurer Bowman be required to cancel and turn over at once to the Secretary of the Executive Committee all the coupons taken up by him during his term of office.

Up to this time no allusion has been made in this report to the Prize Fund. It is proper that a brief history should be given of it.

The foundation of this fund was a gift from F. K. Hunt and E. D. Sayre of \$1,000 each in coupons. In reporting this to the Board, June, 1868, the Treasurer says: "These coupons they have generously surrendered to the institution, to be sold, and the proceeds set apart as a permanent Prize Fund, the income of which is to be appropriated in whatever way they may designate. These coupons can be sold for \$15 each." One year afterwards (June, 1869,) an addition of \$1,000 in coupons, donated by J. C. Stone, was reported by the Treasurer. No mention is made of this fund in the Treasurer's report for 1870, but in 1871, it is again reported as amounting to \$3,000. It is not mentioned in the report of 1872, but in that for 1873 it is spoken of as a fund "proposed to be created by the sale of coupons donated for that purpose" by Messrs. Sayre, Hunt, and Stone. In Treasurer Bowman's final report of 1874, no mention is made of this fund. The coupons, or their proceeds in money, should certainly be accounted for by Mr. Bowman, and, if not sold, some reason given why they have been kept for ten years, till their value has so greatly depreciated.

We are required "to make such recommendation as may seem necessary to liquidate the debts of the University, increase its income, and secure an efficient operation of all its departments."

The only available means to pay the large debt of the University, is the real estate—Ashland and Woodland. In the present depressed condition of the real estate market, we are not prepared to recommend an immediate sale to pay the debts due by the University. We, however, cannot shut our eyes to the fact that, if the Court of Appeals should hold these lands subject to outstanding judgments, a sale may be forced very soon. Still, we are inclined to think that the true policy is not to force a sale just now. We, therefore, recommend that the entire estate, including all the buildings, be rented out to reliable tenants, from year to year, until an opportunity for effecting a sale arises. If an equitable arrangement can be effected to continue the Agricultural and Mechanical College, then we recommend that the Agricultural and Mechanical College buildings, and about seventy-five acres of land, be reserved for that purpose, and all the rest be rented out.

If a loan could be effected on mortgage, at legal rates of interest, for enough to pay off, say one half the debt, the balance may, perhaps, be extended; but, as a rule, corporations and money lenders distrust loans to colleges.

To increase the income, the first step to be taken is to collect as rapidly as

possible every dollar due the University, and to invest the proceeds in safe and reliable stocks, or notes that will give a regular return in the way of interest or dividends.

The next, and by far the most important step, is to place the University in sympathy with its founders—the Christian Brotherhood of Kentucky. Their sympathy and co-operation is its only hope of escape from financial ruin. These it can never obtain, during this generation, under its present management. We make this statement in no partizan spirit, but solely in the interests of the Institution. There is not a single member of the Board, except perhaps those most recently elected, who does not, in a greater or less degree, realize this fact. The general public will not, at present, sustain it with either their money or their patronage. This has been abundantly proved by the experience of the last five years. Neither will the Christian Brotherhood of this State.

The report of a special committee made to the Board of Curators, at the called meeting held in December, 1876, recommending that the office of Regent be abolished, was referred by the Board to this committee. After careful consideration of this important subject, we concur in this recommendation.

As Treasurer Goodloe is a member of this committee, he has, of course, taken no part in the investigation of his own books. The remaining members of the committee will, in a supplementary report, embody what they have to say concerning his administration. It will be found appended.

In conclusion, it is proper to state that since the meeting of the Board, R. R. Sloan, a member of this committee, has died. Curator Geo. Stoll was appointed to fill his place, but declined to serve.

Respectfully submitted.

AND. STEELE, Chairman.
D. S. GOODLOE,
W. L. WILLIAMS.

LEXINGTON, KY., June 11, 1878.

Supplement.

In the accounts of Treasurer Goodloe, covering a period of three years (1874 to 1877), Mr. Swope reports the discovery of two mistakes, amounting to 76 cents, the Treasurer having paid this amount more than he had charged. Our examination of his books has failed to discover other errors.

The original entries in Treasurer Goodloe's books were made by Prof. Perrin, and were based upon the "statement" compiled by the latter, of the condition of the funds and accounts as shown by the books of Treasurer Bowman, June 1, 1874. Hence the errors of these books are carried over into those of Treasurer Goodloe, and thus, without fault on his part, his reports do not correctly represent the true financial condition of the institution.

As Treasurer Goodloe was not the custodian of any of the funds of the University, but handled only the income of the institution, his duties and responsibilities were far less than those of his predecessor. So far as we have been able to discover he has fully accounted for all he received. The statistics show the whole amount received and disbursed by him.

AND. STEELE, Chairman.
W. L. WILLIAMS.

LEXINGTON, KY., June 11, 1878.

EXHIBIT---B. L. SWOPE'S REPORT.

Messrs. Andrew Steele and E. T. Warner,

Chairmen Committees on Financial History, &c.

On the 7th of March last, I began the examination of the books of Kentucky University, by direction of your committee, with the following written requirements to guide my investigations:

For Use of Accountant.

WHEREAS, The order of the Board of Curators of Kentucky University requires a thorough examination of all the documents, books, and reports of all the officers, agents, and amenable of the University since its organization; also a report of the exact financial history and exact financial condition of the University; therefore,

Resolved, That R. L. Swope be appointed accountant, with instructions to proceed at once to execute from the data furnished the above order.

His Statement Shall Show:

1. The financial condition, year by year, from the organization of the University to the close of the last fiscal year (June 1, 1876).
2. The amount subscribed to the Endowment Fund, and the names of donors and the balance unpaid by each; also a like statement in regard to the Real Estate, Library, and Apparatus Funds.
3. The investment of the Endowment, and the changes made therein from time to time.
4. How much of the Endowment has been appropriated to the A. and M. College, to the payment on the real estate and on buildings.
5. What amount was received from the State at the organization of the A. and M. College; also from the United States for rent and damage of buildings, and how both amounts were disposed of.
6. The amount claimed by and refunded to the donors of Mercer county, with the names and sums paid to each claimant.
7. The amount received each year as income, from what sources and how expended.
8. The statement shall show not only the amount of the entire indebtedness of the University, but a list of the specific debts.
9. Also the indebtedness of the several funds, the one to the other, and the form of that indebtedness.
10. Also a list of all notes for money loaned.
11. Also the amount subscribed, and how paid, to the Mechanical Department.
12. And give such other information as may be necessary to reach the intent of the order of the Board.

"Resolved, That the documents, books, and reports of all the officers, agents, and amenable of the University, embracing the financial affairs of the Institution, shall be submitted to the examination of the accountant at his room in Lexington, when request is made by him for the same."

In order to comply satisfactorily with these instructions and requirements, it became necessary to compile an entirely new set of books from the ori-

ginal entries of the old ones. This has been done. They are finished, and embrace the period from the year 1857—in which the first entries were made—to the 31st day of May of the present year, 1877, and are herewith, with the old books, handed over to your committee.

Balance sheets have been taken off at the end of the fiscal years 1859, 1865, 1866, 1867, 1868, 1869, 1871, 1874, and 1877 in a book made for the purpose, which book constitutes the chief part of this report. The statistics given in this book at the close of the years 1859 and 1865, and every year thereafter up to and including 1877, compose a complete history of the finances of the University year by year, which will be of great value as a permanent record.

In these statistics will be easily found the answers to the requirements numbered 1, 4, 7, and 9. The indebtedness of the several departments to the endowment Fund, which varies from year to year, will be found also in the statistics of each year, and the entire indebtedness of the University on the 31st of May, 1877, with a list of the specific debts (as demanded by requirement number 8) are shown in the statistics at the close of this year 1877, the total indebtedness being \$104,536.40, of which \$41,582.23 is owed to professors, to the Apparatus Fund, to banks, and individuals—the chief part being due professors. The remainder of the debt, \$62,954.17, is owed to the Endowment Fund.

The accompanying documents marked B, C, and F, give you the answers to requirements numbers 2 and 6, namely, the subscription to the Endowment, Apparatus, and Real Estate and Building Funds, with the names of the donors and the amount unpaid by delinquents; also the amounts refunded to Mercer county claimants.

Document D gives an answer to requirement 3, showing the investment of the Endowment Fund, with the changes made therein from time to time up to May 31, 1877.

The answer to requirement number 5, is that the sum of \$20,000 was received from the State of Kentucky and entered August 22, 1866, and this amount was placed to the credit of the A. and M. College. About \$11,000 was used for buildings, and the remainder for salaries of professors and tutors, and for farm purposes. From the entries on this account it is not possible to get at the *exact* division of the disbursements for the first year or two.

On January 19th (\$20,000) and February 9th, 1871, (\$5,000) the sum of \$25,000 was entered as having been received from the United States Government for rent and damages, of which amount \$22,000 was credited to the Real Estate and Building Fund, and the remainder, \$3,000, to the Apparatus Fund.

In reply to number 10, it may be stated that although for a number of years the greater part of the Surplus Endowment Fund, or the balance not permanently invested, was loaned to various individuals, yet the amount so loaned seemed to be considered as cash on hand belonging to the Endowment Fund.

From the year 1867 forward this money was gradually called in, and used in the other departments of the University, or loaned to them. Hence, no list of the notes can be given, but the amounts so used from year to year are shown in the statistics on the book of balances.

Number 11, can be answered by saying that no money appears, by the books, to have been specially subscribed to the mechanical department.

Document G gives a list of the errors and omissions which have been discovered in the course of this compilation.

You will also find in the statistics many things which come in the category of "other information" (requirement number 12) as, for instance, the num-

*The property of Transylvania University
minus the \$15,000 received by the city
of Lexington.*

ber of students year after year with the cost per capita, the cost of the farm operations, (see document E.) and the amount of stock out-standing. None of the General Expense Funds appear to have been used in refunding to Mercer county claimants, nor does it seem to have been needful. All the moneys paid to Mercer county are entered under the Endowment account on the books. The General Expense Fund was frequently indebted to the Endowment Fund, and this was the case at the close of the fiscal year, ending May 31, 1874.

Under date of June 1, and July 1, 1874, for the purpose of opening the books of Treasurer D. S. Goodloe, appear a number of entries referring to "a statement" and evidently based upon it, with which the results, as arrived at by my work, did not agree. This statement I had not examined, but the numerous errors and omissions discovered in the books of Treasurer Bowman from the year 1868 down to May 31, 1874, in the cash account alone, would account for this disagreement in great measure, if these errors had not been found and taken into consideration by the person who had made the statement—hence, it was thought advisable by your committee that "a conference, with former accountants," should be had before I made this report. This conference has been held with Mr. E. D. Luxton, who had kept the books from 1868 to 1874, and Prof. H. P. Perrin, who had made the statement referred to and also the opening entries on Treasurer Goodloe's books. These gentlemen arrived here about the 31st of July, and together called to see me on the 1st of August, instant. Prof. Perrin brought his statement. The results of this first day's examination and comparison were—First, that Mr. Luxton candidly admitted that the errors were actually errors, and that he could not account for the manner by which they had been made; second, that Prof. Perrin's report showed that it had been made from the balances and footings of the books of Treasurer Bowman, which balances and footings were erroneous, and which were so found to be by Prof. Perrin's own careful examination then and there.

- It is not necessary to state to your committee that the sequences produced by erroneous premises must of necessity be also erroneous. The statement of Prof. Perrin must therefore be wrong to the extent of these errors and omissions at least, and the entries on Treasurer Goodloe's books based upon it must also be erroneous. The large majority of these errors and omissions were upon the debit side of the cash account and are of such a character as to show, when corrected, a larger amount of cash on hand than is exhibited by the footings of the books (see cash account, document G).

Prof. Perrin had made an estimate of interest to the amount of \$3,538 93. and placed it to the credit of J. B. Bowman, on the books of Treasurer Goodloe, for money "advanced to University as per statement." The working out of the set of books which I have compiled, and which I have the honor to hand to your committee, does not agree with this credit of interest. The cash for the three or four years preceeding 1874 was apparently short, but there was money borrowed from banks and individuals and not entered in the cash which evidently made up the deficiency. This view is confirmed by the fact that for the years in which the interest is computed as if for moneys advanced by Regent Bowman and credited to him, there was paid out and charged up interest to the amount of \$2,953 64 (as per document H,) and this added to that credited to Mr. Bowman would make \$6,492 57 for interest, which is an amount altogether out of proportion to the amount of money apparently needed—in fact, quite double. I called Prof. Perrin's attention to this on the first day and asked him to explain to me his mode of arriving at it, but he postponed any explanation from time to time, and at last left Lexington for his home without enlightening me. The day he left, Monday, August 13th, he was to have met me by appointment to explain

this interest matter, but he did not come, nor did I receive any word from him on the subject.

Regent Bowman sent in by Mr. Luxton vouchers which show that two of the omitted amounts of \$250 each—that of J. B. Wilgus and that of S. S. Thompson—had been utilized, the one for rent and the other for lumber—and needed to be charged to the proper accounts, and credited to the General Collecting Agent. This has been done, and also another of \$10.00. Vouchers also to the amount of \$712.60, which had never been entered by Regent Bowman, have been examined and passed to his credit. These entries will be found on the journal, page 99. All the vouchers for moneys paid have been examined by me, and checked off on my cash book by a double red-ink check.

There are but few missing vouchers, considering the long period of seventeen years, and the total amount, \$230.95 is small. A list of these, with dates and amounts, is given.—Document I.

There are none missing for the disbursements of Treasurer Goodloe for the three years of his administration. There are two errors in his books—one voucher, June 8, 1875, check to E. E. Sawyer, for \$20.56, shows that the Treasurer paid 56 cents more than he charged—the debit being \$20.00. This, and another (which is in addition) of 20 cents against himself (his journal, pages 24 and 19), are all I discovered in his work.

Two vouchers of Regent Bowman—one of March 1, 1870, for two dollars and eighty-five cents, and the other of July 15, 1869, for eighty cents—are entered \$285.00 and \$80.00, respectively (old Cash Book, pages 250 and 342)—making an aggregate difference of \$361.35—which amount has been debited by me to the General Collecting Agent, J. B. Bowman, at page 100 of the journal.

As the work preceding June 1, 1874, during the administration of Mr. Bowman as Treasurer, had produced in my compilation different results from those of Prof. Perrin's statement, and as the entries made in opening the books of Treasurer Goodloe, were based on this statement, these entries could not be followed by me, except in so far as related to new transactions—such as the sale of ten 10-40 U. S. Bonds, and the disposition of the proceeds; the cash receipts and disbursements by Regent Bowman, from June 1, 1874, to August 1, 1874; and the amount of cash handed over to the new Treasurer, whose actual work only then began. The first two or three pages of the Journal of Treasurer Goodloe contain the entries made thereon by Prof. Perrin referred to, the majority of which were already correctly worked out on the books compiled by me.

My books have been compiled, item by item, from the original entries in the books of the University, and have been tested at every step in my work, and hence may be relied upon for their correctness in preference to any abstract statement whatever.

The Tuition account for the year 1869-70, shows \$1,005.00 cash received, which had not been entered; that of 1870-71, shows \$205.00; and that of 1872-73, \$310.00, as specified on Document G.—(See old journal, pages 491, 506, and 534). These, with the other omissions, are corrected on my books. Several memorandum books, relating to this account, were brought to me by Mr. Luxton the day after his late arrival (and carried back and forth by him), for the purpose of modifying or changing the account on the regular journal; but they were of such a character that I could not assume the responsibility of accepting them in lieu of the entries under the appropriate and regular account on the journal.

The results arrived at up to June 1, 1877, which are of prominent interest to your Committee, may be summarized as follows:

First: The total indebtedness of the University—namely:

This amounts (see statistics) to	\$104,536 40
Owed in Bills payable to Professors	\$28,171 37
" open account	8,093 44
" bills payable to others and banks	4,576 17
" Apparatus Fund	741 25
" Endowment Fund	62,954 17—
	<u>104,536 40</u>

The debt to the Endowment Fund, as above stated, is \$62,954 17

And is owed by the following :

General Expense and A. and M. College	\$ 9,024 31
Mechanical Department	19,475 32
Real Estate and Building Fund	23,634 99
General Collecting Agent, J. B. Bowman	10,819 55—
	<u>\$62,954 17</u>

ENDOWMENT FUND.

Total receipts on Endowment	\$229,189 44
Deduct amount refunded Mercer county, account of apparatus	\$ 880 00
Account of Endowment (proper)	18,264 44—
	<u>19,144 44</u>

Net receipts on this account	\$210,045 00
This is composed of amount now invested (see docu- ment D)	\$128,472 91
Amount cash uninvested	18,617 92
Amount used by other departments	62,954 17—
	<u>\$210,045 00</u>

MECHANICAL DEPARTMENT.

Expenditures from January, 1869, to December, 1872, inclusive .	\$40,433 94
Less receipts on same account	20,958 62
	<u>19,475 32</u>

FARM (SEE DOCUMENT E).

Total outlay on farm account from 1866 to 1877, inclusive . . .	\$74,158 52
Total income on farm account from 1866 to 1877, inclusive . . .	55,842 71
	<u>\$18,315 81</u>

Excess of outlay \$18,315 81

Errors and omissions in cash account from 1868 to 1874 (see document G), were:

In the receipts	\$4,596 52
In the expenditures	927 52
	<u>927 52</u>

Showing this amount more cash in the hands of Treasurer than the books indicate \$3,669 00

GENERAL COLLECTING AGENT, J. B. BOWMAN.

(See statistics, page 20, June 1, 1877).

By balance due him as Treasurer, June 1, 1874	\$ 340 04
July 1, 1874, To proceeds ten United States 10-40 bonds, \$11,450 00	
Less allowed for services	5,000 00
	<u>\$ 6,450 00</u>
To amount charged to Prof. H. H. White (in error)	750 00

May 21, 1877, To amount fees and other collections retained from June 1, 1875, to May 31, 1877	349 15
To amount collections, account R. E. and B. Fund, from June 1, 1874, to October 15, 1875	3,610 44
	\$11,159 59
Less cash (above) due him	340 04
Balance due by him	\$10,819 55

To the foregoing balance against the General Collecting Agent, J. B. Bowman, there will be an offset or credit by the amount of whatever notes the Endowment for money of this fund loaned to individuals he may have on hand uncollected (the amount of which, as entered on Treasurer Goodloe's books, is \$3,271 19), and by vouchers for money paid by him which have not been entered on the books.

The unpaid subscription notes of the Endowment, Apparatus, and Real Estate and Building Funds have not been compared with the lists (documents B, C, and F), for the reason that Regent Bowman, in whose hands they are, declines to make the comparison. August 20, 1877, he brought to my office a number of books containing such notes, showing that he had them, but no verification with my books was made.

In conclusion, I may be permitted to state that extraordinary care and thought have been given to this work. It has been done in the quiet and seclusion of my own room, away from any disturbing element, and hence I feel a degree of confidence in its correctness, which could not be possible under other and less favorable circumstances. I ask your committee's close and patient scrutiny, for the more you study the statistics given, the more thoroughly you will become acquainted with what I have endeavored of show, namely, a complete and continuous financial history, year by year, or Kentucky University, from its organization to the close of the fiscal year ending June 1, 1877, as taken from the books of the Treasurers.

I shall hold myself ready, at any time, to answer any question connected with my work, which your committee or others having authority, may find it necessary to ask me.

Very respectfully,

B. L. SWOPE.

LEXINGTON, KY., August 23, 1877.

P. P. J.

IN SENATE,

WEDNESDAY, FEBRUARY 20, 1878.

Mr. JOHNSTON, from the Joint Special Committee to visit the Agricultural and Mechanical College, made the following report, which was ordered to be printed, viz:

To the General Assembly of the Commonwealth of Kentucky:

Your committee, appointed and acting under the following resolution:

WHEREAS, The Governor, in his annual message, called the attention of the Legislature to the condition and relation of the Agricultural and Mechanical College of Kentucky University; and whereas, it is important that the Legislature should be put in possession of accurate and detailed information respecting the Agricultural and Mechanical College; therefore,

Resolved by the General Assembly of the Commonwealth of Kentucky, That a joint committee, consisting of five members of the Senate and seven of the House of Representatives, be appointed to visit the Agricultural College, with full power to examine, under oath, officers of the Board of Curators, Executive Committee, Faculty of the College, and such other persons as have been concerned or interested in the management of said College; and that said committee be instructed to report to the Legislature as early as practicable, by bill or otherwise.

beg leave to report that they proceeded to Lexington on the morning of January 28th, and remained in session at that place until the 31st of that month, and examined such persons, papers, and records as they deemed necessary to a discharge of the duties imposed upon them by said resolution.

In order that the report of the committee may be intelligible, and the inherent difficulties attending a wise and a just solution of the future of the Agricultural and Mechanical College may be in a measure understood, the committee deem it proper to state, to a limited extent, the nature of the tripartite alliance existing between the three co-ordinate branches which constitute Kentucky University.

1st. Kentucky University proper was chartered January 15, 1858, and is the legal successor of "Bacon College," which was chartered February 23, 1837.

2d. Transylvania University had its origin in 1780, in a donation by the State of Virginia of 8,000 acres of escheated land in the then county

of Kentucky, for the purpose of a "public school or seminary of learning." This donation was followed by others from the State of Virginia and by individuals, and by the State of Kentucky, by the city and the citizens of Lexington, the aggregate of which amounted, in 1865, to an endowment fund of \$65,500, and real estate, buildings, apparatus, &c., estimated to be worth about \$100,000. The information of the committee is, that whilst Transylvania has, at various times, been under the control of various ecclesiastical denominations, it has never lost its distinctive character impressed upon it by its first creation and endowment.

3d. The Agricultural and Mechanical College has no endowment or fund, except the proceeds of the land scrip, given by the United States by act of Congress of 1862, amounting to \$165,000, yielding an annual income of \$9,900.

Prior to the time the act which consolidated the Agricultural and Mechanical College with Kentucky University went into effect, Transylvania and Kentucky University were consolidated, by a contract made by and between the authorities of these respective institutions, which contract was recognized by the act of February 22, 1865. Whilst it may be true that the State is powerless, if she should so desire, to annul the contract between these institutions, it is the opinion of the committee that the said amalgamation of Transylvania with Kentucky University did not operate to vest Kentucky University with the absolute right to the property of Transylvania, nor to destroy its corporate existence; but that its property and fund is held in trust, subject to a reversion to the original trustees of Transylvania, upon the conditions set forth in the act of consolidation between them.

The act establishing the Agricultural and Mechanical College as one of the Colleges of Kentucky University was based upon the union of Transylvania and Kentucky University; and since said act of consolidation, the funds of these two institutions, and the funds of the Agricultural and Mechanical College, have been applied to the maintenance of the University as a whole, under the arrangements and terms hereafter stated.

In order to "aid in putting the Agricultural and Mechanical College into immediate operation," the Legislature, on the 10th day of February, 1866, appropriated \$20,000, reserving the right "to reimburse itself for the amount so appropriated out of the interest arising from the sale of the land scrip donated by Congress." This sum was duly paid over to the authorities of Kentucky University, and the State has never reimbursed itself of any portion thereof.

The testimony taken by the committee shows that about \$10,000 of this sum was used in the erection and furnishing of buildings for the use of

the Agricultural and Mechanical students, upon the lands owned by Kentucky University; the residue of the appropriation was used in putting the Agricultural and Mechanical College into active operation.

The question whether the expenditure for the erection of buildings was a proper one under the provisions of this act, we submit to the General Assembly.

We find that the interest on the fund arising from the sale of the land scrip has been semi-annually paid since the — day of ———, 1867, by the State to Kentucky University, in compliance with the compact between them.

We have not been able to discover that this fund has been diverted from the use for which it was intended, but has been used for the payment of salaries of Professors, and expenses of the Agricultural and Mechanical College; however, we would state that there are eight (8) Professors of the Kentucky University, six of whom draw their salaries from said fund, and about one fourth of the salary of President Patterson is drawn from said fund; but that the six Professors drawing their salaries from this fund are Professors of the Agricultural and Mechanical College, whilst President Patterson is President thereof. Some of these Professors also fill chairs in the College of Arts, a branch of the Kentucky University proper.

We find there is a note, executed by J. B. Bowman, as Regent and Treasurer, in the name of the Agricultural and Mechanical College, for the sum of \$11,480 72, which reads as follows:

\$11,480 72

LEXINGTON, KY., May 31, 1874.

One year after date I promise to pay to the order of the Executive Committee of Kentucky University eleven thousand four hundred and eighty dollars and seventy-two cents, amount borrowed of the Endowment Fund, bearing eight per cent. per annum from date, payable semi-annually, value received by A. & M. College, and secured by crop, stock, and implements, &c.

A. & M. COLLEGE,

BY J. B. BOWMAN,

Regent and Treasurer Kentucky University.

The consideration of this note was for the expense incurred for the erection of buildings, purchase of machinery, &c., for use of the Agricultural and Mechanical College. This is only a nominal indebtedness, and is so regarded by all parties, it being the duty of the Kentucky University, under its contract with the State, to furnish buildings, machinery, and land for the Agricultural and Mechanical College, and was only executed to keep proper accounts between the different funds of Kentucky University.

We find that the chairs of the Agricultural and Mechanical College are filled by a corps of professors, all of whom are eminently and perfectly competent to the full discharge of the duties incumbent upon them. Whatever else may have contributed to the apparent decline in the prosperity of the institution, certainly no part of it can be traced to inefficiency in the teachers employed by the University.

In order to secure the location of the Agricultural and Mechanical College at Lexington, the citizens of Fayette county donated, in private subscriptions, about \$100,000, which, with donations made by citizens of other counties, was used in the purchase of Ashland and Woodland, two magnificent bodies of land of unsurpassed beauty and fertility, whereon the Agricultural and Mechanical College is situated, containing 433 acres. Upon the improvement of these lands, and in the erection of buildings thereon, a large sum has been expended, coming partly from donations and partly from the original endowment fund of Kentucky University.

The title to this property is vested in Kentucky University, who hold it subject to the claim of the donors of the fund above mentioned in case a severance of the Agricultural and Mechanical College from Kentucky University should be had, and subject to the right of user by the State so long as the present alliance and location of the two institutions continues.

As to whether or not the State can claim any interest in said land, by reason of the fact that a part of the donors of the fund subscribed to the University upon the faith of its alliance with the Agricultural and Mechanical College, your committee express no opinion.

The committee found that the Kentucky University had at all times had more than enough land for the use of the Agricultural and Mechanical students; but they are of opinion that the Agricultural Department has not proven a success, due in part, as they think, to a want of more imposing and attractive buildings, in part for a lack of more comfortable dormitories for the students, in part to the aversion of the students to manual toil; but whatever the cause may be, the fact is, that the practical advantages to the student in agriculture have been meager in the extreme.

The Mechanical Department is not now in operation at all, having been discontinued.

It is proper to state that a donation of \$25,000 was made by Mr. Yost to the Agricultural and Mechanical College, which sum was given to this department, with the proviso that the profits, if any, should go to the University, and that \$8,211 66 was realized out of the gift, which was used in the erection of one of the buildings on the "Ashland" estate, known

as the Mechanical Hall, and this amount the Agricultural and Mechanical College still owns.

Since the establishment of the Agricultural and Mechanical College, the attendance has been as follows :

Matriculates, session 1866-'7, 190, of whom 102 were State students.

Matriculates, session 1867-'8, 220, of whom 106 were State students.

Matriculates, session 1868-'9, 283, of whom 95 were State students.

Matriculates, session 1869-'70, 300, of whom 75 were State students.

Matriculates, session 1870-'1, 212, of whom 57 were State students.

Matriculates, session 1871-'2, 217, of whom 83 were State students.

Matriculates, session 1872-'3, 181, of whom 59 were State students.

Matriculates, session 1873-'4, 170, of whom 43 were State students.

Matriculates, session 1874-'5, 98, of whom 35 were State students.

Matriculates, session 1875-'6, 94, of whom 38 were State students.

Matriculates, session 1876-'7, 110, of whom 52 were State students.

Matriculates, session 1877-'8.

During the eleven years of the existence of the Agricultural and Mechanical College there have been ten full graduates, two of whom were State students. But whilst the number of full graduates has been small, it is proper to state that the advantages derived by those who did not actually graduate is not justly measured by that fact.

For a more full description of the character of the buildings, lands, course of study, &c., we refer to the Report of the Board of Visitors just made.

The committee is of opinion that the numerical decline in the College is due in part to the financial depression of the country at large; in part to the springing up of other institutions of learning in different portions of the country and of this State; in part (so far as State students are concerned) to the failure of the county authorities to select students from their districts; in part because a school of manual labor has not become palatable to the young men of the State; and in part to the unhappy differences of opinion that have existed for several years between those who have the deepest interest in, and the control over, Kentucky University. The committee has not conceived that its duty required it to investigate into the merits of the controversy, which has become so widely known, nor into the effect it has had, except in so far as the Agricultural and Mechanical College has been prejudiced thereby; and without expressing any opinion on the merits of that controversy, they do express the opinion that the Agricultural and Mechanical College has suffered therefrom more, perhaps, than from any other cause. The University, as a whole, has been crippled; its management is not approved by the mass of the very large, influential, and wealthy sect under whose auspices it

was in part founded; very many of them are in avowed hostility to its management by the Board of Curators, and are not disposed to lend the institution that aid and support that they otherwise would. Whether this dissatisfaction is just or unjust, the effect is the same, and the Agricultural and Mechanical College, as one of the limbs of the University, has suffered in common with it.

The committee is of opinion that the experience of the past eleven years sufficiently demonstrates the fact, it is unwise for the State to form any alliance with any religious denomination whatever; that she should control her own fund absolutely, free from entanglements with any sect or sects.

We are of opinion that the State of Kentucky, standing as she does midway between the North and the South, possessing a climate of unsurpassed healthfulness, free from debt, and almost free from State taxation, owes it to her present, and to the generations of her sons yet to come, to erect and endow a great university, which shall rank with that which has made Virginia scarce less famous than the achievements of her greatest men. The fund the State now owns should be regarded as a nucleus for the building up, from time to time, as fast as public opinion and legislative liberality will permit, of such an institution.

As to the future management and disposition of the Agricultural and Mechanical College, the committee offer the following suggestions as their conclusions from the facts elicited in the investigation:

1st. The State, as above set forth, contributes yearly \$9,900. This sum goes toward defraying the expenses of the Agricultural and Mechanical College. All students of the University have the privilege of receiving instruction from the chairs of the Agricultural and Mechanical Department, and all students of the Agricultural and Mechanical Department have the privilege of attending the College of Arts of the University.

The only advantage derived by a State student over a student in any other branch of the University is, that he is required to pay no tuition fee, and has the privilege, in preference to any other student, of being allowed work on the farm, by which he may support himself in whole or in part.

Owing to the existence in the market of coupons of scholarship owned by donors to the building fund of Kentucky University, tuition may be gotten at very reduced rates, ranging from \$2 50 to \$10 a session. Whilst this does not prejudice the State student, it makes the actual saving to the State student over any other student in the matter of tuition very insignificant, and would seem hardly to justify the outlay.

2d. The University in none of its branches will fully prosper as long as it is deprived of the patronage and support, sympathy and co-operation,

of that body of Christians who contributed so largely to the founding of the original Kentucky University, and who own so large a part of the University as now constituted, and the committee are not able to see much hope of reconciliation under the present management.

3d. The purely agricultural and mechanical advantages heretofore derived have been meager, and we see no prospect of their being increased.

4th. On the other hand, the State, by virtue of her contract with the University, has advantages which should have their weight. She has, as long as the contract exists, the right to use the lands of the University; she has the privilege of having State students attend the College of Arts; she has the privilege of the apparatus, &c., of Transylvania University. These advantages, however, are impaired somewhat by the fact that the two places, the Agricultural and Mechanical Department and Transylvania, are situated about one and a half miles apart; and she has the advantage of the buildings of the Agricultural and Mechanical Department. As long as the present alliance continues, the foregoing are some, but not all of the advantages and disadvantages of the connection.

If a severance is had, it is the conclusion of the committee that many difficult and delicate questions, touching the rights of various parties in interest in Kentucky University and Transylvania, will spring up for settlement, not affecting the Agricultural and Mechanical College, but affecting Transylvania University and the power of the State to exercise any control thereover so long as Kentucky University sees proper to stand by the compact between them.

But without giving more of the testimony elicited, or more specifically the conclusions reached by the committee upon the various branches involved in the investigation, we are satisfied that the facts justify us in the following recommendations:

1. The repeal of so much of the act of February 23, 1865, as establishes the Agricultural and Mechanical College as one of the Colleges of Kentucky University, and assumption by the State of the absolute control over the fund heretofore contributed to the Kentucky University; said repeal to take effect at the termination of the present scholastic year.

2. The appointment of trustees or commissioners, vested with authority to settle any outstanding differences that may exist between the Agricultural and Mechanical College and Kentucky University.

3. The appointment of a commission, for the purpose of locating the Agricultural and Mechanical College at some convenient and suitable place, under such restrictions as may seem best; but with the condition that it never be placed under the control of any religious sect or denomination whatever. The committee will also tender an act embodying the

foregoing recommendations, together with provisions for carrying the same into effect, the passage of which they recommend.

All of which is respectfully submitted.

P. P. JOHNSTON, *Chairman*,
GEO. WRIGHT,
D. G. MITCHELL,
DAVID R. MURRAY,
FRANCIS L. CLEVELAND,
J. T. TARTAR,
C. U. McELROY,
J. M. KASH,
R. L. SPALDING,
J. S. OWSLEY,
HENRY GEORGE,
M. HAMILTON.

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