AUSTIN PEAY STATE UNIVERSITY

FINANCIAL REPORT

For The Year Ended June 30, 2011

Office of the President

September 26, 2011

John Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217

Dear Chancellor Morgan:

Presented herewith is the annual Financial Report for Austin Peay State University for the fiscal year ended June 30, 2011.

Sincerely,

Tim Hall

Timothy L. Hall
President

www.apsu.edu

P.O. Box 4576 • Clarksville, TN 37044 • P:(931) 221-7566 • F:(931) 221- 7297

Austin Peay State University

Finance and Administration

September 26, 2011

Timothy L. Hall, President
Austin Peay State University
Clarksville, Tennessee 37044

Dear President Hall:

Presented herewith is the annual Financial Report for Austin Peay State University for the fiscal year ended June 30, 2011. This report has been prepared in conformity with generally accepted accounting principles as prescribed be the Governmental Accounting Standards Board.

An audit of the University records for the fiscal year ended June 30, 2010 has not yet been completed. An audit of the University records for the fiscal year ended June 30, 2011, has not yet been scheduled.

Sincerely,

Mitch Robinson

Mitch Robinson
Vice President for Finance and Administration

www.apsu.edu

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Austin Peay State University

Financial Report

For Year ended June 30, 2011

TABLE OF CONTENTS

Management's Discussion and Analysis

This section of Austin Peay State University's annual financial report presents a discussion and analysis of the financial performance of the university during the fiscal year ended June 30, 2011, with comparative information presented for the fiscal year ended June 30, 2010. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

Using This Annual Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on Austin Peay State University as a whole and present a long-term view of the university's finances.

The Statement of Net Assets

The Statement of Net Assets presents the financial position of the university at the end of the fiscal year and includes all assets and liabilities of the university. The difference between total assets and total liabilities – net assets – is an indicator of the current financial condition of the university. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the university's equity in property, plant, and equipment owned by the university. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the university but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

Austin Peay State University
Statement of Net Assets
(in thousands of dollars)

	2011	2010
Assets		
Current assets	$ 27,545	$ 26,221
Capital assets, net	156,428	135,941
Other assets	52,793	41,392
Total Assets	**$ 236,766**	**$ 203,554**
Liabilities		
Current liabilities	$ 13,881	$ 12,062
Noncurrent liabilities	64,707	48,689
Total Liabilities	**$ 78,588**	**$ 60,751**
Net Assets		
Invested in capital assets, net of debt	$ 95,940	$ 91,040
Restricted - nonexpendable	6,742	5,695
Restricted - expendable	6,682	6,379
Unrestricted	48,814	39,689
Total Net Assets	**$ 158,178**	**$ 142,803**

Comparison of FY 2011 to FY 2010

The university had the following significant changes between fiscal years on the Statement on Net Assets:

- Capital net assets increased due to the completion of the Hemlock Semiconductor building (HSB). The new facility includes classrooms, faculty offices, and a full-scale manufacturing laboratory to provide education and training in chemical engineering technology. Additionally, Hemlock Semiconductor contributed a capital equipment gift of $2,000,000 that consisted predominantly of equipment with funding for the installation of the equipment in the HSB.

- Significant transfers to plant funds for approved and planned future capital projects and property acquisitions resulted in a large increase in restricted cash, which caused an increase in other assets.

- The increase in non-current liabilities is due to the substantial completion of the new student residence hall, Castle Heights. The new facility will house approximately 420 freshman residents, and will open fall 2011 semester. For additional information related to the financing, please see the debt section later in this analysis.

- As previously discussed, during the 2011 fiscal year the completion of the HSB, significant capital gifts, and the substantial completion of Castle Heights, all contribute to the increase in net asset, Invested in capital assets.

- The university's endowment funds, which are primarily for scholarships are invested in equity and bond mutual funds. The healthy recovery of economic markets during the year resulted in significant market gains in investments. Additionally, the university funded the current year's spending plan with stimulus funds received from the state in order to allow all current year income to be applied to the growth of endowments. The market recovery, earned income, and the use of stimulus funds resulted in an increase in the restricted – nonexpendable net assets.

- Unexpended plant funds was increased during the current fiscal year due to transferred supplemental state funding to unexpended plant funds to complete various approved and planned capital projects. Additional one-time excess funds were also transferred to fund planned future capital projects and property acquisitions. These transfers created an increase in the unrestricted net assets.

Component Unit
Statement of Net Assets
(in thousands of dollars)

	2011	2010
Assets		
Current assets	$ 406	$ 533
Capital assets, net	879	725
Other assets	17,701	13,903
Total Assets	**$ 18,986**	**$ 15,161**
Liabilities:		
Current liabilities	$ 4	$ 13
Total Liabilities	**$ 4**	**$ 13**
Net Assets		
Invested in capital assets, net of related debt	$ 879	$ 725
Restricted - nonexpendable	11,913	8,932
Restricted - expendable	5,552	4,699
Unrestricted	638	792
Total Net Assets	**$ 18,982**	**$ 15,148**

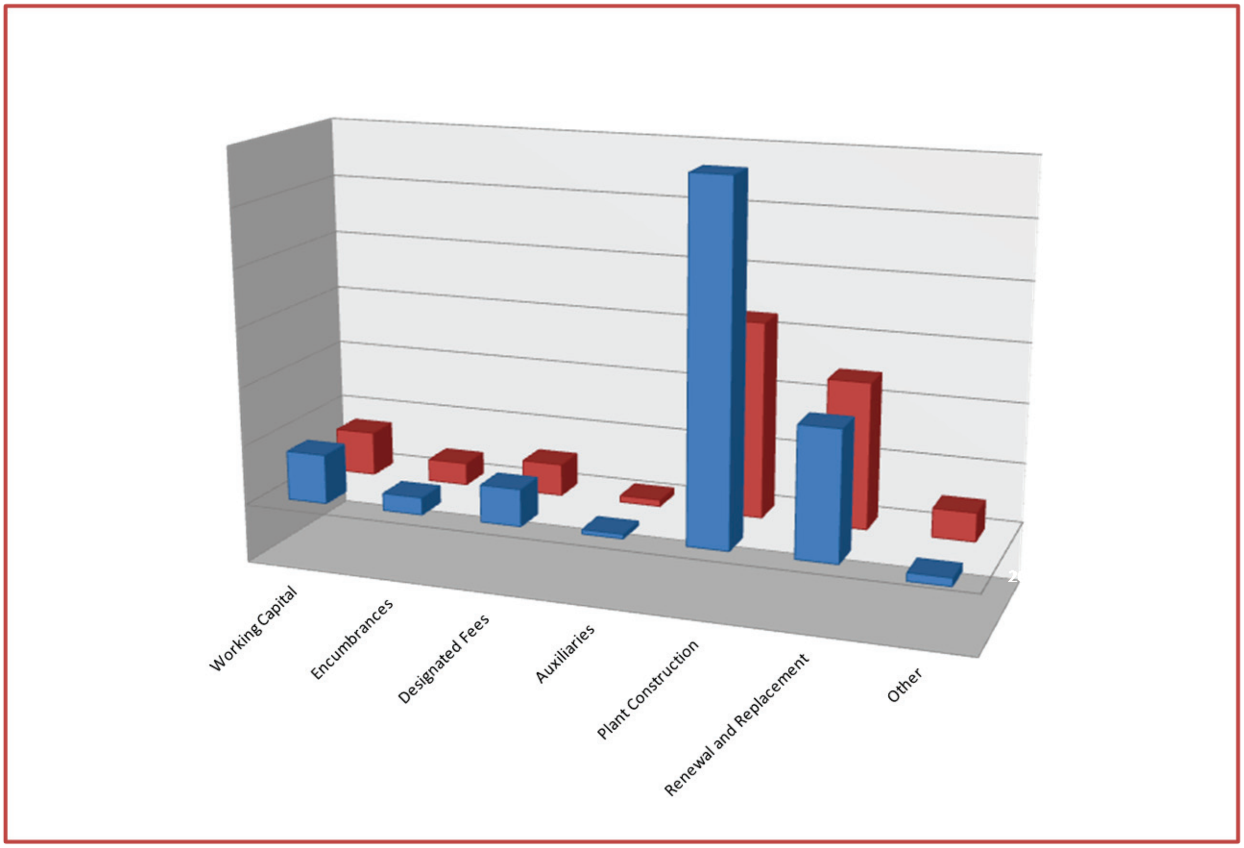
Comparison of FY 2011 to FY 2010

The component unit had the following significant changes between fiscal years on the Statement of Net Assets:

- Similar to the university's investments, the Foundation's investments increased from the previous year by approximately 17 percent. This increase is due primarily to market gains from the recovery experienced in equity markets. The increase in investments caused an increase from the previous year in both other assets and restricted – nonexpendable net assets. Other assets increased because a significant portion of investments are classified as noncurrent investments and represent endowment funds.

- Restricted expendable net assets increased due to additional land gifts during the current fiscal year, and land assets being transferred to temporally restricted assets. Contributions and pledges also increased by approximately $300,000.

Many of the university's unrestricted net assets have been designated for specific purposes such as repairs and replacement of equipment, future debt service, capital projects, and student loans. The following graph shows the allocations:



Comparison of FY 2011 to FY 2010

- Plant construction increased during the 2011 fiscal year because the university transferred supplemental state funding to unexpended plant funds to complete the energy management project and various other projects started in the previous year with funds provided through the federal stimulus programs. Additional funds were also transferred to fund planned future capital projects and property acquisitions. For additional information, please see the capital section later in this analysis.

- The university previously procured several properties that were turned into student parking lots during the current fiscal year. The new parking lots are estimated to provide approximately 125 additional student spaces. Renewal and replacement funds were expended for these projects, which caused a decrease in the balance from the previous year.

- A change in the budget process related to Other Post Employment Benefits (OPEB) allowed the university to decrease the allocated fund balance and allowed funds to be transferred to plant funds. This decreased the undesignated balance in unrestricted net assets.

The Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the university, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to accounting principles generally accepted in the United States of America.

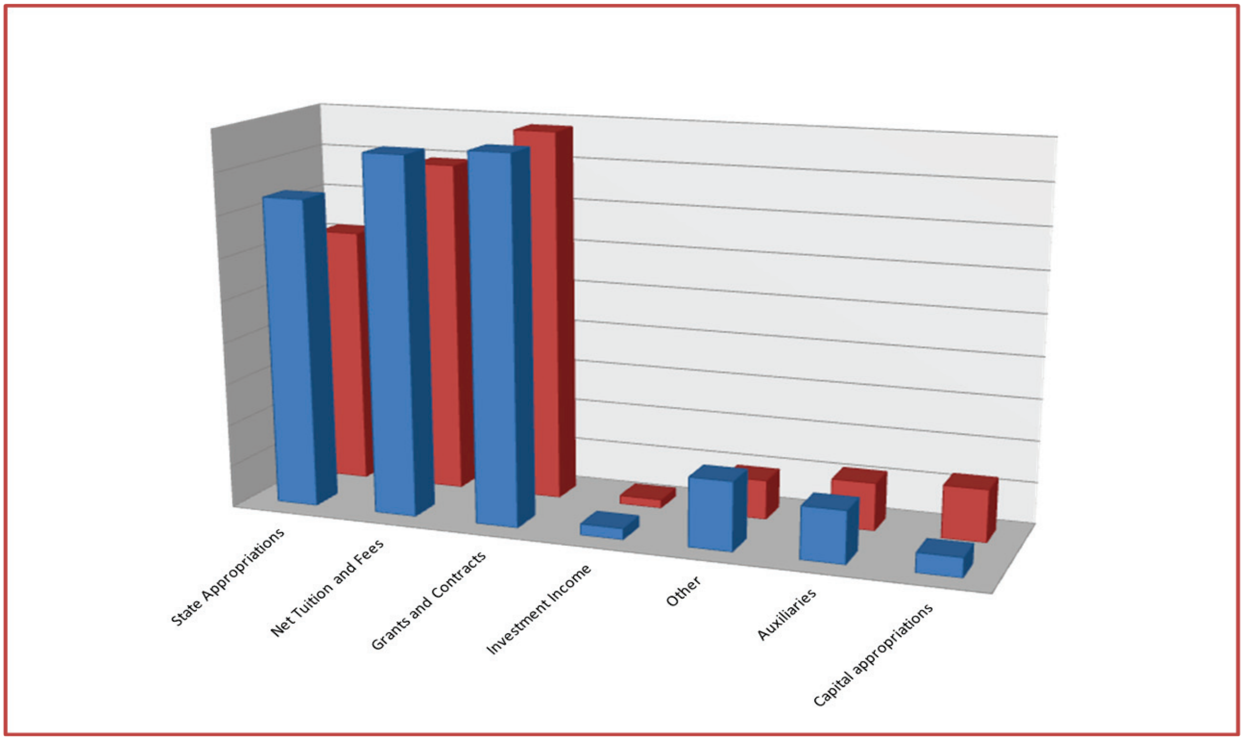
Austin Peay State University
Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

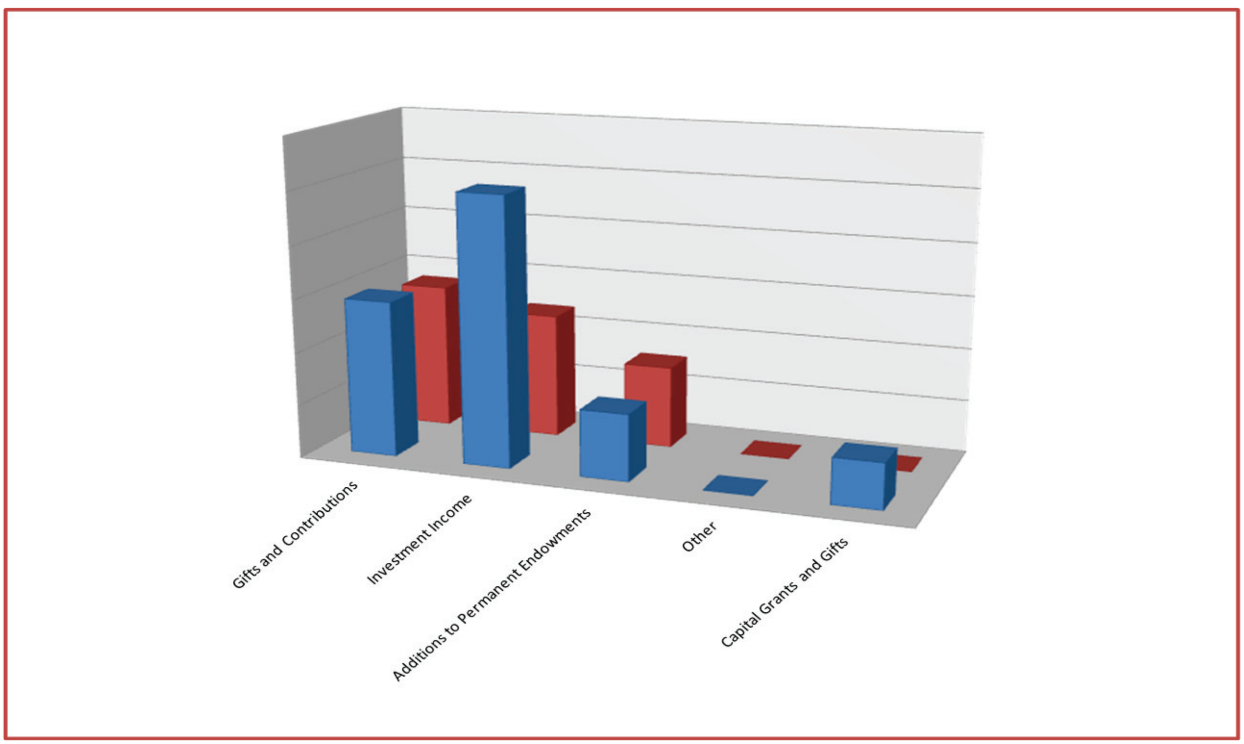
	2011	2010
Operating revenues:		
Net tuition and fees	$ 42,625	$ 39,632
Grants and contracts	6,031	5,935
Auxiliaries	6,269	5,719
Other	4,215	3,199
Total operating revenues	**$ 59,140**	**$ 54,485**
Operating expenses	$ 123,971	$ 112,330
Operating loss	**$ (64,831)**	**$ (57,845)**
Nonoperating revenues and expenses:		
State appropriations	$ 36,864	$ 30,729
Gifts	1,328	972
Grants and contracts	37,432	38,244
Investment income	1,329	1,014
Other revenues and expenses	(1,261)	(1,347)
Total nonoperating revenues and expenses	**$ 75,692**	**$ 69,612**
Income before other revenues, expenses, gains, or losses	**$ 10,861**	**$ 11,767**
Other revenues, expenses, gains, or losses:		
Capital appropriations	$ 2,333	$ 6,291
Capital grants and gifts	2,166	21
Additions to permanent endowments	16	
Total revenues, expenses, gains, or losses	**$ 4,515**	**$ 6,312**
Increase (decrease) in net assets	**$ 15,376**	**$ 18,079**
Net assets at beginning of year	$ 142,803	$ 124,724
Prior period adjustment	-	-
Net assets at end of year	**$ 158,179**	**$ 142,803**

Component Unit
Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

	2011	2010
Operating revenues:		
Gifts and Contributions	$ 1,473	$ 1,375
Total operating revenues	**$ 1,473**	**$ 1,375**
Operating expenses	$ 1,231	$ 1,070
Operating income	**$ 242**	**$ 305**
Nonoperating revenues and expenses:		
Investment income	$ 2,531	$ 1,179
Other revenues and expenses		
Total nonoperating revenues and expenses	**$ 2,531**	**$ 1,179**
Income before other revenues, expenses, gains, or losses	**$ 2,773**	**$ 1,484**
Other revenues, expenses, gains, or losses:		
Capital grants and gifts	$ 430	
Additions to permanent endowments	631	$ 773
Total revenues, expenses, gains, or losses	**$ 1,061**	**$ 773**
Increase in net assets	**$ 3,834**	**$ 2,257**
Net assets at beginning of year	$ 15,148	$ 12,891
Prior period adjustment	-	-
Net assets at end of year	**$ 18,982**	**$ 15,148**

REVENUES
The following is a graphic illustration of revenues by source (both operating and nonoperating), which are used to fund the university's operating activities for the years ended June 30, 2011, and June 30, 2010 (amounts are presented in thousands of dollars).





Comparison of FY 2011 to FY 2010

The university had the following significant changes in revenues between fiscal years:

- During the previous fiscal year, the university received significant funding as part of the 2009 federal government's American Recovery Act management (ARRA) through the State Federal Stimulus Funds (SFSF). For the current fiscal year, the anticipated ARRA funding was replaced by the state with supplemental state appropriations. This switch caused an increase in state appropriations.

- The university continues to be the state's fastest growing public university. This continued growth in conjunction with tuition and fee increases approved by the Tennessee Board of Regents resulted in an increase in net tuition and fees.

- As previously discussed, the investments of the university had significant market gains. The realized and unrealized gains resulted in a 12.6 percent increase in value. This recovery resulted in an increase in investment income

- Other income increased over last year principally due to increases in capital gifts and sales and services of educational departments. The university received a $2,000,000 capital gift for equipment and the related installation in the chemical engineering technology building for course education and training. Sales and service revenues consist primarily of athletic fees and revenues. During the current fiscal year, significant game guarantees were received for certain athletic events as well as the continued growth of student fees resulted in the increase in sales and services.

- With the completion of the HSB, the only state funded capital project during the current fiscal year was the replacement of electrical lines and transformers. The completion of the HSB caused a significant decrease in capital appropriations.

The component unit had the following significant changes in revenues between fiscal years:

- As discussed previously in this analysis, the Foundation's investment income increased between the fiscal years because of the market gains due to the recovery of the equity markets.

- The Foundation received a charitable gift of real property, which stipulated the property be sold and the proceeds from the sale to be used for business scholarships. This gift increased capital grants and gifts between the fiscal years.

EXPENSES

Operating expenses can be displayed in two formats, natural classification and program classification. Both formats are displayed below.

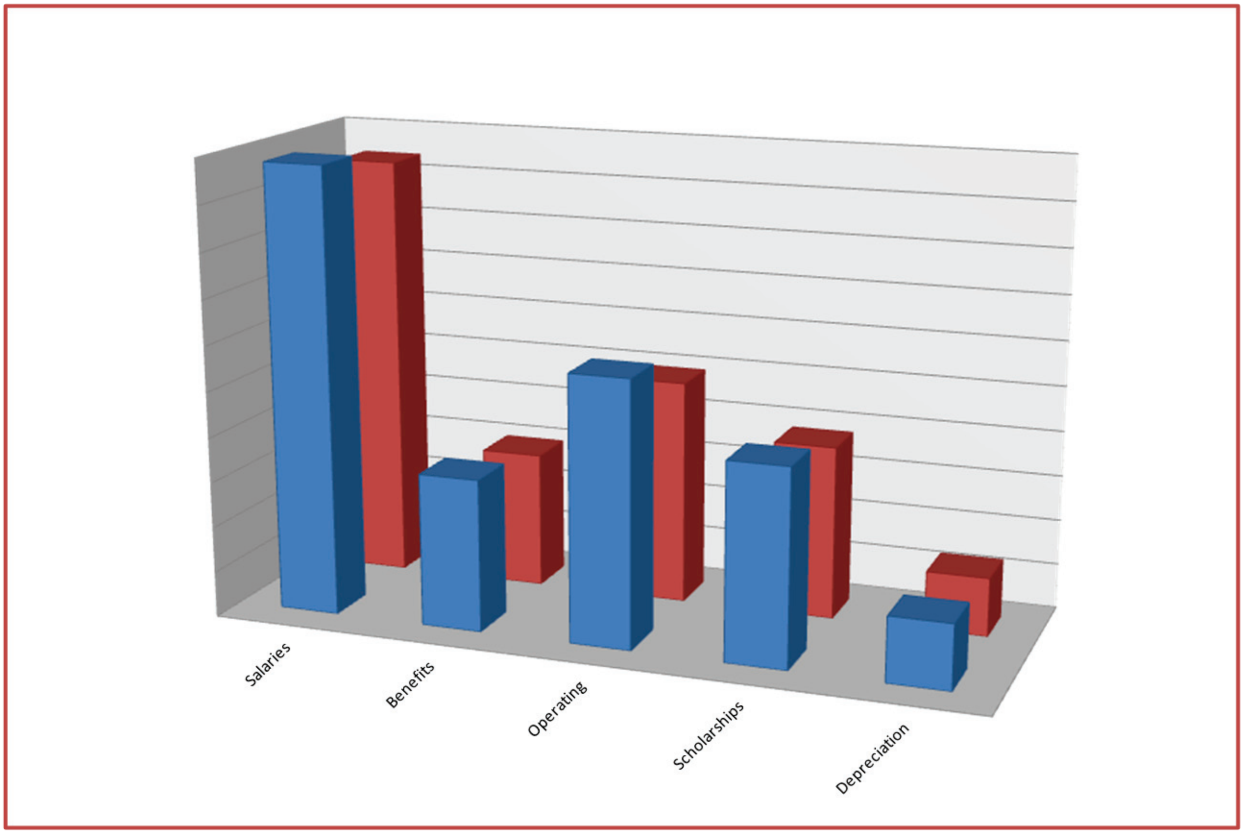
Natural Classification

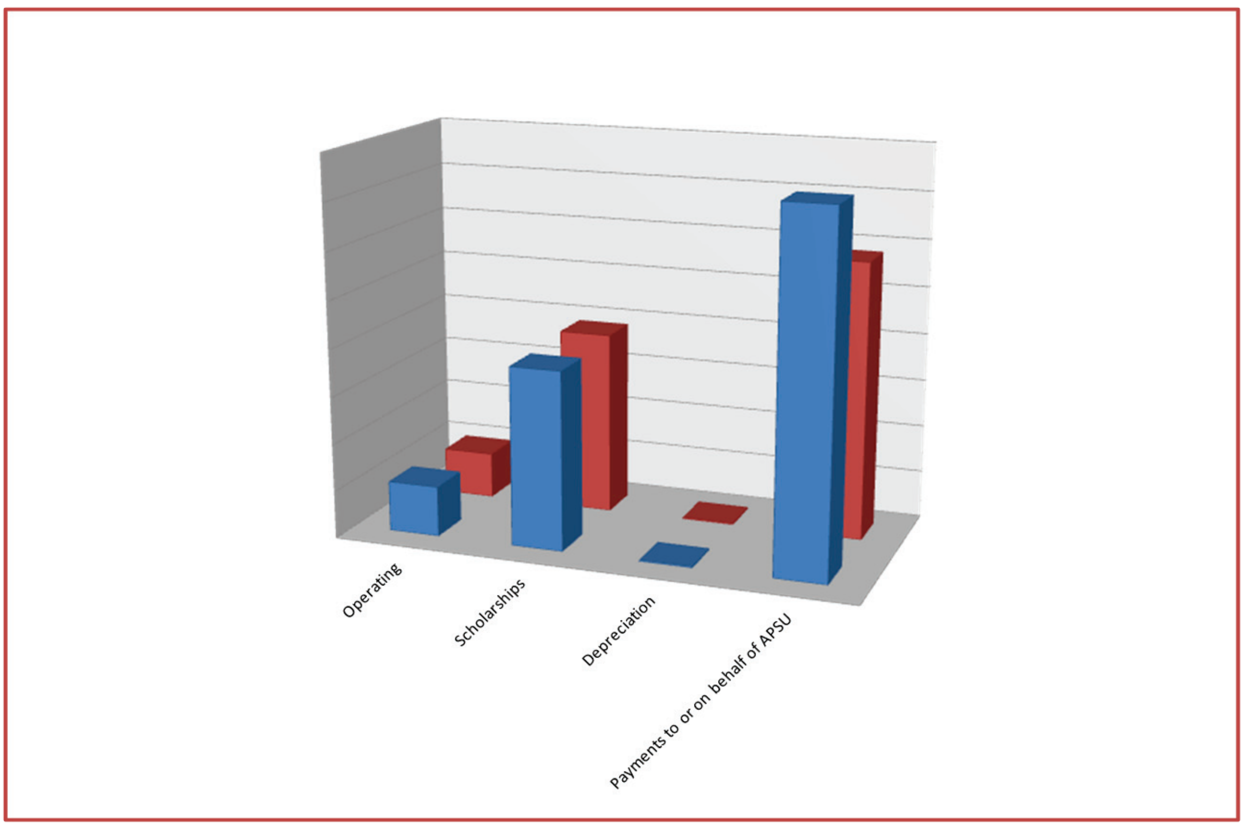
Austin Peay State University
Natural Classification
(in thousands)

	2011	2010
Salaries	$ 49,135	$ 46,966
Benefits	16,808	15,010
Operating	29,220	24,736
Scholarships	21,640	19,141
Depreciation	7,168	6,477
TOTAL	**$ 123,971**	**$ 112,330**

Component Unit
Natural Classification
(in thousands)

	2011	2010
Operating	$ 106	$ 97
Scholarships	378	387
Depreciation	3	3
Payments to or on behalf of Austin Peay State University	744	583
TOTAL	**$ 1,231**	**$ 1,070**


Salaries
Benefits
Operating
Scholarships
Depreciation


Operating
Scholarships
Depreciation
Payments to or on behalf of APSU

Comparison of FY 2011 to FY 2010

The university had the following significant changes in expenses between fiscal years:

- During the current fiscal year, the state was charged a significant increase in employee health insurance rates. This benefit cost increased the university's insurance expense from last fiscal year by $1,441,796 or 28.5 percent.

- The university's operating expenses saw moderate increases in all categories such as printing and duplicating, communications and shipping, and professional services. However, the categories of maintenance and repairs, and supplies both increased significantly over last year. Maintenance and repairs increased in two areas, phone and data lines, and other. The increase in data lines is primarily due to the expansion of the campus fiber loop, and extending data service to properties that are being purchased and being converted for administration and faculty offices. Other maintenance and repairs increased due to the underground electrical project, which replaces the primary electrical lines and transformers across campus. Supplies also increased significantly over last year due to the conversion and equipping of converted campus space and purchased properties into administration and faculty offices.

- The university continues to have an increasing number of students who qualify for federal and state grants and subsidies. This increase has caused a significant rise in the amount of federal and state funded financial aid awarded to students. Additionally, due to efforts of attracting and retaining better students, performance scholarships were increased over the past year.

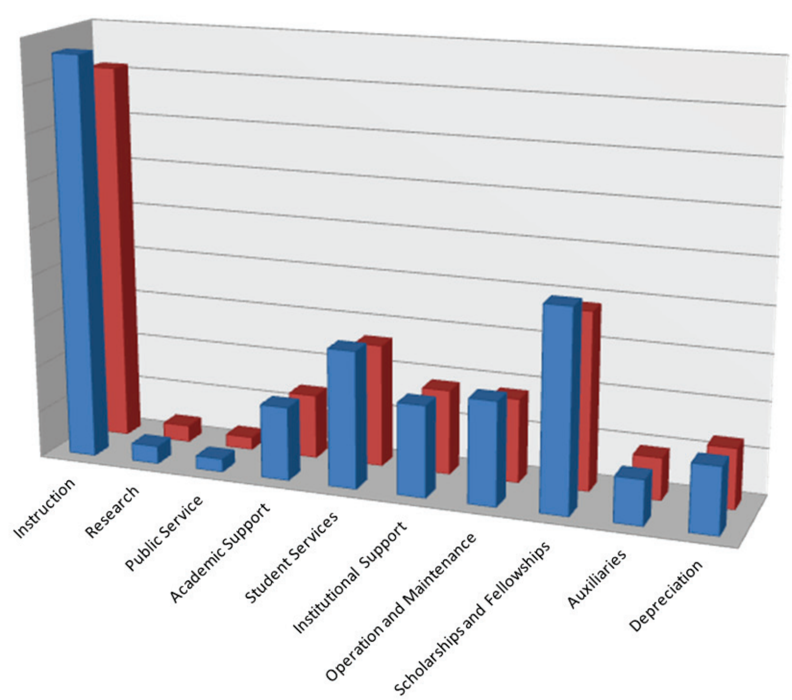
The component unit had the following significant changes in expenses between fiscal years:

- Payments to or on-behalf of Austin Peay State University increased between fiscal years due to increases in travel expenses reimbursed to faculty and staff by the Foundation and an increase in professional service payments to various vendors on behalf of the university.

Program Classification

Austin Peay State University
Program Classification
(in thousands of dollars)

	2011	2010
Instruction	$ 43,252	$ 40,715
Research	1,910	1,784
Public Service	1,418	1,348
Academic Support	7,927	6,905
Student Services	14,760	13,223
Institutional Support	9,859	9,132
Operation and Maintenance	11,170	9,053
Scholarships and Fellowships	21,640	19,141
Auxiliaries	4,867	4,552
Depreciation	7,168	6,477
TOTAL	**$ 123,971**	**$ 112,330**



Comparison of FY 2011 to FY 2010

The university had the following significant changes in program expenses between fiscal years:

- In accordance with the values and beliefs of the university's administration additional funds related to student success and retention were spent in the Instructional area. The increase also resulted from faculty promotions and additional faculty lines to accommodate student success and growth.

- As previously discussed in this analysis, the scholarships and fellowships have increased scholarships predominantly because of increases in the federal and state funding such as Pell, SEOG, and Lottery funds as well as student enrollment growth. Additional performance and athletic scholarships were approved by university administration to attract and retain better students and assist the athletic area.

Capital Assets and Debt Administration

CAPITAL ASSETS

The university had $156,428,064 invested in capital assets, net of accumulated depreciation of $83,023,075, at June 30, 2011; and $135,940,852 invested in capital assets, net of accumulated depreciation of $76,790,777, at June 30, 2010. Depreciation charges totaled $7,167,626 and $6,476,865 for the years ended June 30, 2011, and June 30, 2010, respectively. Details of these assets are shown below.

Austin Peay State University
Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2011	2010
Land	$ 8,683	$ 6,999
Land improvements and infrastructure	19,746	13,731
Buildings	93,617	90,223
Equipment	6,354	5,048
Library holdings	2,428	2,489
Software	1,022	1,277
Projects in progress	24,578	16,174
Total	**$ 156,428**	**$ 135,941**

Highlights of the information presented on the Schedule of Capital Assets for the university are as follows:

Land and buildings increased because of commercial and residential purchases made by the university from private citizens and businesses, and the completion of certain capital projects. The university aggressively seeks to purchase all available property located within the approved campus master plan. The purchase of properties is funded with one-time allocated plant funds.

During the current fiscal year, the completion of the Hemlock Semiconductor building (HSB) added significant capital assets. The building houses classrooms, faculty offices, and a full scale, fully functional manufacturing laboratory. The laboratory is used as course education and training in the chemical engineering technology curriculum. In addition, Hemlock Semiconductor, Inc., a wholly owned subsidiary of Dow Corning, donated a capital gift of $2,000,000. The gift included capital equipment and cash funds for shipping and installation of the equipment.

Land improvements and infrastructure increased from the previous year because of several large capital projects. During the current fiscal year, the university completed an energy management project. Additionally, phase II, and phase III of the campus steam and chilled water line replacement nears completion, and are planned to be completed before students arrive on campus for the fall 2011 term.

A significant increase in projects in progress is due to the undergraduate housing phase I, Castle Heights. The new undergraduate housing building is scheduled to open in August 2011 for the fall semester. The residence hall will add approximately 420 new freshman beds. With the completion of phase I, phase II is scheduled to commence in the fall of 2011 to be completed in the fall of 2013. All residence halls are operated as auxiliary units, and are funded with student rents.

Additional approved projects include a new math and computer science building that will house classrooms, faculty offices, computer labs, and the university's computer server room. Design is scheduled for fall 2011, with construction planned to commence immediately after.

Component Unit
Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2011	2010
Land	$ 870	$ 714
Equipment	9	11
Total	**$ 879**	**$ 725**

Highlights of the information presented on the Schedule of Capital Assets for the component unit are as follows:

The Foundation's land balance increased between fiscal years because of a charitable gift of real property. The gift specified the property to be sold, and the proceeds to be used for business scholarships. The Foundation continues to sell parcels of a previous land gift, and as parcels are sold, the proceeds are added to an endowment to provide scholarships.

More detailed information about the university's capital assets is presented in Notes 5 and 19 to the financial statements.

DEBT

The university had $60,488,465 and $44,900,650 in debt outstanding at June 30, 2011, and June 30, 2010, respectively. The component unit had no debt outstanding at June 30, 2011, or June 30, 2010. The table below summarizes these amounts by type of debt instrument.

Austin Peay State University
Schedule of Debt
(in thousands of dollars)

	2011	2010
TSSBA Bonds	$ 36,334	$ 38,086
TSSBA Commercial Paper	24,154	6,815
Total Debt	**$ 60,488**	**$ 44,901**

The reduction of bonds is due entirely to the amortization of semi-annual payments. The increase in commercial paper obligations is due to the substantial completion of the undergraduate housing phase I, Castle Heights. Additional new obligations include the sprinkling of married student housing, and the planning and design of the undergraduate housing phase II.

The Castle Heights residence hall will open to students in the fall 2011 semester, and the university expects the related commercial paper to be converted into bonds.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2011, were as follows:

Fitch	AA
Moody's Investor Service	Aa2
Standard & Poor's	AA

More information about the university's long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors That Will Affect the Future

For fiscal year 2012, the Tennessee Board of Regents authorized an individual campus fee increase of 8% that is expected to generate approximately $2 million in new funding, net of related scholarships, with a continued projected enrollment increase. State appropriations will continue to be reduced; however, based on Tennessee's new funding formula and the university's outcomes, the university will realize an appropriation increase in the amount of $288,600 for fiscal year 2012. The capital markets remain unstable, which will affect the university's investment income.

Requests for Information

This financial report is designed to provide a general overview of the institution's finances for all those with an interest in the university's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Tim Hurst, Assistant Vice President for Finance, APSU PO Box 4635, Clarksville, TN 37044

BASIC FINANCIAL STATEMENTS

AUSTIN PEAY STATE UNIVERSITY
Unaudited Statement of Net Assets
June 30, 2011

	University	Component Unit
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 2 and 19)	$ 18,794,981.64	$ 293,978.74
Short-term investments (Notes 3 and 19)	735,356.29	60,017.06
Accounts, notes, and grants receivable (net) (Note 4)	6,175,237.16	26,884.41
Due from primary government	1,295,708.75	
Pledges receivable (net) (Note 19)		3,784.18
Inventories (at lower of cost or market)	294,053.66	
Prepaid expenses and deferred charges	160,682.14	
Accrued interest receivable	88,915.53	21,582.20
Total current assets	27,544,935.17	406,246.59
Noncurrent assets:		
Cash and cash equivalents (Notes 2 and 19)	45,233,776.56	3,636,748.36
Investments (Notes 3 and 19)	6,329,183.88	13,469,719.31
Accounts, notes, and grants receivable (net) (Note 4)	1,230,434.75	184,380.92
Pledges receivable (net) (Note 19)	-	408,707.12
Capital assets (net) (Notes 5 and 19)	156,428,064.20	879,477.50
Total noncurrent assets	209,221,459.39	18,579,033.21
Total assets	$ 236,766,394.56	$ 18,985,279.80
LIABILITIES		
Current liabilities:		
Accounts payable (Note 6)	2,875,785.80	3,727.85
Accrued liabilities	2,371,804.01	
Student deposits	259,308.80	
Deferred revenue	4,342,733.83	
Compensated absences (Note 7)	624,672.17	
Accrued interest payable	291,568.87	
Long-term liabilities, current portion (Note 7)	1,830,180.02	
Deposits held in custody for others	1,284,550.97	
Total current liabilities	13,880,604.47	3,727.85
Noncurrent liabilities:		
Net OPEB obligation (Notes 7 and 12)	3,752,596.30	
Compensated absences (Note 7)	1,537,099.54	
Long-term liabilities (Note 7)	58,658,284.75	
Due to grantors (Note 7)	759,402.28	
Total noncurrent liabilities	64,707,382.87	
Total liabilities	$ 78,587,987.34	$ 3,727.85
NET ASSETS		
Invested in capital assets, net of related debt	95,939,599.43	879,477.50
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	6,625,922.92	11,340,690.03
Research		70,621.62
Instructional department uses	4,565.81	77,900.76
Other	111,327.97	422,744.28
Expendable:		
Scholarships and fellowships	1,691,547.42	2,519,166.18
Research	680,754.67	6,137.33
Instructional department uses	301,770.18	564,651.77
Loans	109,794.26	
Debt service	2,309,199.37	
Other	1,589,784.99	2,462,382.68
Unrestricted (Note 9)	48,814,140.20	637,779.80
Total net assets	$ 158,178,407.22	$ 18,981,551.95

The notes to the financial statements are integral part of this statement.

AUSTIN PEAY STATE UNIVERSITY
Unaudited Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011

	University	Component Unit
REVENUES		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of $21,918,110.57)	$ 42,625,143.12	
Gifts and contributions		$ 1,472,639.51
Governmental grants and contracts	6,028,593.02	
Non-governmental grants and contracts	2,273.00	
Sales and services of educational departments	4,038,505.69	
Auxiliary enterprises:		
Residential life (net of scholarship allowances of $2,361,466.62 all residential life revenues are used as security for revenue bonds, see Note10)	4,584,086.18	
Bookstore (all bookstore revenues are used as security for revenue bonds, see Note 10)	527,325.14	
Food service (all food service revenues are used as security for revenue bonds, see Note 10)	416,378.40	
Wellness facility (net of scholarship allowances of $258,543.81 all welness facility revenues are used as security for revenue bonds, see Note 10)	502,801.86	
Other auxiliaries	238,266.20	
Interest earned on loans to students	27,081.16	
Other operating revenues	149,251.61	326.00
Total operating revenues	$ 59,139,705.38	$ 1,472,965.51
EXPENSES		
Operating Expenses		
Salaries and wages	$ 49,135,116.22	
Benefits	16,808,362.63	
Utilities, supplies, and other services	29,219,713.27	$ 106,732.14
Scholarships and fellowships	21,640,390.67	377,689.52
Depreciation expense	7,167,625.84	2,711.40
Payments to or on behalf of Austin Peay State University		744,266.72
Total operating expenses	$ 123,971,208.63	$ 1,231,399.78
Operating loss	$ (64,831,503.25)	$ 241,565.73
NONOPERATING REVENUES (EXPENSES)		
State appropriations	$ 36,864,113.00	
Gifts, including $744,266.72 from component unit	1,327,551.45	
Grants and contracts	37,431,923.63	
Investment income (net of investment expense of $20,039.58 for the university and $46,900.52 for the component unit)	1,328,893.17	$ 2,530,413.13
Interest on capital asset-related debt	(1,795,761.30)	
Other non-operating revenues	535,397.06	
Net nonoperating revenues	$ 75,692,117.01	$ 2,530,413.13
Income before other revenues, expenses gains, or losses	$ 10,860,613.76	$ 2,771,978.86
Capital appropriations	2,332,556.92	
Capital grants and gifts	2,165,990.00	$ 430,000.00
Additions to permanent endowments	16,409.10	$ 631,119.75
Total other revenues	$ 4,514,956.02	$ 1,061,119.75
Increase (decrease) in net assets	$ 15,375,569.78	$ 3,833,098.61
NET ASSETS		
Net Assets - beginning of year	$ 142,802,837.44	$ 15,148,453.34
Net Assets - end of year	$ 158,178,407.22	$ 18,981,551.95

The notes to the financial statements are integral part of this statement.

AUSTIN PEAY STATE UNIVERSITY
Unaudited Statement of Cash Flows
for the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$	43,072,779.47
Grants and contracts		4,919,539.79
Sales and services of educational activities		3,954,342.77
Payments to suppliers and vendors		(26,293,684.96)
Payments to employees		(49,145,593.10)
Payments for benefits		(16,087,446.02)
Payments for scholarships and fellowships		(21,640,390.67)
Interest earned on loans to students		12,045.81
Auxiliary enterprise charges:		
Residence halls		4,586,186.18
Bookstore		358,302.50
Food services		225,830.01
Wellness facility		502,801.86
Other auxiliaries		238,266.20
Net cash used by operating activities	$	(55,297,020.16)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	$	36,809,423.00
Gifts and grants received for other than capital or endowment purposes, including $584,897.70 from APSU - Foundation to the institution		36,545,738.60
Private gifts for endowment purposes		16,409.10
Federal student loan receipts		57,166,048.48
Federal student loan disbursements		(57,157,918.47)
Changes in deposits held for others		136,575.53
Other non-capital financing receipts		563,060.64
Net cash provided by non-capital financing activities	$	74,079,336.88
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	$	17,340,878.96
Capital - state appropriation		2,332,556.92
Proceeds from sale of capital assets		43,838.45
Purchase of capital assets and construction		(25,596,107.16)
Principal paid on capital debt and lease		(1,753,064.48)
Interest paid on capital debt and lease		(1,806,034.49)
Net cash used by capital and related financing activities	$	(9,437,931.80)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$	932,905.63
Income on investments		438,098.31
Purchase of investments		(995,297.22)
Net cash provided by investing activities	$	375,706.72
Net increase in cash and cash equivalents		9,720,091.64
Cash and cash equivalents - beginning of year		54,308,666.56
Cash and cash equivalents - end of year (Note 2)	$	64,028,758.20

AUSTIN PEAY STATE UNIVERSITY
Unaudited Statement of Cash Flows
for the Year Ended June 30, 2011

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating loss	$	(64,831,503.25)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense		7,167,625.84
Gifts in-kind		2,438,060.12
On-behalf payments		57,713.00
Change in assets and liabilities:		
Receivables, net		(1,539,451.12)
Inventories		(23,356.74)
Prepaid/deferred items		(30,606.29)
Other assets		(15,035.35)
Accounts payable		(193,893.01)
Accrued liabilities		679,034.80
Deferred revenues		1,075,999.01
Deposits		(6,221.20)
Compensated absences		(5,651.65)
Loans to students and employees		(69,734.32)
Net cash used by operating activities	$	(55,297,020.16)

Non-cash transactions

Gifts in-kind - capital	$	1,565,406.00
Unrealized gains on investments	$	874,961.43
Loss on disposal of capital assets	$	(109,537.37)

The notes to the financial statements are integral part of this statement.

AUSTIN PEAY STATE UNIVERSITY

Standard Notes to the Financial Statements
June 30, 2011

1. **Summary of Significant Accounting Policies**

REPORTING ENTITY
The university is a part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides significant financial support; the system is discretely presented in the Tennessee Comprehensive Annual Financial Report.

The financial statements present only that portion of the Tennessee Board of Regents' activities that is attributable to the transactions of Austin Peay State University.

The Austin Peay State University Foundation is considered a component unit of the university. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements. See Note 19 for more detailed information about the component unit and how to obtain the report.

BASIS OF PRESENTATION
The university's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

BASIS OF ACCOUNTING
For financial statement purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant interfund transactions have been eliminated.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The university has the option of following private-sector guidance issued subsequent to November 30, 1989, subject to the above limitation. The university has elected not to follow private-sector guidance issued subsequent to November 30, 1989.

Amounts reported as operating revenues include: 1) tuition and fees, net of waivers and discounts, 2) certain federal, state, local and private grants and contracts, 3) sales and services of auxiliary enterprises, and 4) other sources of revenue. Operating expenses for the university include: 1) salaries and wages, 2) employee benefits, 3) scholarships and fellowships, 4) depreciation, and 5) utilities, supplies, and other services.

All other activity is nonoperating in nature. This activity includes: 1) state appropriations for operations, 2) investment income, 3) bond issuance costs, 4) interest on capital asset-related debt, and 5) gifts and non-exchange transactions.

When both restricted and unrestricted resources are available for use, generally it is the university's policy to use the restricted resources first.

CASH EQUIVALENTS
This classification includes instruments that are readily convertible to known amounts of cash and have original maturities of three months or less.

INVENTORIES
Inventories are valued at the lower of cost or market

COMPENSATED ABSENCES
The university's employees accrue annual leave at varying rates, depending upon length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are reported in the Statement of Net Assets.

CAPITAL ASSETS
Capital assets, which include property, plant, equipment, library holdings, and intangible assets, are reported in the Statement of Net Assets at historical cost or at fair value at date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized.

A capitalization threshold of $100,000 is used for buildings and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for intangible assets is set at $100,000.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

NET ASSETS
The university's net assets are classified as follows:

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT*:* This represents the university's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

RESTRICTED NET ASSETS – NONEXPENDABLE: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal.

RESTRICTED NET ASSETS – EXPENDABLE: Restricted expendable net assets include resources in which the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

UNRESTRICTED NET ASSETS: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university, and may be used at the discretion of the university to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

SCHOLARSHIP DISCOUNTS AND ALLOWANCES
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discount and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the university, and the amount that is paid by the student and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the university's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the university has recorded a scholarship discount and allowance.

2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2011, cash consists of $6,044,944.11 in bank accounts, $14,365 of petty cash on hand, $53,442,979.38 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and $4,526,469.71 in the LGIP Deposits – Capital Projects account.

LGIP Deposits – Capital Projects - Payments related to the university's capital projects are made by the State of Tennessee's Department of Finance and Administration. The university's estimated local share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. As expenses are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents and transferred to the Department of Finance and Administration. The funds in the account are not available to the university for any other purpose until the project is completed and the Tennessee Board of Regents releases any remaining funds.

3. Investments

All investments permitted to be reported at fair value under GASB Statement are reported at fair value, including those with a maturity date of one year or less at the time of purchase.

As of June 30, 2011, the university had the following investments and maturities.

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10	No Maturity Date
US Treasury	$ 194,506.72	$ 55,147.95	$ 39,207.09	$ 70,447.06	$ 29,704.62	
US Agencies	221,198.43	39,125.28		37,722.22	144,350.93	
Corporate Stocks	1,762,287.00					$ 1,762,287.00
Corporate Bonds	251,265.34		100,282.04	121,233.86	29,749.44	
Mutual Bond Funds	1,730,625.80				1,730,625.80	
Mutual Equity Funds	2,263,573.82				2,263,573.82	
Certificates of Deposit	593,081.68	593,081.68				
Money Market	48,001.38	48,001.38				
Total	**$ 7,064,540.17**	**$ 735,356.29**	**$ 139,489.13**	**$ 229,403.14**	**$ 4,198,004.61**	**$ 1,762,287.00**

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The university does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies which are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the university and that endowment investments be prudently diversified. Securities are rated using Standard and Poor's, Moody's, and/or Fitch's and are presented below using the Standard and Poor's rating scale.

TBR policy restricts investments in banker's acceptances and commercial paper. The policy requires that prime banker's acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. Prime banker's acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must 1) arise out of the current shipment of goods between countries or with the United States, or 2) arise out of storage within the United States of goods under contract of sale or expected to move into the channel or trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

The policy requires that prime commercial paper shall be limited to that of corporations that meet the following criteria: 1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services that rate the issuer. If there is no long-term debt rating, the short-term debt rating must be A1 by all rating services (minimum of two). 2) The rating should be based on the merits of the issuer or guarantee by a nonbank. 3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. 4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days. As of June 30, 2011, the university's investments were rated as follows:

		Credit Quality Rating				
Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**BBB**	**Unrated**
Local Government Investment Pool (LGIP)	$ 57,969,449.09					$ 57,969,449.09
US Agencies	221,198.43	$ 221,198.43				
Corporate Bonds	251,265.34		$ 53,280.59	$197,984.75		
Mutual Bond Funds	1,730,625.80	1,315,275.61	51,918.77	173,062.58	$155,756.32	34,612.52
Total	**$60,172,538.66**	**$1,536,474.04**	**$105,199.36**	**$371,047.33**	**$155,756.32**	**$58,004,061.61**

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The university does not have a deposit policy for custodial credit risk. At June 30, 2011, the university had $2,477,258.87 of uninsured and unregistered investments for which the securities are held by the counterparty and $3,994,199.62 of uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the university's name.

Concentration of Credit Risk. TBR policy restricts investments in banker's acceptances, commercial paper, and money market mutual funds. The policy limits banker's acceptances to not exceed twenty percent of total investments on the date of acquisition and limits the combined amount of banker's acceptances and commercial paper to not exceed thirty-five percent of total investments at the date of acquisition. The amount invested in any one bank shall not exceed five percent of total investments on the date of acquisition. Additionally, no more than five percent of total investments at the date of acquisition may be invested in the commercial paper of a single issuer. The policy further limits the total holdings of an issuer's commercial paper to not more than two percent of the issuing corporation's total outstanding commercial paper. TBR policy limits investments in money market mutual funds to not exceed ten percent of total investments on the date of acquisition.

Investments of endowment and similar funds are composed on the following:

		Carrying Value
Certificates of Deposit	$	29,477.73
Regions Investment Account		2,477,258.87
The Common Fund		3,994,199.62
Total	**$**	**5,549,127.76**

The Certificate of Deposit and the Regions Investment Account are each the investment of a single endowment fund. The investments for the remaining endowment funds are composed of two mutual funds managed by the Common Fund. Assets of endowment funds are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the value per unit fair value at the beginning of the calendar quarter within which the transaction takes place. At June 30, 2011, there were a total of 11,280.643 units in the Multi-Strategy Equity fund, each unit had a fair value of $200.66, and a total of 121,618.117 units in the Multi-Strategy Bond Fund, each having a market value of $14.23.

The following tabulation summarizes changes in relationships between cost and fair values of the pooled assets:

	Pooled Assets			Fair Value per Unit
	Market	Cost	Net Gains (Losses)	
Common Fund:				
Multi-Strategy Equity Fund				
June 30, 2011	$ 2,263,573.82	$ 1,080,000.00	$ 1,183,573.82	200.66
July 1, 2010	$ 1,670,811.63	$ 1,080,000.00	590,811.63	159.50
			$ 592,762.19	
Multi-Strategy Bond Fund				
June 30, 2011	$ 1,730,625.80	$ 1,703,000.00	$ 27,625.80	14.23
July 1, 2010	$ 1,848,750.91	$ 1,703,000.00	145,750.91	13.80
			$ (118,125.11)	
Total net gains (losses)			**$ 474,637.08**	

The average annual earnings per unit, exclusive of net gains, were $52.547 per unit for the Multi-Strategy Equity Fund and $(0.971) per unit for the Multi-Strategy Bond Fund for the year ended June 30, 2011.

4. **Accounts, Notes, and Grants Receivable**

Accounts receivable included the following:

		June 30, 2011
Student accounts receivable	$	6,099,427.56
Grants receivable		761,434.12
Notes receivable		12,542.34
State appropriation receivable		113,800.00
Other receivables		789,663.87
Subtotal	**$**	**7,776,867.89**
Less allowance for doubtful accounts		(1,601,630.73)
Total	**$**	**6,175,237.16**

Federal Perkins Loan Program funds include the following:

		June 30, 2011
Perkins loans receivable	$	1,529,297.78
Less allowance for doubtful accounts		(298,863.03)
Total	**$**	**1,230,434.75**

5. **Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beg Balance	Additions	Transfers	Reductions	End Balance
Land	$ 6,999,331.41	$ 1,683,545.68			$ 8,682,877.09
Land improve & Infrastructure	20,244,463.21	4,188,776.15	$ 3,047,416.58		27,480,655.94
Buildings	148,345,706.96	1,110,710.45	6,184,868.97		155,641,286.38
Equipment	12,640,186.27	2,613,412.76		$ 489,619.27	14,763,979.76
Library holdings	5,938,521.01	530,951.54		555,245.54	5,914,227.01
Software	2,389,851.44				2,389,851.44
Projects in progress	16,173,568.82	17,636,978.49	(9,232,285.55)		24,578,261.76
Total	**$ 212,731,629.12**	**$27,764,375.07**	**$ -**	**$ 1,044,864.81**	**$ 239,451,139.38**
Less accumulated depreciation/amortization:					
Land improve & infrastructure	$ 6,513,014.27	$ 1,221,885.51			$ 7,734,899.78
Buildings	58,123,070.21	3,900,524.28			62,023,594.49
Equipment	7,591,665.50	1,198,449.05		$ 380,081.90	8,410,032.65
Library holdings	3,449,896.80	591,422.71		555,245.54	3,486,073.97
Software	1,113,130.00	255,344.29			1,368,474.29
Total	**$ 76,790,776.78**	**$ 7,167,625.84**		**$ 935,327.44**	**$ 83,023,075.18**
Capital assets, net	**$ 135,940,852.34**	**$ 20,596,749.23**	**$ -**	**$ 109,537.37**	**$ 156,428,064.20**

6. **Accounts Payable**

Accounts payable included the following:

	June 30, 2011
Vendors payable	$ 2,875,785.80
Unapplied student payments	
Other payables	-
Total	**$ 2,875,785.80**

7. **Long-term Liabilities**

Long term liability activity for the year ended June 30, 2011, was as follows:

	Beg Balance	Additions	Reductions	End Balance	Curr Portion
Payables:					
TSSBA debt:					
Bonds	$ 38,085,938.41	$ 939.21	$ 1,753,064.48	$ 36,333,813.14	$ 1,830,180.02
Commercial Paper	6,814,711.88	17,339,939.75		24,154,651.63	
Subtotal	**$ 44,900,650.29**	**$ 17,340,878.96**	**$ 1,753,064.48**	**$ 60,488,464.77**	**$ 1,830,180.02**
Other Liabilities					
Compensated Absences	$ 2,167,423.36	$ 1,940,616.29	$ 1,946,267.94	$ 2,161,771.71	$ 624,672.17
Due to grantor	829,136.60		69,734.32	759,402.28	
Net OPEB obligation	3,130,773.86	1,555,884.82	934,062.38	3,752,596.30	
Subtotal	**$ 6,127,333.82**	**$ 3,496,501.11**	**$ 2,950,064.64**	**$ 6,673,770.29**	**$ 624,672.17**
Total long-term liabilities	**$ 51,027,984.11**	**$ 20,837,380.07**	**$ 4,703,129.12**	**$ 67,162,235.06**	**$ 2,454,852.19**

TSSBA Debt - Bonds Payable

Bonds, with interest rates ranging from 2% to 5.5%, were issued by the Tennessee State School Bond Authority. The bonds are due serially until May 2036 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the university, including state appropriations, see Note 10 for further details. The bonded indebtedness with the Tennessee State School Bond Authority included in long-term liabilities on the Statement of Net Assets is shown net of assets held by the authority in the debt service reserve and net of unexpended debt proceeds. The reserve amount was $864,351.71 at June 30, 2011. Unexpended debt proceeds were $0.00 at June 30, 2011.

Debt service requirements to maturity for the university's portion of TSSBA bonds at June 30, 2011, are as follows:

For the Year(s) Ending June 30	Principal	Interest	Total
2012	$ 1,830,180.02	$ 1,700,694.84	$ 3,530,874.86
2013	1,699,259.28	1,630,666.11	3,329,925.39
2014	1,236,668.24	1,551,902.44	2,788,570.68
2015	1,264,331.31	1,481,759.28	2,746,090.59
2016	1,172,163.13	1,424,576.08	2,596,739.21
2017 – 2021	6,506,559.17	6,274,732.92	12,781,292.09
2022 – 2026	8,111,165.57	4,615,589.65	12,726,755.22
2027 – 2031	9,254,365.60	2,532,617.65	11,786,983.25
2032 – 2036	5,259,120.82	524,901.67	5,784,022.49
2036– 2041	-	-	-
Total	**$ 36,333,813.14**	**$ 21,737,440.64**	**$ 58,071,253.78**

TSSBA Debt - Commercial Paper

The Tennessee State School Bond Authority issues commercial paper to finance costs of various capital projects during the construction phase. When projects are placed in service, long-term, fixed-rate debt is issued by TSSBA to finance the project over its useful payback period and the commercial paper is redeemed. The amount outstanding for projects at the university was $24,154,651.63 at June 30, 2011.

For the commercial paper program, the Tennessee State School Bond Authority maintains an interest rate reserve fund. The university contributes amounts to the reserve fund based on the amounts drawn. The principal of the reserve will be contributed to pay off notes or credited back to the university when the notes are converted to bonds. The interest earned on the reserve is used to pay interest due during the month.

More detailed information regarding the bonds and commercial paper can be found in the notes to the financial statements in the financial report for the Tennessee State School Bond Authority. That report is available on the state's website at http://tn.gov/comptroller/bf/tssbacafr.htm.

8. **Endowments**

If a donor has not provided specific instructions to Austin Peay State University, state law permits the university to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the university is required to consider the university's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The university chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the university, all investment earnings have been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2011, net appreciation of $28,887.32 is available to be spent, of which $28,887.32 is included in restricted net assets expendable for scholarships and fellowships.

9. **Unrestricted Net Assets**

Unrestricted net assets include funds that have been designated for specific purposes. These purposes include the following:

	FY 2011	
Working capital	$	4,182,363.65
Encumbrances		1,458,564.17
Designated fees		3,128,726.02
Auxiliaries		365,979.12
Plant construction		29,559,710.96
Renewal and replacement of equipment		10,805,429.00
Undesignated balance		(686,632.72)
Total	**$**	**48,814,140.20**

10. **Pledged Revenues**

The university has pledged certain revenues and fees, including state appropriations, to repay $36,333,813.14 in revenue bonds issued from April 2002 to April 2009. Proceeds from the bonds provided financing for University Center with equipment, Meacham Apartments, Recreation Center, Hand Village, Emerald Hills Apartments No. 4, Fort Campbell Classroom Building, renovation of four residence halls, and upgrade of the housing fire safety system. The bonds are payable through May 2036. Annual principal and interest payments on the bonds are expected to require 2.62 percent of available revenues. The total principal and interest remaining to be paid on the bonds is $58,071,253.78. Principal and interest paid for the current year and total available revenues were $3,548,825.78 and $114,316,001.78, respectively.

11. **Pension Plans**

Defined Benefit Plan

PLAN DESCRIPTION – The university contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, Tennessee Code Annotated, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state's website at http://www.state.tn.us/treasury/tcrs/index.html.

FUNDING POLICY - Plan members are noncontributory. The university is required to contribute at an actuarially determined rate. The current rate is 14.91% of annual covered payroll. The contribution requirements of the university are established and may be amended by the TCRS Board of Trustees. The university's contributions to TCRS for the years ending June 30, 2011, 2010, and 2009 were $2,766,516.99, $2,321,141.50, and $2,283,631.14, respectively, equal to the required contributions for each year.

Defined Contribution Plans

Plan Description – The university contributes to three defined contribution plans: Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), ING Life and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly.

Funding Policy – Plan members are noncontributory. The university contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the university to the plans for the year ended June 30, 2011, was $2,379,199.99 and for the year ended June 30, 2010, was $2,308,673.84. Contributions met the requirements for each year.

12. **Other Postemployment Benefits**

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program that provides postemployment health insurance benefits to eligible university retirees. This program includes two plans available to higher education employees – the State Employee Group Plan and the Medicare Supplement Plan. Both plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-101. Prior to reaching age 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. The POS and HMO options will no longer be available to members after January 1, 2011. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered medicare supplement that does not include pharmacy. The state makes on-behalf payments to the medicare supplement plan for the university's eligible retirees, see Note 18. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

FUNDING POLICY - The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. In accordance with TCA 8-27-205(b), retirees not eligible for Medicare pay a percentage of the total state premium under the State Employee Group Plan based on years of service, leaving a portion of retiree premiums effectively subsidized by contributions to the State Employee Group Plan for active employees. Retirees with 30 years of service pay 20% of the total premium under the State Employee Group Plan. Retirees with 20 years but less than 30 years of service pay 30% of the total premium under the State Employee Group Plan. Retirees 55 and older with less than 20 years but more than 10 years of service pay 40% of the total premium under the State Employee Group Plan. Contributions for the State Employee Group Plan for the year ended June 30, 2011, were $7,983,837.90, which consisted of $6,503,789.63 from the university and $1,480,048.27 from the employees.

Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution (ARC)	$ 1,415,000.00
Interest on the net OPEB obligation	140,884.82
Adjustment to the ARC	(133,445.88)
Annual OPEB cost	1,422,438.94
Amount of contribution	(800,616.50)
Increase/decrease in net OPEB obligation	**$ 621,822.44**
Net OPEB Obligation – beginning of year	$ 3,130,773.86
Net OPEB Obligation – end of year	**$ 3,752,596.30**

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
06/30/09	State Employee Group Plan	$ 1,747,373.53	40.1%	$ 2,189,702.42
06/30/10	State Employee Group Plan	$ 1,564,202.89	39.8%	$ 3,130,773.86
06/30/11	State Employee Group Plan	$ 1,422,438.94	56.3%	$ 3,752,596.30

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2011, was as follows:

Actuarial valuation date	July 1, 2010
Actuarial accrued liability (AAL)	$ 12,961,000.00
Actuarial value of plan assets	$ -
Unfunded actuarial accrued liability (UAAL)	$ 12,961,000.00
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 40,813,948.04
UAAL as percentage of covered payroll	31.76%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2007, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7% initially, increased to 11% in the second year and then reduced by decrements to an ultimate rate of 5% after twelve years. Both rates include a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

13. **Chairs of Excellence**

The university had $11,072,215.56 on deposit at June 30, 2011, with the State Treasurer for its Chairs of Excellence program. These funds are held in trust by the state and are not included in these financial statements.

14. **Insurance-Related Activities**

It is the policy of the state not to purchase commercial insurance for the risks of losses for general liability, automobile liability, professional malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property, flood, earthquake, and builder's risk losses and surety bond coverage on the state's officials and employees. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years. The Risk Management Fund is also responsible for claims for damages to state owned property up to the amount of the property insurance aggregate deductible amount. The insurance policy deductibles vary from $25,000 per occurrence, depending on the type of coverage, to an aggregate of $5 million.

The university participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on a percentage of the university's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2010, and June 30, 2009, are presented in the Tennessee Comprehensive Annual Financial Report. The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.html. Since the university participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Tennessee Code Annotated, Section 9-8-101 et seq. Liability for negligence of the university for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in Tennessee Code Annotated, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. The amount of cash and cash equivalents designated for payment of claims held by the Risk Management Fund at June 30, 2011, was not available. At June 30, 2010, the Risk Management Fund held $114.5 million in cash and cash equivalents designated for payment of claims.

At June 30, 2011, the scheduled coverage for the university was $448,219,800 for buildings and $68,558,700 for contents.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The university participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on estimates of the ultimate cost of claims, including the costs of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

15. **Commitments and Contingencies**

SICK LEAVE - The university records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was $12,938,539.99 at June 30, 2011.

OPERATING LEASES – The university has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for real property were $22,140 for the year ended June 30, 2011. All operating leases are cancelable at the lessee's option.

CONSTRUCTION IN PROGRESS – At June 30, 2011, outstanding commitments under construction contracts totaled $9,162,393.98 for Infrastructure Improvements, Underground Electrical Updates, Parking Expansion, Undergraduate Housing, Baseball Fieldhouse, Campus Wide Paving, Clement Hall and Music Mass Communication Buildings Water Heaters, Clement Window Replacement, Emerald Hills Fire Safety Upgrades, HVAC Upgrades, New Student Housing, and Clement Hall Foundation Repairs of which $990,793.05 will be funded by future state capital outlay appropriations.

LITIGATION – The university is involved in several lawsuits, none of which is expected to have a material effect on the accompanying financial statements.

16. Funds Held in Trust by Others

The university is beneficiary under the Gracey Trust. The underlying assets are not considered assets of the university and are not included in the university's financial statements. The university received $93,137 from these funds during the fiscal year ended June 30, 2011.

17. Natural Classifications with Functional Classifications

The university's operating expenses by functional classification for the year ended June 30, 2011, are as follows:

Functional Classification	Natural Classification					
	Salaries	Benefits	Other Operating	Scholarship	Depreciation	Total
Instruction	$ 27,573,150.73	$ 8,208,272.65	$ 7,470,544.17			$ 43,251,967.55
Research	1,002,640.37	320,299.81	586,824.77			1,909,764.95
Public Service	850,184.62	258,260.50	309,701.26			1,418,146.38
Academic Support	4,791,751.80	1,809,207.08	1,326,443.76			7,927,402.64
Student Services	6,126,160.42	2,557,976.21	6,076,290.81			14,760,427.44
Institutional Support	5,287,353.35	2,173,874.63	2,397,904.02			9,859,132.00
Maintenance & Operations	2,296,165.45	1,132,732.44	7,740,643.17			11,169,541.06
Scholarships & Fellowships				$ 21,640,390.67		21,640,390.67
Auxiliary	1,207,709.48	347,739.31	3,311,361.31			4,866,810.10
Depreciation					$ 7,167,625.84	7,167,625.84
Total Expenses	**$ 49,135,116.22**	**$ 16,808,362.63**	**$ 29,219,713.27**	**$ 21,640,390.67**	**$ 7,167,625.84**	**$ 123,971,208.63**

18. On-Behalf Payments

During the year ended June 30, 2011, the State of Tennessee made payments of $57,713 on behalf of the university for retirees participating in the Medicare Supplement Plan. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 12. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

19. Component Unit(s)

Austin Peay State University Foundation is a legally separate, tax-exempt organization supporting Austin Peay State University. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the university in support of its programs. The 130-member board of the foundation is self-perpetuating and consists of graduates and friends of the university. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

During the year ended June 30, 2011, the foundation made distributions of $744,266.72 to or on behalf of the university for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Donna Johansen, Business Office, P. O. Box 4635, Clarksville, TN 37044.

The foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the University's financial report for these differences.

FAIR VALUE MEASUREMENTS – The foundation reports certain assets and liabilities at fair value. Fair value has been determined using quoted prices in active markets for identical assets and liabilities that are accessible at the measurement date (Level 1), inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability (Level 2), or significant unobservable inputs (Level 3). The following table categorizes the recurring fair value measurements for assets and liabilities at June 30, 2011:

	Total Fair Value at June 30, 2011	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Unobservable Inputs: Level 3
Assets:				
Money Market Funds	$ 721,433.57	$ 721,433.57		
Certificates of deposit	100,417.06		100,417.06	
Marketable debt securities	2,380,090.62	2,380,090.62		
Marketable equity securities	8,786,047.03	8,786,047.03		
Mutual Funds	1,036,218.29	1,036,218.29		
Hedge Funds	403,536.91	403,536.91		
Real Estate	12,905.86	12,905.86		
Life Insurance	89,087.03	89,087.03		
Total Assets	**$ 13,529,736.37**	**$ 13,429,319.31**	**$ 100,417.06**	**$ -**

CASH AND CASH EQUIVALENTS – Cash and cash equivalents consists of demand deposit accounts, certificates of deposit, money market funds and State of Tennessee Local Government Investment Pool. The bank balances at June 30, 2011, were entirely insured.

INVESTMENTS – Investments are recorded on the date of contribution and are stated at market value. Unrealized gains and losses are determined by the difference between market values at the beginning and end of the year. Investment securities held at year-end were as follows:

	June 30, 2011	
	Cost	Market Value
Money market funds	$ 721,387.99	$ 721,433.57
Certificates of deposit	100,417.06	100,417.06
Marketable debt securities	2,154,506.07	2,380,090.62
Marketable equity securities	6,344,963.99	8,786,047.03
Mutual funds	963,872.42	1,036,218.29
Hedge funds	400,000.00	403,536.91
Real Estate	6,616.47	12,905.86
Life Insurance		89,087.03
Total	**$ 10,691,764.00**	**$ 13,529,736.37**

ALTERNATIVE INVESTMENTS – The foundation has investments in hedge funds and real estate. The estimated fair value of these assets is $416,442.77 at June 30, 2011.

The foundation believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2011. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. These investments are made in accordance with the foundation's investment policy that approves the allocation of funds to various asset classes in order to ensure the proper level of diversification. These investments are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated using various valuation techniques.

PLEDGES RECEIVABLE – Pledges receivable are summarized below net of the allowance for doubtful accounts:

	June 30, 2011
Current pledges	$ 4,165.76
Pledges due in one to five years	280,567.05
Pledges due after five years	170,000.00
Subtotal	**$ 454,732.81**
Less discounts to net present value	(42,241.51)
Total pledges receivable, net	**$ 412,491.30**

CAPITAL ASSETS – Capital assets at year-end were as follows:

	June 30, 2011
Land	$ 870,687.50
Equipment	16,363.00
Total	**$ 887,050.50**
Less accumulated depreciation/amortization:	
Equipment	7,573.00
Total	**$ 7,573.00**
Capital assets, net	**$ 879,477.50**

ENDOWMENTS – The Austin Peay State University Foundation's endowment consists of 144 individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW – The Board of Trustees of the Austin Peay State University Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee as a necessary tool to guide the investment policy and record keeping of the foundation. As a result of this interpretation, the foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the foundation and the endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the foundation
7. The investment policies of the foundation

Composition of Endowment by Net Asset Class As of June 30, 2011				
	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 11,911,956.69			$ 11,911,956.69
Board-designated endowment funds				
Total funds	**$ 11,911,956.69**	**$ -**	**$ -**	**$ 11,911,956.69**

Changes in Endowment Net Assets As of June 30, 2011				
	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net assets , beginning of year	$ 8,963,709.27			$ 8,963,709.27
Investment return:				
Investment income	230,521.94			230,521.94
Net depreciation (realized and unrealized)	1,856,634.87			1,856,634.87
Total investment return	**$ 2,087,156.81**	**$ -**	**$ -**	**$ 2,087,156.81**
Contributions	631,119.75			631,119.75
Appropriation of endowment assets for expenditure				
Other changes:				
Transfers	229,970.86			229,970.86
Land sale				
Endowment net assets, end of year	**$ 11,911,956.69**			**$ 11,911,956.69**

RETURN OBJECTIVES AND RISK PARAMETERS – The foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that will achieve a total return equivalent to or greater than the foundation's financial requirements over the time horizon. The foundation expects its endowment funds, over time, to provide an average rate of return of approximately seven percent annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES – To satisfy its long-term rate-of-return objectives, the foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE – The foundation has a policy of appropriating for distribution each year an amount equal to the product of the investment portfolio's average market value for the trailing twelve quarters ending December 31 multiplied by the spending rate. In establishing this policy, the foundation considered the long-term expected return on its endowments. Accordingly, over the long-term, the foundation expects the current spending policy to allow its endowment to grow at an average of three percent annually. This is consistent with the foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

SUPPLEMENTARY INFORMATION

AUSTIN PEAY STATE UNIVERSITY - FOUNDATION
Supplementary Information
Unaudited Statement of Cash Flows - Component Unit
for the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	$	1,226,968.03
Payments to suppliers and vendors		(253,090.05)
Payments for scholarships and fellowships		(377,689.52)
Payments to Austin Peay State University		(584,897.70)
Other receipts		326.00
Net cash provided by operating activities	$	11,616.76
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	$	571,957.88
Net cash provided by non-capital financing activities	$	571,957.88
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets and construction		200,000.00
Net cash provided by capital and related financing activities	$	200,000.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$	1,399,787.32
Income on investments		300,084.62
Purchase of investments		(2,891,607.87)
Other investing payments		767,051.31
Net cash used by investing activities	$	(424,684.62)
Net increase in cash and cash equivalents		358,890.02
Cash and cash equivalents - beginning of year		3,571,837.08
Cash and cash equivalents - end of year (Note 19)	$	3,930,727.10

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	$	241,565.73
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense		2,711.40
Pledges		(12,734.76)
Change in assets and liabilities:		
Receivables, net		(210,299.77)
Accounts payable		(9,625.84)
Net cash provided by operating activities	$	11,616.76

Non-cash transactions		
Gifts in-kind - capital	$	430,000.00
Unrealized gains on investments	$	2,157,491.96
Loss on disposal of capital assets	$	(73,000.00)

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for Austin Peay State University

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	State Plan	$ -	$ 15,132,000	$ 15,132,000	0%	$ 41,440,911	36.51%
July 1, 2009	State Plan	$ -	$ 14,121,000	$ 14,121,000	0%	$ 39,864,731	35.42%
July 1, 2010	State Plan	$ -	$ 12,961,000	$ 12,961,000	0%	$ 40,813,948	31.76%